TELEPIZZA GROUP, S.A.
AND SUBSIDIARIES

Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2017

Consolidated Statements of Financial Position
at 30 June 2017 and 31 December 2016

(Expressed in thousands of euros)

Assets	30.06.17	31.12.16
Property, plant and equipment (Note 5)	48,235	46,042
Goodwill (Note 3)	388,692	387,322
Other intangible assets (Note 4)	328,096	330,223
Deferred tax assets (Note 12)	29,307	32,165
Non-current financial assets (Note 7)	32,266	30,627
Total non-current assets	826,596	826,379
Inventories	10,455	11,623
Trade and other receivables (Note 8)	40,312	38,445
Other current financial assets	1,388	1,789
Other current assets	7,093	3,808
Cash and cash equivalents	69,067	63,972
Subtotal current assets	128,315	119,637
Non-current assets held for sale	85	305
Total current assets	128,400	119,942
Total assets	954,996	946,321

Condensed Consolidated Statements of Financial Position at 30 June 2017

(Expressed in thousands of euros)

Liabilities and equity	30.06.17	31.12.16
Share capital	25,180	25,180
Share premium	533,695	533,695
Accumulated gains	67,180	51,294
Translation differences	(7,375)	(3,110)
Non-controlling interests	326	
Total equity (Note 9)	619,006	607,059
Financial liabilities with credit institutions (note 10)	196,125	195,611
Deferred tax liabilities	82,225	82,866
Non-current provisions	87	87
Other non-current liabilities	6,886	6,460
Total non-current liabilities	285,323	285,024
Financial liabilities with credit institutions (note 11)	942	968
Other financial liabilities (note 14)	14	-
Trade and other payables (note 13)	47,200	50,218
Current provisions	50	248
Other current liabilities	2,378	2,719
Subtotal current liabilities	50,584	54,153
Liabilities associated with non-current assets held for sale	83	85
Total current liabilities	50,667	54,238
Total equity and liabilities	954,996	946,321

Interim Condensed Consolidated Income Statements for the
first six-month period of 2017

(Expressed in thousands of euros)

	30.06.17	30.06.16
Revenues (note 15)	180.029	165.595
Merchandise and raw materials use	(48.809)	(38.426)
Personnel expense (note 12 a))	(47.837)	(71.900)
Amortization and depreciation (notes 4 y 5)	(8.900)	(8.818)
Other expenses (note 12 b))	(48.647)	(51.468)
Operating profit	25.836	(5.017)
Finance income	418	1.236
Finance costs	(4.389)	(18.134)
Other losses	(443)	(152)
Profit before tax from continuing operations	21.422	(22.067)
Income tax/expense (note 12 c))	(5.981)	2.752
Profit/ (loss) for the year	15.441	(19.315)
Minority interest	(1)	
Profit/ (loss) for the year attributable to holders of equity	15.442	(19.315)
Earnings per share expressed in euros (note 9)	0,15	(0,36)

Interim Condensed Consolidated Statements of Comprehensive Income
for the first six-month period of 2017

(Expressed in thousands of euros)

	30.06.17	30.06.16
Consolidated profit/(loss) for the period	15,442	(19,315)
Other comprehensive income:		
Items to be reclassified to profit and loss		
Translation differences from financial statements of foreign operations	(4,265)	4,892
Total comprehensive income for the period	11,177	(14,423)
Total comprehensive income attributable to holders of equity instruments of the Parent	11,178	(14,423)
Total comprehensive income attributable to non-controlling interests	(1)	

Interim Condensed Consolidated Cash Flow Statements

for the first six-month period of 2017

(Expressed in thousands of euros)

	30.06.17	30.06.16
Cash flows from operating activities:	24,421	5,020
Profit/(loss) before tax	21,422	(22,067)
Adjustments to profit/(loss):	8,857	8,604
Depreciation and amortisation	8,900	8,818
Other adjustments to profit/(loss)	(43)	(214)
Changes in working capital	(7,612)	2,546
Other cash flows from operating activities:	1,754	15,937
Finance income	(418)	(1,236)
Finance costs	(4,389)	(18,134)
Income tax receipts (payments)	(2,635)	(961)
Cash flows from investing activities:	(13,892)	(12,133)
Investment payables:	(15,712)	(16,615)
Property, plant and equipment, intangible assets and investment property	(14,114)	(9,987)
Other financial assets	(1,598)	(6,628)
Divestments from property, plant and equipment, intangible assets and investment property	2,238	3,246
Other cash flows from financing activities:	-	1,236
Dividends received	-	-
Interest received	-	1,236
Cash flows from financing activities:	(4,167)	25,556
Proceeds from and payments for equity instruments:	444	126,764
Issue	444	126,764
Proceeds from and payments for financial liability instruments:	(514)	(87,906)
Redemptions and repayment	(514)	(87,906)
Interest payable	(3,344)	(13,302)
Effect of changes in exchange rates	(2,438)	4,161
Increase/(decrease) in cash and cash equivalents	5,095	22,604
Cash and cash equivalents at beginning of year	63,972	39,946
Cash and cash equivalents at end of year	69,067	62,550

Interim Condensed Consolidated Statements of Changes in Equity
for the first six-month period of 2017

(Expressed in thousands of euros)

	Share capital	Share premium and reserves	Profit/(loss) for the period	Adjustments due to changes in value	Non-controlling interests	Total equity
Balance at 31.12.16	25,180	574,298	10,691	(3,110)	-	607,059
Total recognised income/(expenses)	-	-	15,442	(4,265)	-	11,177
Transactions with shareholders or owners	-	(309)	-	-	326	17
Capital increase	-	-	-	-	-	-
Shareholder contributions	-	-	-	-	-	-
Increase (decrease) due to business combinations		444	-		326	770
Transfers between equity items	-	10,691	(10,691)	-	-	-
Balances at 30.06.17	25,180	585,433	15,442	(7,375)	326	619,006

Interim Condensed Consolidated Statements of Changes in Equity
for the first six-month period of 2016
(Expressed in thousands of euros)

	Share capital	Share premium and reserves	Profit/(loss) for the period	Adjustments due to changes in value	Total equity
Balance at 31.12.15	18,000	345,591	(1,149)	(8,100)	354,342
Total recognised income/(expenses)	-	-	(19,315)	4,892	(14,423)
Transactions with shareholders or owners	7,180	223,638	-	-	230,818
Capital increase	7,180	211,141	-	-	218,321
Shareholder contributions	-	12,786	-	-	12,786
Other transactions	-	(289)	-	-	(289)
Transfers between equity items	-	(1,149)	1,149	-	-
Balance at 30.06.16	25,180	568,080	(19,315)	(3,208)	570,737

TELEPIZZA GROUP AND SUBSIDIARIES

Explanatory notes to the Condensed Consolidated

(1) Nature, Activities and Breakdown of the Group

Telepizza Group, S.A. (the Company or Parent) was formed as a limited liability company in Spain on 11 May 2005 for an indefinite period, under the name of Bahíaflora Inversiones, S.L. On 30 June 2005, its company name was changed to Foodco Pastries Spain SAU. and in April 2016 it was changed to its current name. Its registered office is located in San Sebastián de los Reyes (Madrid).

In accordance with the minutes of the decisions of the Sole Shareholder dated 22 January 2016, executed in a public deed on 05 February 2016, it was resolved to transform the Company into a public limited company, and to draft new articles of association to adapt them to the new company form.

The Company's object is the performance of economic studies, the sales promotion of all types of products for its own account or for the account of third parties, including mailing, the importation and exportation of all manner of products and raw materials, the manufacture, distribution and marketing of products for human consumption and the lease of machinery and capital goods. The activities forming the corporate purpose can be carried on partially or in full and directly or indirectly, through the ownership of shares or holdings in other companies that perform them in accordance with their company object both in Spain and abroad. The Company will not carry out any activity for which the law requires adherence to specific conditions or requirements without complying therewith.

The main activity of Telepizza Group, S.A. consists of the ownership of the holding in Tele Pizza, S.A. and in performing services related with corporate and strategic management on behalf of Tele Pizza, S.A.

The main activity of its subsidiaries consists of the management and operation of stores under the "Telepizza", "Pizza World" and "Jeno's Pizza" brands for consumption at home and on the premises which, at 30 June 2017, is performed through 469 own premises and 971 franchises, located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru, Ecuador, Panama, Paraguay, Morocco, France, Switzerland and the Czech Republic. Likewise, the Group performs its activities through master franchises located in Guatemala, El Salvador, Russia, Angola, Bolivia, Iran, the United Kingdom and Saudi Arabia.

The Group purchases cheese in Spain through a supplier with which it has signed a long-term exclusivity agreement, with a minimum annual volume. This agreement provides flexibility and optimum maintenance of inventories. Also, through its factory and logistics centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the stores in Spain and Portugal operated directly by the Group or through its franchises. Also, the Group has six other factories distributed in other countries in which it carries on activities, which also serve as logistics centres. The high volume of purchases provides economies of scale and facilitates the unification of the products purchased.

The franchise business consists mainly of providing advice on the management of third-party stores that operate with the "Telepizza" and "Pizza World" brands, with the Telepizza Group receiving a percentage of the sales of its franchises (royalty) as consideration. Likewise, it centralises the promotion and advertising activity of all stores operating under the aforementioned brands, obtaining a percentage of its franchises' advertising sales. Also, the Group sub-leases some of the premises at which its franchises carry out their activity and provides services consisting in employee management, such as the preparation of the payroll of certain of its franchises.

The master franchise business includes operations performed in those countries in which the Group does not operate directly, since it has signed a contract in which the brand is licensed with a local operator. The master franchise contracts guarantee that the master franchise can operate with the Telepizza brand in a certain market, enabling them to open their own stores or to franchise them in turn.

On 31 March 2016, the Board of Directors of the Parent, the Telepizza Group, unanimously agreed to request the admission to listing of the Madrid, Barcelona, Bilbao and Valencia Stock Markets and the concomitant Public Offering and Public Offering for the Subscription of New Shares on the Spanish Stock Market, a process which ended successfully. Accordingly, all shares of the Parent have been listed on the stock market since 27 April 2016.

The terms of the Offering were set as follows: (a) Subscription offering: A cash amount of 118,530,964.50 euros, which corresponds to the Company's capital increase of 3,823,579.50 euros, through the emission and placement of 15,294,318 new ordinary shares of the Company, with the same voting and dividend rights as the remaining Telepizza Group shares. (b) Sales offering: Cash amount of 431,469,028.25 euros, through the placement of 55,673,423 existing shares owned by the Offering Shareholder.

(2) Basis of Presentation

(a) Basis of presentation of the half-yearly financial statements

These condensed consolidated financial statements for the period ended 30 June 2017 were prepared from the accounting records of Telepizza Group, S.A. and of its consolidated entities. They were also prepared in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other applicable provisions of the financial reporting regulatory framework. Accordingly, they present fairly the consolidated equity and the consolidated financial position of Telepizza Group, S.A. and Subsidiaries at 30 June 2017, and the consolidated financial results, the consolidated cash flows and the changes in consolidated equity for the year ended as of that date.

The Group adopted the IFRS-EU at 01 January 2004 and applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" on that date.

These interim condensed consolidated financial statements were prepared by the Parent's Board of Directors at its meeting held on 25 July 2017.

b) Comparative information

In accordance with paragraph 20 of IAS 34, and in order to obtain comparative information, these interim condensed consolidated financial statements include the condensed consolidated statements of financial position at 30 June 2017 and 31 December 2016, the interim condensed consolidated income statements for the six-month periods ended 30 June 2017 and 2016, the interim condensed consolidated statements of comprehensive income for the six-month periods ended 30 June 2017 and 2016, the interim condensed consolidated statements of changes in equity for the six-month periods ended 30 June 2017 and 2016, the interim condensed consolidated cash flow statements for the six-month periods ended 30 June 2017 and 2016, together with the explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

c) Responsibility for the information provided and estimates made

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

Likewise, although the estimates performed by the Company's directors were calculated based on the best available information at 30 June 2017, it is possible that events that may take place in the future may force them to be amended in the coming years. The effect on the consolidated financial statements of the amendments which, where appropriate, arise from the adjustments to be performed in the coming years would be recognised prospectively.

(d) Accounting policies and measurement bases

The accounting policies and measurement bases used in these interim condensed consolidated financial statements at 30 June 2017 are the same as those used in the consolidated financial statements for the year ended 31 December 2016.

Standards and interpretations effective since 2016

The amendments of standards and interpretations, together with new standards introduced since 01 January 2017, did not lead to any significant changes in the presentation of the accounts.

Also, at the date of issue of these financial statements, such standards and interpretations had been adopted by the EU and the following IFRS had entered into force, which will be applied based on their effective date.

- IFRS 9 Financial instruments Effective for the years commencing on 01 January 2018. The Group currently expects to apply the standard for the first time on 01 January 2018.

  The real impact of the adoption of IFRS 9 on the Group's consolidated financial statements in 2018 is unknown and cannot be reliably estimated, since

  it will depend on the financial instruments owned by the Group, and the economic conditions at the time, together with the accounting decisions and value judgements adopted in the future.

- IFRS 15 Revenue from contracts with customers Effective date for years commenced from 01 January 2018. IFRS 15 establishes an exhaustive framework to determine in what amount and when revenues are recognised. It substitutes the existing guidelines regarding revenue recognition, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes.

  For product sales, revenues are currently recognised when the items are delivered to the customers at the sales outlets or at their home, which is when the customer accepts the goods and the risks and benefits are transferred. Revenues are recognised at this point provided that they and the costs can be reliably measured, that it is likely to recover their consideration (already received in cash transactions) and that there is no continued involvement of Management with the goods.

  In accordance with IFRS 15, revenues are recognised when the customer obtains control over the goods, which also happens when they are delivered to the customers at the sales outlets.

  In the case of the loyalty programmes managed by the Group, since the discounts are granted and applied to customers when the transaction occurs, and they are recognised as a revenue reduction, no liability is recognised. IFRS 15 is not expected to generate any impact.

  The Group expects to adopt IFRS 15 in its consolidated financial statements for the year ended 31 December 2018 on a prospective basis.

  The initial evaluation performed by the Group of the potential impact of the adoption of IFRS 15 on its consolidated financial statements concludes that it will be very limited.

Likewise, below is a detail of the standards or interpretations that have not yet been adopted by the European Union, which must be adopted in the coming years and which will have a greater effect on the Group:

- IFRS 16 Leases Effective for periods beginning on or after 01 January 2019. IFRS 16 introduces a unique model for the recognition of leases in the balance sheet for lessees. The lessee recognises an asset for the right of use, which represents its right to use the underlying asset, and a lease liability, which represents its obligation to make lease payments. Optional exemptions exist for short-term leases and leases of items of scant value. The lessors' accounting records are kept in a similar way to the current standard, that is, the lessors continue to classify the leases as financial or operating leases.

  The standard applies to annual periods beginning on or after 01 January 2019, although it may be adopted early by entities that apply IFRS 15 Revenue from contracts with customers on, or before the date of initial application of IFRS 16.

  The Group performs an initial evaluation of the potential impact on its consolidated financial statements. To date, the most significant impact identified was that the Group will recognise new assets and liabilities for its operating leases on factories and commercial premises. Furthermore, the nature of the expenses relating to these leases will now change, since IFRS 16 substitutes the lineal expense of operating leases with a charge for the amortisation of assets with a right of use and an expense for interest on lease liabilities.

  As lessee, the Group can apply the standard on a retrospective basis, or on a retrospective basis modified with simple optional practices.

The lessee will apply the alternative chosen on a uniform basis to all its leases. At present, the Group expects to apply IFRS 16 for the first time on 01 January 2019. It has not yet decided which transition approach it will use.

The Group is not bound to make any adjustment to the leases in which it acts as lessor, unless it is an intermediary lessor in a sub-lease.

The Group has not yet quantified the impact on its assets and liabilities recognised as a result of the adoption of IFRS 16. The quantitative effect will depend, among other things, on the transition method chosen, to the extent to which the Group uses the practical simplifications and the recognition exemptions, together with all the additional leases formalised by the Group. With respect to the application of this standard and its quantification, the Group considers the analysis to be performed on the lease period to be especially significant, together with the discount rate to be applied. The Group expects to reveal its transition approach and its quantitative information prior to adoption and, in any case, it foresees that the impact of the application of this standard will be significant for the Group's financial statements.

(3) Goodwill

The breakdown of and changes in "Goodwill" in the consolidated statement of financial position are as follows:

	Thousands of euros
Cost	
Balance at 31.12.15	382,694
Goodwill on business combinations in the period	5,176
Translation differences	500
Losses of value in the period	(1,048)
Balance at 31.12.16	387,322
Goodwill on business combinations in the period	2,765
Translation differences	(552)
Disposals	(843)
Balance at 30.06.17	388,692

Additions relate to the acquisition of stores from franchises, and the acquisition of Fortys Pizza s.r.o and Compañía de Negocios del Paraguay S.A. The detail of goodwill at 31 December 2016 and 30 June 2017, by country, is as follows:

	Thousands of euros	
	30.06.17	31.12.16
Spain	268,188	268,741
Portugal	62,092	61,311
Poland	4,620	4,620
Chile	41,753	41,819
Colombia	8,351	8,371
Panama	216	260
Switzerland	2,017	1,844
Czech Republic	940	-
Paraguay	186	-
Other	329	356
	388,692	387,322

This first half of 2017 the Group has acquired several stores mainly in Chile and Portugal and two companies in Czech Republic and in Paraguay. In 2016 the Group acquired several stores in Spain, Chile and Perú and some stores in Panamá and Switzerland.

These acquisitions of outlets are part of the Group's global strategy, which involves operating the outlets as own stores un various geographic regions rather than as franchisees.

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

	Thousand of euros	
	30.06.17	31.12.16
Cost of the combination, cash paid	3.009	5.800
Less, fair value of net assets acquired	(244)	(624)
Goodwill (note 9)	2.765	5.176

Goodwill arising in business combinations in both years reflects that the stores acquired have a strong market position and are considered tax- deductible.

(4) Other intangible assets

The breakdown of and changes in “Other intangible assets” in the consolidated statement of financial position are as follows:

	Thousands of euros					
	Concessions, patents, licences	Trademarks	Contractual rights and others	Other intangible assets	Computer software	Total
Cost						
Balances at 31.12.15	1,568	253,502	151,359	528	23,347	430,304
Additions	71	-	-	26	3,697	3,794
Disposals	-	-	-	(76)	(2,866)	(2,942)
Exchange differences	(7)	-	-	20	150	163
Balances at 31.12.16	1,632	253,502	151,359	498	24,328	431,319
Additions	50	-	-	24	1,874	1,948
Additions due to inclusions in the scope	-	-	-		8	8
Disposals	-	-	-	-	(24)	(24)
Others transfers	-			(16)	60	44
Exchange differences	(2)	-	-	(13)	(102)	(117)
Balances at 30.06.17	1,680	253,502	151,359	493	26,144	433,178
Decline or loss in value						
Amortisation balance at 31.12.15	(769)	(18,526)	(56,554)	(411)	(20,054)	(96,314)
Balance of loss in value at 31.12.15	(8)	-	-	-	-	(8)
Decline in value for the period	(181)	-	(5,815)	(9)	(1,649)	(7,654)
Disposals	-	-	-	75	2,869	2,944
Exchange differences	(4)	-	(31)	(7)	(22)	(64)
Amortisation balance at 31.12.16	(954)	(18,526)	(62,400)	(352)	(18,856)	(101,088)
Balance of loss in value at 31.12.16	(8)	-	-	-	-	(8)
Decline in value for the period	(88)	-	(2,910)	(6)	(1,093)	(4,097)
Decline in value due to inclusion in the scope					(4)	(4)
Disposals	-	-	-	-	34	34
Exchange differences	5		-	6	74	85
Other transfers	103	-	(162)	(162)	(107)	(4)
Amortisation balance at 30.06.17	(934)	(18,526)	(65,472)	(190)	(19,952)	(105,074)
Balance of loss in value at 30.06.17	(8)					(8)
Net value						
At 31.12.15	791	234,976	94,805	117	3,293	333,982
At 31.12.16	670	234,976	88,959	146	5,472	330,223
At 30.06.17	738	234,976	85,887	303	6,192	328,096

(5) Property, plant and equipment

The breakdown of and changes in “Property, plant and equipment” in the consolidated statement of financial position are as follows:

	Thousands of euros					
Data	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment in progress	Other property, plant and equipment	Total
Cost						
Balances at 31.12.15	7,612	104,849	11,736	391	15,042	139,630
Additions	9	13,447	1,221	3,125	213	18,015
Disposals	(661)	(15,584)	(1,123)	-	(1,900)	(19,268)
Other transfers	5	631	210	(864)	18	-
Exchange differences	261	1,295	174	6	283	2,019
Balances at 31.12.16	7,226	104,638	12,218	2,658	13,656	140,396
Additions	3	7,039	1,366	203	782	9,393
Additions due to inclusions in the scope	27	285	-	67		379
Disposals	(58)	(5,729)	(711)	(2)	(790)	(7,290)
Other transfers	1	(2,020)	1,329	(2,157)	2,804	(43)
Exchange differences	(147)	(1,577)	(189)	12	(328)	(2,229)
Balances at 30.06.17	7,052	102,636	14,013	781	16,124	140,606
Decline or loss in value						
Depreciation balance at 31.12.15	(4,376)	(69,317)	(8,876)	-	(10,864)	(93,433)
Balance of loss in value at 31.12.15	-	(6,027)	(12)	-	-	(6,039)
Decline in value for the period	(664)	(7,090)	(651)	-	(1,310)	(9,715)
Disposals	574	11,971	794	-	1,594	14,933
Exchange differences	(172)	(600)	(134)	-	(189)	(1,095)
Loss in value	(68)	1,063	-	-	-	995
Depreciation balance at 31.12.16	(4,638)	(65,036)	(8,867)	-	(10,769)	(89,310)
Balance of loss in value at 31.12.16	(68)	(4,964)	(12)	-	-	(5,044)
Decline in value for the period	(352)	(3,295)	(391)	-	(764)	(4,802)
Decline in value due to inclusions in the scope	(2)	(115)				(117)
Disposals	35	3,999	438	-	673	5,145
Exchange differences	189	533	130	(1)	163	1,014
Other transfers	0	(297)	(533)		834	4
Loss in value	(4)	743	-	-	-	739
Depreciation balance at 30.06.17	(4,768)	(64,211)	(9,223)	(1)	(9,863)	(88,066)
Balance of loss in value at 30.06.17	(72)	(4,221)	(12)	-	-	(4,305)
Carrying amount						
At 31.12.15	3,236	29,505	2,848	391	4,178	40,158
At 31.12.16	2,520	34,638	3,339	2,658	2,887	46,042
At 30.06.17	2,213	34,204	4,777	780	6,261	48,235

The additions relate mainly to store openings, replacement investment, factory machinery and the acquisition of stores from franchises.

Disposals primarily include property, plant and equipment used in stores which have been franchised, closed or sold.

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment is exposed.

At 30 June 2017, the Group did not have any commitments to acquire property, plant and equipment of a significant amount.

(6) Impairment

At 30 June 2017, the Parent's directors consider that no significant signs of impairment exist in any of its cash generating units. Accordingly, no provision was recognised for the impairment of such assets.

This first half has been reverted an impairment of material assets in an amount of 743 miles of euros because of the adjustment in the fair value of machinery.

(7) Non-current financial assets

The detail of other non-current financial assets at 30 June 2017 and 31 December 2016 was as follows:

	Thousands of euros	
	30.06.17	31.12.16
Deposits and guarantees	6,200	6,216
Non-current trade receivables	22,110	20,500
Other loans and receivables	3,956	3,911
	32,266	30,627

Non-current trade receivables relate mainly to the amounts receivable for the franchised activity and for the sale of fixed assets to franchises.

Other loans and receivables related to the loans granted by the Group to certain executives for the payment of tax withholdings relating to the portion of the incentives plan for management which Foodco Finance, selling shareholder of the shares, paid to beneficiaries in shares of the Company. (see Note 9)

(8) Trade and other receivables

The breakdown was as follows:

	Thousands of euros	
	30.06.17	31.12.16
Customer receivables	39,381	37,384
Other receivables	2,865	3,468
Tax receivables	6,088	5,825
Impairment losses	(8,022)	(8,232)
Trade and other receivables	40,312	38,445

The balance of other receivables includes mainly receivables for volume discounts on purchases of suppliers and advertising promotions not yet collected.

(9) Cash and Cash Equivalents

Details at 30 June 2017 and 31 December 2016 are as follows:

	Thousand of euros	
	30.06.17	31.12.16
Cash in hand at banks	69.067	63.972
Cash and cash equivalents	69.067	63.972

Cash and cash equivalents recognised in the consolidated statement of financial position are the same as those reported in the statement of cash flows as the Group does not have any overdrafts.

(10) Equity

(a) Share capital

At 31 December 2016, the share capital of Telepizza Group, S.A. was represented by 100,720,679 ordinary shares represented by book entries, of 0.25 euros par value each, belonging to a single class and series. All shares have been fully subscribed and paid and have the same voting and dividend rights.

In the first six months of 2016, the Sole Shareholder decided to reduce the par value of the shares by splitting the number of outstanding shares with a par value of 50 euros per share into shares with a par value of 0.25 euros per share, simultaneously increasing the number of outstanding shares from 360,000 to 72,000,000, through the split of each former share with a par value of 50 euros into 200 new shares with a par value of 0.25 euros, without altering share capital.

Within the framework of the stock market flotation, in 2016, the following capital increases were made:

On 27 April 2016, the Parent increased its share capital by 3,356 thousand euros, with a share premium of 100,698 thousand euros, through the issue of 13,426,369 new shares of 0.25 euros par value each and a share premium of 7.5 euros each. The holdings were fully subscribed and paid by the Sole Shareholder, through the offset of a loan held therewith amounting to 104,054 thousand euros (see Note 28).

Also as a result of the Public Offering and Public Offering for the Subscription of New Shares, on 25 April 2016, the Company increased its capital by 3,824 thousand euros, with a share premium of 114,707 thousand euros, through the issue of 15,294,318 new shares.

As a result of the equity instruments issued, at 30 June 2017 and 30 December 2016, share capital amounted to 25,180 thousand euros.

(b) Share premium

At 30 June 2017 and 31 December 2016, this premium was unrestricted, provided that, as a result of the distribution, the Parent's equity was not lower than the share capital amount.

As mentioned in paragraph a) of this note, in 2016, share capital was increased on two occasions, causing the share premium to rise by 215,405 thousand euros.

Throughout this first semester of 2016, the Group capitalised expenses relating to the Public Offering and Public Offering for the Subscription of New Shares, amounting to 4,264 thousand euros.

(c) Accumulated gains

- Legal reserve

  The Parent's legal reserve at 30 June 2017 and 31 December 2016 stood at 10,832 thousand euros.

- Shareholder contributions

  Shareholder contributions relate to monetary and non-monetary contributions received in 2014, totalling 157,615,105 euros and 3,615,885 euros, and to the capital increase expenses in 2008, 2010, 2011, 2013 and 2014, net of the tax effect.

  The increase in this heading at the Parent in 2016 corresponds to the recognition of 9,971 thousand euros, in relation to the incentive plans for the flotation on the stock market which the then Sole Shareholder approved prior to such flotation.

- Remaining accumulated gains/losses

  This heading includes the gains/losses obtained by Group companies and the related consolidation adjustments.

(d) Translation differences

Translation differences relate to the differences generated from the inclusion in the Group of the Telepizza subgroup in September 2006.

(e) Distribution of profit/(loss)

On 22 June 2017, the Parent's General Shareholders' Meeting resolved to allocate the Parent's loss for 2016, amounting to 10,792,151 euros, and to transfer it in full to the prior years' losses account.

(f) Earnings/(loss) per share

Basic

The basic earnings/(loss) per share are calculated by dividing the profit/(loss) for the period attributable to holders of equity instruments of the Parent by the weighted average number of outstanding ordinary shares in the period, excluding treasury shares where applicable.

	30.06.17	30.06.16
Earnings/(loss) for the period attributable to holders of equity instruments of the Parent (in euros)	15,442,307	(19,315,019)
Weighted average number of ordinary outstanding shares (in securities)	100,720,679	56,866,210
Basic earnings/(loss) per share (euros)	0.15	(0.36)

The weighted average number of ordinary outstanding shares at June 2016 was calculated as the weighted average of the number of ordinary shares, considering the two capital increases that took place in 2016.

Diluted

At 30 June 2017 and 30 June 2016, the diluted losses per share were equal to the basic losses since ordinary shares do not have dilutive effects.

(11) Obligations, Loans and Other Remunerated Liabilities

On 08 April 2016, the Parent, together with its subsidiary, Tele Pizza, S.A. and various financial institutions, with Banco Santander acting as lead bank, signed a new syndicated loan for 200,000,000 euros, whose date of entry into force depends upon the stock market flotation, together with a revolving facility with a limit of 15,000 thousand euros. At 31 December 2016, the fair value of this loan was 195,611 thousand euros, and the nominal value as of the same date amounted to 200,000 thousand euros. The difference between the aforementioned fair value and the nominal value relates to the loan origination and arrangement fees, totalling 5,023 thousand euros. The loan repayment schedule is as follows: 15% of the principal at 48 months from the effective date of use of the loan, 20% of the principal at 54 months from the effective date of use of the loan, and the remainder at 5 years from the effective date of

use of the loan.

The accrued interest payable at 30 June 2017 and 30 December 2016 on these loans amounted to 942 thousand euros and 968 thousand euros, respectively.

Details of the payments and the present value of the financial liabilities with credit institutions, broken down by maturity date, is as follows:

	Thousands of euros			
	30.06.17		31.12.16	
	Principal	Interest	Principal	Interest
Less than one year	-	942	-	968
Between two and five years	196,195	-	195,611	-
Over five years	-	-	-	-
	196,195	942	195,611	968

At 30 June 2017 and 31 December 2016, the detail of the non-current payables to credit institutions was as follows:

Type	Final maturity	Limit	Balance 30.06.17	Margin as of % Euribor
		Thousands of euros		
Senior				
Senior facility	2021	200,000	200,000	EUR+2.5%
Revolving	2021	15,000	-	EUR+2.5%
Debt arrangement expenses			(3,805)	
Balances at 30 June 2017			196,195	

Type	Final maturity	Limit	Balance 31.12.16	Margin as of % Euribor
		Thousands of euros		
Senior				
Senior facility	2021	200,000	200,000	EUR+2.75
Revolving	2021	15,000	-	EUR+2.75%
Debt arrangement expenses			(4,389)	
Balance at 31 December 2016			195,611	

Despite the interest referred to in the previous heading, the Group has entered into a swap contract with a floating to fixed interest rate, which is detailed in Note 11.

The Group arranged a pledge on the shares of Tele Pizza, S.A., Telepizza Chile, S.A., and Luxtor, S.A. and a pledge agreement on shares in Telepizza Portugal Comercio de Produtos Alimentares, S.A, to secure the loan detailed previously. The assets and liabilities secured by these guarantees directly or indirectly relate to virtually all them.

Likewise, the Group is bound to comply with a certain financial ratio. At 30 June 2017, the Group was complying with the ratio.

(12) Current and Non-Current Financial Liabilities at Fair Value

In 2016, the Group arranged an interest rate hedge instrument amounting to 100,000 thousand euros, covering the Euribor with a floor of 0% at a fixed rate of 0.27%. This instrument has an effective start date of 29 April 2018 and a maturity date of 29 April 2021. At 30 June 2017 and 31 December 2016, it had a positive fair value of 121 thousand euros and 78 thousand euros, respectively.

At 30 June 2017, the Group had taken out a Chilean peso exchange rate derivative amounting to 1,336 thousand euros.

The detail of the derivative financial instruments valued at fair value at 30 June 2017 and 31 December 2016 is as follows:

30 June 2017		Fair values	
	Notional amount	Liabilities	
		Non-current	Current
Derivatives			
Interest rate swaps	(100,000)	121	-
Exchange risk swaps	(1,336)		-
Total derivatives at fair value through consolidated profit or loss	(101,336)	121	-

		Thousands of euros	
31 December 2016		Fair values	
	Notional amount	Liabilities	
		Non-current	Current
Derivatives			
Interest rate swaps	(100,000)	78	-
Total derivatives at fair value through consolidated profit or loss	(100,000)	78	-

(13) Trade and Oher Payables

Details are as follows:

	Thousand of euros	
	30.06.17	31.12.16
Trade payables	38.417	40.586
Public entities	4.871	6.013
Other payables	(286)	300
Salaries payables	3.036	3.288
Current guaranties and deposits received	32	31
Current tax liabilities	1.130	-
	47.200	50.218

Trade payables includes balances related to confirming operations totalling euros 8,260 miles of euros at 30 June 2017 (8,131 at 31 December 2017).

The balance of salaries payable includes Euros 1,446 thousand in relation to the three-year remuneration plan arranged by the former sole shareholder as explained in the initial public offering prospectus, which affects a certain number of employees.

(14) Income and expenses

(a) Staff costs

The detail of staff costs in the interim condensed consolidated income statement was as follows:

	Thousands of euros	
	30.06.17	30.06.16
Wages, salaries and similar expenses	39,015	63,604
Social security	8,327	8,155
Termination benefits (Note 19)	197	227
Other employee benefit expenses	298	214
Total staff costs	47,837	71,900

At 31 March 2016 and 06 April 2016, the members of the Group’s executive team and a certain number of Group employees entered into an incentives plan, whereby employees would receive a series of compensation relating to shares of the Parent itself, and a bonus, which would accrue if the Company’s shares were admitted to listing. The total compensation from this incentives plan depended on the price set in the Public Offering, and was paid by Foodco Finance, s.a.r.l. and by the Company.

At 30 June 2016, this consolidated income statement heading mainly included non-recurring expenses relating to the value of shares delivered and other monetary bonuses, received by the employees in relation to the Public Offering and Public Offering for the Subscription of New Shares, and as a result of the Group’s financial restructuring, amounting to 26,325 thousand euros. Of the total aforementioned remuneration, 18,766 thousand euros were paid

directly by Foodco Finance, s.a.r.l. and were recognised as a shareholder contribution for the same amount.

The distribution, by gender, at year-end of employees and directors of the Parent was as follows:

	Number			
	30.06.17		30.06.16	
	Men	Women	Men	Women
Directors	7	-	7	-
Managers	33	9	31	10
Store heads	189	213	211	214
Other employees	2,854	2,458	3,117	2,263
	3,083	2,680	3,359	2,487

(b) Other expenses

At 30 June 2016, this consolidated income statement heading included non-recurring expenses for advisory services related with the Public Offering amounting to 5,876 thousand euros (see Note 1).

(c) Income tax

At 30 June 2017, the Group had recognised deferred tax assets relating to the tax losses in Spain, amounting to 39,032 thousand euros (43,047 thousand euros at 31 December 2016), having applied an amount of 4,015 thousand euros in the first six months of the year.

At 30 June 2016, the Group had recognised deferred tax assets relating to the tax losses in Spain and Portugal, amounting to 52,012 thousand euros (41,066 thousand euros at 31 December 2015).

In the first six months of 2016, tax losses amounting to 11,216 thousand euros were generated, due to the fact that the period expenses included those related with the Public Offering and Public Offering for the Subscription of New Shares.

The Group companies calculated the income tax provision at 30 June 2017, in line with the legislation in force in each of the countries in which it carries on its activities.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 30 June 2017, the Company had all the main taxes applicable to it open for review by the tax authorities from 01 January 2013, with the exception of income tax, for which it also had 2012 open for inspection.

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

(15) Segment Reporting

The Group is organised internally by operating segments, as described further below, constituting the business's strategic units. The business's strategic units operate under different market conditions and are managed separately since they require different strategies.

At 30 June 2017 and 2016, the Group was formed by the following operating segments:

- Spain
- Rest of Europe
- Latin America
- Master franchise and the rest of the world

Return on the segments is measured with respect to their profit. The segments' profit is used to measure return since the Group considers that such information is the most significant to assess the results of certain segments in relation to other groups that operate in such businesses.

The prices of the inter-segment transactions are established in line with the normal trade terms and conditions that are available for non-related third parties.

	30.06.17					
	Thousands of euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Operating revenue						
Sales own stores	53,234	19,848	26,912	-	-	99,994
Factory sales to franchises	40,535	7,161	5,048	228	-	52,972
Royalty	10,065	1,309	1,239	395	-	13,008
Other income	7,704	1,006	5,188	157	-	14,055
To other segments	10,813	-	-	-	(10,813)	-
Total operating income	122,351	29,324	38,387	780	(10,813)	180,029
Profit/(loss) before tax	14,524	4,011	2,303	584	-	21,422
Group Assets	630,260	217,053	106,698	985	-	954,996

	30.06.16					
	Thousands of euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Operating revenue						
Sales own stores	57,560	16,469	23,610	-	-	97,639
Factory sales to franchises	35,776	6,831	4,027	141	-	46,775
Royalty	8,775	920	994	441	-	11,130
Other income	5,757	787	3,088	420	-	10,052
To other segments	5,846	-	-	-	(5,846)	-
Total operating income	113,714	25,006	31,718	1,003	(5,846)	165,595
Profit/(loss) before tax	(29,621)	2,832	3,836	886	-	(22,067)
Group Assets	573,292	242,851	101,767	496	-	918,405

(16) Securities, guarantees and commitments

Note 20 to the 2016 consolidated financial statements details the securities granted by the Group. In the first six months of 2017, there were no significant variations in the securities granted with respect to 31 December 2017. At 30 June 2017, the Group did not have any commitments to acquire fixed assets of a significant amount.

(17) Contingencies

The Group was not involved in any lawsuits or significant claims of any type. However, it is immersed in an international operation that is subject to regulatory processes and governmental inspections, which could give rise to possible risks for a maximum amount of 1,200 thousand euros.

(18) Information relating to the directors and senior management of the Parent

In the first six months of 2017, remuneration and other benefits were granted to the Parent's Board of Directors for 569 thousand euros (6,662 thousand euros in the first semester of 2016). Likewise, at 30 June 2016 and 31 December 2017, the Group had granted loans and advances to the directors amounting to 1,337 thousand euros. Such directors had received certain shares of the Parent to guarantee such loans. Such loans were granted in 2016. The life insurance premiums paid in the first six months of 2017 to the directors amounted to 12 thousand euros (11 thousand euros in the first six months of 2016), and the contributions to a savings plan amounted to 137 thousand euros (75 thousand euros in the first six months of 2016).

Remuneration item	Thousands of euros	
	30.06.17	30.06.16
Fixed remuneration	305	280
Variable remuneration	260	1,851
Other	4	4,531
Total staff costs	569	6,662

Other benefits	Thousands of euros	
	30.06.17	30.06.16
Loans	1,337	1,337
Contributions to pension plans and funds	137	75
Life insurance premiums	12	11
Total staff costs	1,486	1,423

In the first six months of 2017, remuneration and other benefits were granted to the Parent's Senior Management for 1,632 thousand euros (12,476 thousand euros in the first six months of 2016, a figure which includes the Long-Term Incentives Plan).

(19) Events after the reporting period

At the date of authorisation for issue of these consolidated annual accounts no significant events have occurred after the reporting date.

TELEPIZZA GROUP AND SUBSIDIARIES

Directors' Report

1. Group's situation and business performance

€m	H1 2017	H1 2016	*% change*
Group chain sales[1]	*276.5*	*252.3*	*9.6%*
Chain sales in Core Geographies[2]	*261.1*	*237.0*	*10.2%*
Growth in sales in constant currency in Core Geographies			**8.8%**
LFL[3] *growth in sales in Core Geographies (%)*			*4.9%*
Chain sales in Spain	**176.5**	**166.0**	**6.3%**
LFL growth in sales Spain (%)			*4.2%*
International chain sales	*100.0*	*86.2*	*16.0%*
International chain sales in Core Geographies	*84.6*	*70.9*	*19.3%*
Growth in international sales in constant currency in Core Geographies (%)			**14.4%**
Growth in international LFL sales in Core Geographies (%)			*6.7%*
Revenue	*180.0*	*165.6*	*8.7%*
Growth in revenue in constant currency (%)			**7.1%**
Group EBITDA[4]	*34.7*	*36.0*	*-3.5%*

In the first six months of 2017, the Group reported a growth in chain sales of 9.6%, up to 276.5 million euros and a growth of 10.2% in our Core Geographies (excluding master franchises).

Despite this increase in sales, there was a decrease of 3.5% in the underlying EBITDA[4], to 34.7 million euros. This drop in the underlying EBITDA was due to a reduction in the gross margin, as a result of the change in commercial policy and the impact of the price of raw materials.

At the end of the period, net debt was 131.9 million euros, representing a net financial leverage of 2.1x as a percentage of EBITDA in the last 12 months. At 30 June 2016, net debt was 150.5 million euros, representing a net financial leverage of 2.4x as a percentage of underlying

[1] Chain sales are sales of own stores plus sales of the franchises and master franchises.

[2] Excluding sales of the master franchises

[3] LFL growth relates to the growth of chain sales following adjustments due to openings and closures of stores and to the impact of the exchange rate with respect to the euro.

[4] EBITDA excluding 32.2 million euros of costs related with the IPO in the first six months of 2016.

EBITDA in the last 12 months. This represents a reduction in the financial leverage of 0.3 times.

Spain

Chain sales in Spain rose by 6.3% in the first semester, to 176.5 million euros, boosted by organic growth ("LFL") of 4.2% and horizontal growth of 2.1%.

LFL growth in the second quarter was 7.1%, compared with an increase of 1.4% in the first quarter. The differences between the two quarters are mainly due to the calendar effect impacts.

Delivery sales, which represented 60% of chain sales in Spain in the period, maintained a sustained year-on-year growth of 8.2%, boosted by Digital sales, which grew at a year-on-year rate of 23%, and which already represents 39% of Telepizza's delivery in Spain.

The Digital channel is our main growth driver, supported by the strong growth of mobile web responsive and App sales, which overall grew to 46%. The launch of the new App during July is an additional effort to boost this channel.

The non-delivery channel (take away and in-store consumption) represented 40% of chain sales in Spain in the first semester. We have seen a clear recovery in this channel, with a 3.1% growth in the period, due to the change in the commercial policy implemented in the last quarter of 2016, and to our progress in the refurbishment plan, as a result of which we managed to reach 289 stores with a new image in Spain at the end of the semester.

Innovation is underpinning sales growth across channels. We continue with the launch of products from our gourmet range, such as the recent Carbonara Gourmet and Carnívora Gourmet, and the new Sweet pizza, which enables us to extend our range of dessert products using our own dough.

This innovation policy improves brand differentiation and customer loyalty, contributing to boost the sales of this range of ground-breaking products, which have a higher price and enable us to increase the average ticket in the orders including them.

International

Chain sales in Core International (excluding master franchises) increased 19.3% in the first semester (14.4% in constant currency), to 84.6 million euros, boosted by LFL growth of 6.7%, horizontal growth of 7.7% and a positive impact of exchange rates of 4.9%.

As a whole, there is a balanced growth between core countries, with several of them growing at double-digit, and with a significant horizontal growth supported by the sound performance of our openings plan, involving 35 stores (in Core International) and two new core countries, the Czech Republic and Paraguay in the semester.

Portugal has maintained a robust level of growth, with a double-digit LFL growth, benefiting from the VAT reduction applicable to the consumers in Portugal from 1st July 2016.

In Poland, we see strong LFL growth at the stores that have been part of the refurbishment plan.

The Latin American countries maintain a sustained level of growth. Chile continues to perform positively, despite the high year-on-year comparable. Colombia, Peru and Ecuador grow at a double-digit rate, boosted by horizontal growth.

Chain sales of master franchises grew slightly by 0.8% in the first semester, to 15.4 million euros, highlighting the opening of the first stores in the United Kingdom and Iran.

Expansion of the store network

At 30th June 2017, the number of Group stores was 1,440 (of which 687 were located in Spain and 753 abroad), as compared with 1,389 stores at 31st December 3016.

In total, there were 51 net openings in the Group in the semester, of which 20 were in Latin America, highlighting the inclusion of Paraguay with 6 stores; 15 in the rest of Europe, the inclusion of the Czech Republic with 10 stores; Spain with 12 stores and 4 in master franchises, and the opening of the first store in the United Kingdom and 2 stores in Iran.

Telepizza continues to see a great expansion potential in Spain, especially in the franchised mini-store formats and stores at shopping centres, at which Telepizza's penetration still continues to be low.

In the international segment, we have an attractive expansion opportunity in our core Latin American countries, which present favourable long-term demographic and macro-economic tendencies, and where the penetration of delivery sales is still reduced. Central Europe also offers a growth space, with fragmented pizza markets with consolidation potential.

Financial performance

€m	H1 2017	H1 2016	*% change*
Group chain sales	**276.5**	**252.3**	**9.6%**
Sales own stores	100.0	97.6	2.4%
Franchise sales	161.1	139.3	15.6%
Master franchise sales	15.4	15.3	0.8%
Total revenue	**180.0**	**165.6**	**8.7%**
Sales own stores	100.0	97.6	2.4%
Supplies, royalties and marketing	66.0	57.9	14.0%
Other revenue	14.1	10.1	39.8%
COGS	-48.8	-38.4	27.0%
Gross profit	**131.2**	**127.2**	**3.2%**
Gross profit (%)	72.9%	76.8%	-3.9pp
Staff costs without IPO expenses	-47.8	-45.5	5.1%
Other costs without IPO expenses	-48.6	-45.7	6.5%
Underlying EBITDA	**34.7**	**36.0**	**-3.5%**
Underlying EBITDA margin (%)	19.3%	21.7%	-2.4pp
Depreciation and amortisation (excluding PPA amortisation)	-6.0	-5.9	1.4%
EBITA	**28.7**	**30.1**	**-4.5%**
Costs associated with the IPO	-	32.2	-
PPA amortisation	-2.9	-2.9	-
Net finance income/costs	-4.0	-16.9	-76.5%
Other	-0.4	-0.2	-
Profit/(loss) before tax	**21.4**	**-22.1**	**-**
Tax expense/(revenue)	-6.0	2.8	-
Net profit for the period	**15.4**	**-19.3**	**-**

Chain sales rose by 9.6% to 276.5 million euros in the first semester. Revenue rose by 8.7% to 180 million euros in the period.

- Own stores chain sales rose by 2.4% to 100 million euros and franchises chain sales soared by 15.6% to 161.1 million euros.

- Revenue from supply sales, royalties and marketing increased in line to franchised chain sales growth (+14.0%, to 66 million euros).

- Other revenues increased by 39.8% to 14.1 million euros, due to the increased revenue from franchises.

COGS increased by 27.0% in the period, mostly due to the chain sales growth and the higher price of cheese.

This increase in the price of the raw materials, together with the change in the commercial policy explain the contraction of 3.9 percentage points at gross margin level in the semester year-on-year. The remaining costs, personnel and others, increased by 5.8%.

The underlying EBITDA in the first semester dropped by 3.5% to 34.7 million euros, a loss of 2.4 percentage points on the EBITDA margin, mainly as a result of the reduction in the gross margin.

The results of the first semester of 2016 include 32.2 million euros of non-recurring costs related with the Public Offering and Public Offering for the Subscription of New Shares. Those costs recognised in the first semester correspond to services related with the Public Offering and Public Offering for the Subscription of New Shares and management incentive plans.

The net finance cost of 16.9 million euros in the first semester of 2016 includes the finance costs associated with the capital structure prior to the Public Offering and Public Offering for the Subscription of New Shares

Capex in the period was 14.1 million euros. Most of this amount is related with expansion projects (such as the opening of stores, refurbishments and digital investment).

2. <u>Outlook</u>

We expect to achieve a total chain sales growth of 5% to 6% in Spain (up from our previous guidance of 4% to 6%), through a combination of LFL growth and horizontal growth.

In Core International, we expect a total growth in chain sales of between 12% and 14% (up from our previous guidance of 9% to 11%), with a significant contribution of the horizontal expansion.

We are narrowing our net new store opening target to a range of 70 to 80 stores in Core Geographies (up from our previous guidance of 60 to 80).

EBITDA guidance of low-to-mid single digit guidance remains unchanged for the full year 2017.

In terms of cash earnings per share, adjusted by PPA and cash taxes, we are now targeting €0.32 to €0.35 per share (up from our previous guidance of €0.30 to €0.35 before).

Our capex guidance remains unchanged at 30 million euros.

Lastly, we reiterate the commitment to pay the dividend with a charge to 2017 results, with a pay-out ratio of 15% to 20%.

3. Risks and uncertainties

The main risks to which the Group is exposed arise from the situation of consumption and the restaurant market in each of the countries in which we operate.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk in the fair value and price risks), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management programme focuses on the uncertainty of financial markets and attempts to minimise the potential adverse effects on its profitability; accordingly, it uses derivatives to cover certain risks.

Liquidity risk

The Group maintains a liquidity policy involving the arrangement of credit facilities and the maintenance of marketable securities for a sufficient amount to support the needs envisaged, having the capacity to draw down such financing and settle market positions on its short-term investments on an immediate basis, ensuring the minimisation of such financial risk.

Credit risk

The Group does not have any significant credit risks, considering that: such risk does not have a significant concentration, cash is placed and derivatives are arranged with highly-solvent entities, the average collection period from customers is very reduced and customers have an adequate credit rating, which significantly reduces the possibility of insolvency.

4. Innovation

The Group continually works to create, develop and improve all Company products, always taking into account the tastes of consumers, working with the best ingredients that provide its products with a balance in terms of taste and nutritional composition. In this process, quality is a key factor. The Group continues to perform strict controls to approve new suppliers, thereby guaranteeing maximum quality in the product and service to stores.

Another decisive factor in R&D&i work is acceptance tests. Such tests are performed with market research companies, with the main objective of ascertaining customers' opinions and ensuring good acceptance of the product. Furthermore, these tests include the opinion and experience of employees from other departments involved within the Company, such as operations and marketing. The whole process is submitted to a test, in line with the suggestions regarding product preparation, use of names, composition and presentation of the different products.

In the first semester of 2017, Telepizza launched 3 new varieties of pizza at national level, as well as new products, offering other alternatives to consumers.

The common line in the launches was to reinforce the idea of variety and to offer something novel to the consumer, as well as to demonstrate a qualitative improvement in the range of products.

The international area is benefiting from the R&D&i work performed in Spain and, furthermore, it is provided with support in all developments and product testing performed at local level.

5. Transactions with treasury shares

At 30 June 2016, no Group company continued to own shares of Telepizza Group S.A. or any rights thereover. Accordingly, no voting and dividend rights existed on treasury shares.

6. Events after the reporting period

No other significant events have taken place after 30 June 2017.