A la atención de la Comisión Nacional del
Mercado de Valores
Calle Edison, 4,
28006 Madrid

15 de abril de 2016

Estimados Sres.:

Adjunto les remitimos soporte digital que contiene el folleto informativo elaborado por Telepizza Group, S.A.U. (la “**Sociedad**”) en relación con la oferta de acciones de la Sociedad dirigida exclusivamente a inversores cualificados en España y fuera de España, y posterior admisión a negociación en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia.

El contenido del folleto informativo que figura en el soporte digital es idéntico a la última versión en papel de dicho folleto presentada ante la Comisión Nacional del Mercado de Valores.

Asimismo, se autoriza a la Comisión Nacional del Mercado de Valores a difundir el mencionado documento por vía telemática.

Atentamente,

________________________________________

Fdo: D. Pablo Juantegui Azpilicueta

Telepizza Group, S.A.U.

**PROSPECTUS**

# Between 57,894,737 and 78,571,429 Ordinary Shares of TELEPIZZA GROUP, S.A.U.

*(incorporated in the Kingdom of Spain)*

## at an Offering Price of between €7.00 and €9.50 per share

This is the global offering (the "Offering") by us and Foodco Finance S.à r.l. (the "Selling Shareholder") to qualified investors of ordinary shares ("Shares") of Telepizza Group, S.A.U. (formerly known as Foodco Pastries Spain, S.A.U.) (the "Company"), the parent company of Tele Pizza, S.A.U. ("Telepizza Sub") and its subsidiaries (together, the "Group").

The indicative offering price range at which the Offer Shares are being offered in the Offering is between €7.00 and €9.50 per Share (the "Offering Price Range"). The Offering Price Range is indicative only, it may change during the course of the Offering and the Offering Price may be set within, above or below the Offering Price Range. The final price of the Shares in the Offering (the "Offering Price") will be determined by us, the Selling Shareholder and the Joint Global Coordinators, upon finalization of the book-building period (expected to occur on or about April 25, 2016) and will be announced through the publication of a relevant fact notice (*hecho relevante*). No independent experts will be consulted in determining the Offering Price.

We are offering between 12,477,335 and 16,933,526 new ordinary shares of the Company (the "New Offer Shares") in the Offering, being such number of New Offer Shares as is required, at the Offering Price, to provide the Company with gross proceeds of €118.5 million (see "*Use of Proceeds*"), and the Selling Shareholder is offering between 45,417,402 and 61,637,903 existing ordinary shares of the Company (the "Existing Offer Shares" and, together with the New Offer Shares, the "Initial Offer Shares"), being such number of Existing Offer Shares as is required, at the Offering Price, to provide the Selling Shareholder with gross proceeds of €431.5 million.

In addition, the Selling Shareholder will grant an option to the Underwriters, exercisable by the Stabilizing Manager (as defined in "*Plan of Distribution—Stabilization*") (the "Over-allotment Option") no later than 30 calendar days after the date on which the Shares commence trading on the Spanish Stock Exchanges, to purchase a number of additional Shares (the "Over-allotment Shares" and, together with the Initial Offer Shares, the "Offer Shares") at the Offering Price representing up to 10% of the Initial Offer Shares, solely to cover over-allotments of Shares in the Offering, if any, and short positions resulting from stabilization transactions, if any.

In addition, and subject to pricing of the Offering, the Selling Shareholder will convert into equity as soon as possible after Admission (as defined below), at the Offering Price, the outstanding principal amount and accrued interest as of the pricing date of the Offering (expected to be €105.2 million) of the subordinated shareholder loan granted on October 20, 2014 to the Company (the "Subordinated Loan"), except for €1.2 million that will be repaid in cash (with €104.1 million expected to be converted into equity), and the Selling Shareholder will subscribe such number of new Shares as is required at the Offering Price to effect the equity conversion (the "Subordinated Loan Capitalization" and the "New Capitalization Shares"), partially on behalf of certain current indirect shareholders of the Company that will become direct shareholders of the Company after the Shareholders Reorganization (as defined in "*Principal Shareholders and Selling Shareholder*") to be carried out on the settlement date of the Offering or as soon as possible thereafter. The New Capitalisation Shares do not form part of the Offering.

We will not receive any of the proceeds from the sale of Existing Offer Shares or the Over-allotment Shares by the Selling Shareholder.

**Investing in our Shares involves a high degree of risk. Prospective investors should read this entire document and, in particular, "*Risk Factors*" beginning on page 31 of this prospectus, which investors should consider prior to making an investment in our Shares.**

This document constitutes a prospectus for the purposes of Article 3 of the European Parliament and Council Directive 2003/71/EC of November 4, 2003 (as amended, including by Directive 2010/73/EU, the "Prospectus Directive"), its implementing measures in Spain and the Commission Regulation (EC) No 809/2004 (as amended, including by Commission Delegated Regulation (EU) 486/2012, Commission Delegated Regulation (EU) 862/2012 and Commission Delegated Regulation (EU) 301/2016, the "Prospectus Regulation") (together, the "Prospectus Rules"). This document has been prepared in accordance with, and includes the information required by, Annexes I, III and XXII of the Prospectus Regulation in connection with the Offering and application for the admission to trading (the "Admission") of the Shares to the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "Spanish Stock Exchanges"), which are regulated markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). This prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "CNMV"), as competent authority under the Prospectus Directive and its implementing measures in Spain, on April 14, 2016.

Prior to this Offering, there has been no public market for our Shares, although the shares of Telepizza Sub were listed on the Spanish Stock Exchanges from November 1996 to March 2007. The Company will apply to have the Shares listed on the Spanish Stock Exchanges and quoted on the Automated Quotation System or "*mercado continuo*" of the Spanish Stock Exchanges (the "AQS"). The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about April 27, 2016 under the symbol "TPZ", except for the New Capitalization Shares, which are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS as soon as possible after Admission. The Initial Offer Shares are expected to be delivered against payment of the Offering Price, through the book-entry facilities of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Sociedad Unipersonal ("Iberclear") and its participating entities (*entidades participantes*), on or about April 29, 2016.

The Offering consists of an offering not qualifying as a public offering for the purposes of the Prospectus Directive (i) in the United States, to persons reasonably believed to be qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A ("Rule 144A") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and (ii) outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S"), and in this case, only to investors who, if resident in a member state of the European Economic Area (the "EEA"), are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive. This document is not to be treated as a "prospectus" for the purposes of Section 10 of the U.S. Securities Act.

The Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction in the United States. See "*Selling and Transfer Restrictions*" for a description of certain restrictions on the ability to offer and sell the Shares and distribute this document.

*Joint Global Coordinators and Joint Bookrunners*

**BofA Merrill Lynch** **UBS Investment Bank**

*Joint Bookrunners*

**BBVA** **Barclays** **Nomura**

*Co-lead Manager*

**Banco Santander**

*Co-Managers*

**Banca IMI** **ING**

*Financial Advisor to the Company*

**Rothschild**

The date of this prospectus is April 15, 2016.

## IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

None of Merrill Lynch International and UBS Limited (the "Joint Global Coordinators"), Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC and Nomura International plc (together with the Joint Global Coordinators, the "Joint Bookrunners"), Banco Santander, S.A. (the "Co-lead Manager") and Banca IMI S.p.A. and ING Bank N.V. (the Co-Managers, and together with the Co-lead Manager and the Joint Bookrunners, the "Underwriters") or Rothschild, S.A. (acting as our financial advisor) (the "Financial Advisor"), or their respective affiliates makes any representation or warranty, express or implied, or accepts any responsibility whatsoever, with respect to the content of this prospectus, including the accuracy or completeness of any of the information in this prospectus, and nothing contained in this prospectus is, or shall be relied upon as, a promise or representation in this respect whether as to the past or the future. Each of the Underwriters and the Financial Advisor accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this prospectus or any information contained herein. This prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of us, the Selling Shareholder, the Underwriters or the Financial Advisor that any recipient of this prospectus should subscribe for or purchase the Offer Shares. Each subscriber or purchaser of Offer Shares should determine for itself the relevance of the information contained in this prospectus, and its subscription or purchase of Offer Shares should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the subscription or purchase of the Offer Shares.

**This prospectus does not constitute an offer to the public generally to subscribe for, purchase or otherwise acquire the Offer Shares.**

**Investors should rely only on the information contained in this prospectus. None of us, the Selling Shareholder, the Underwriters, or the Financial Advisor has authorized any other person to provide investors with any information that is not contained in this prospectus. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs and investors should assume that the information appearing in this prospectus is accurate only as of its date. Our business, results of operations, financial condition, cash flows, prospects and the information set forth in this prospectus may have changed since the date of this prospectus.**

Notwithstanding the foregoing, we are required to issue a supplement to the prospectus in respect of any significant new factor, material mistake or inaccuracy relating to the information included in this prospectus which is capable of affecting the assessment of the Offer Shares and which arises or is noted between the date of registration of this prospectus with the CNMV and the date of Admission, in accordance with Articles 22 and 40 of Spanish Royal Decree 1310/2005, of November 4 (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) ("Royal Decree 1310/2005").

The contents of our website do not form any part of this prospectus.

Investors should not consider any information in this prospectus to be investment, legal, tax, financial or any other advice. An investor should consult its own legal counsel, financial advisor, accountant and other advisors for legal, tax, business, financial and related advice regarding subscribing for or purchasing the Offer Shares. None of us, the Selling Shareholder, the Underwriters or the Financial Advisor or their respective affiliates makes any representation or warranty to any offeree, subscriber or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree, subscriber or purchaser under appropriate investment or similar laws.

Investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in

this prospectus or their investment decision; and (ii) they have relied only on the information contained in this prospectus, and (iii) no person has been authorized to give any information or to make any representation concerning us or our subsidiaries or the Offer Shares (other than as contained in this prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Selling Shareholder, the Underwriters or the Financial Adviser.

Each Underwriter based in the United Kingdom is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Each of these Underwriters is acting exclusively for us and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than us for providing the protections afforded to their respective clients nor for providing advice in relation to the Offering or any transaction or arrangement referred to herein.

In connection with the Offering, each of the Underwriters and any of their respective affiliates may take up a portion of our Shares in the Offering as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities and, any of our other securities or other related investments and may offer or sell such Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt with should be read as including any issue, offer, subscription, acquisition, placing or dealing by, any of the Underwriters or any of their respective affiliates acting in such capacity. In addition certain of the Underwriters or their affiliates may enter into financing arrangements and swaps with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of such securities. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This prospectus does not constitute or form part of an offer to sell, or a solicitation of an offer to subscribe for or purchase, any security other than the Offer Shares. The distribution of this prospectus and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Investors into whose possession this prospectus comes must inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution and any transfer restrictions to which they are subject see "*Selling and Transfer Restrictions*" elsewhere in this prospectus. Any investor must comply with all applicable laws and regulations in force in any jurisdiction in which it subscribes for, purchases, offers or sells the Offer Shares or possesses or distributes this prospectus and must obtain any consent, approval or permission required for its subscription, purchase, offer or sale of the Offer Shares under the laws and regulations in force in any jurisdiction to which such investor is subject or in which such investor makes such subscriptions, purchases, offers or sales. None of us, the Selling Shareholder or the Underwriters is making an offer to sell the Offer Shares or a solicitation of an offer to buy any of the Offer Shares to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not an investor, of applicable restrictions.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold within the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in compliance with Regulation S. Investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. This document is not to be treated as a "prospectus" for the purposes of Section 10 of the U.S. Securities Act.

## NOTICE TO UNITED STATES INVESTORS

**THE SHARES HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.**

## NOTICE TO INVESTORS IN CERTAIN OTHER COUNTRIES

For information to investors in certain other countries, see "*Selling and Transfer Restrictions*".

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## SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A—E (A.1—E.7).*

*This summary contains all the Elements to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the notation of "not applicable".*

| **Section A—Introduction and warnings** | | |
|---|---|---|
| **A.1** | Warning to investors | **THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS. ANY DECISION TO INVEST IN THE SHARES OF TELEPIZZA GROUP, S.A.U. (THE "SHARES" AND THE "COMPANY", RESPECTIVELY) SHOULD BE BASED ON CONSIDERATION OF THIS PROSPECTUS AS A WHOLE BY THE INVESTOR.**<br>**Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this prospectus before the legal proceedings are initiated.**<br>Under Spanish law, civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with other parts of this prospectus, key information in order to aid investors when considering whether or not to invest in Shares of the Company. |
| **A.2** | Information on financial intermediaries | Not applicable. We are not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document and we have not given our consent for any such resale or placement. |

| **Section B – Issuer** | | |
|---|---|---|
| **B.1** | Legal and commercial name | The legal name of the issuer is Telepizza Group, S.A.U. The commercial name of the issuer is "Telepizza". |
| **B.2** | Domicile and legal form | We are a public limited company (*sociedad anónima*) incorporated in Spain and subject to the laws of Spain. Our registered address is at Isla Graciosa 7, Parque Empresarial La Marina, San Sebastián de los Reyes, 28700, Madrid, Spain. |
| **B.3** | Current operations/ principal activities and markets | We are the largest non-U.S.-based pizza delivery company in the world by number of stores, with 1,311 stores globally, including 461 own stores (35%) and 850 franchised and master franchised stores (65%) as of December 31, 2015. Including our U.S.-based competitors, we are the fourth largest global player in pizza delivery in terms of number of stores. We are the market leader in our core markets by number of stores (number one in Spain, Portugal, Chile and Colombia and number two in Poland) (*Source: Euromonitor, April, 2016*). |

**Our Products**

We offer a unique variety of pizza and complementary products that combine consistent flavours across countries with a focus on local adaptation and innovation in the markets where we operate. We produce our own standardized pizza dough in seven production facilities we operate around the world and it is used in all our stores (both own and franchised), which, together with our control over the supply of key ingredients, gives our products a reliable and consistent taste across our chain. In addition, we adapt our product offering to the culture and consumption patterns in the different countries where we are present by adding local products to our pizzas and local products to our portfolio, and we are constantly innovating with the aim to satisfy our clients with better products and tastes. Pizza products comprise the core portfolio of our products, and offering a wide range of tastes and flavours of pizza allows us to satisfy wide customer demand. However, we also believe that the products from our complementary portfolio, including burgers, pasta, salads, sandwiches, “Spiro Dogs”, kebabs and a wide variety of side dishes, help to expand our core portfolio offering and contribute to increase average ticket price.

**Our Customers**

We address a wide customer base including all ages, social classes and geographies. Our largest customer segment is families with children, which generally have the strongest emotional attachment to certain products and the brand and prioritize quality, with children often acting as decision makers. Our other significant customer groups include young people (whether dependent or independent), who typically prioritize innovation, and adults, who generally prioritize convenience. Our customers’ demand is typically higher at dinner time and generally on Fridays and over the weekend.

**Our Distribution Channels**

Our operations can be divided into three primary distribution channels: delivery, takeaway and eat-in, which in 2015 made up for 51.3%, 21.6% and 27.1% of our own store sales, respectively. Delivery is our core distribution channel, with the highest average associated revenues and the greatest customer loyalty. We have several store formats to better serve our clients, including traditional stores, mini stores, shopping malls, in-store concessions and other store formats.

Developing our digital platform is a very important element of our core strategy, and we believe its importance will only grow in the future as digital penetration continues its progression. Our digital approach is to use a global digital platform in our entire store network (both own and franchised stores) in all our markets, which generates efficiencies.

**Vertically-integrated model**

We operate a differentiated business model that is vertically-integrated throughout the entire supply chain. Our primary raw materials include pizza dough and cheese. We gain a competitive advantage through our production of our pizza dough, which takes place in each of our seven state-of-the-art production facilities, including the largest pizza dough production facility in Spain. Our production facility in Portugal is inactive and currently operates only as a logistics centre but may be used as a production backup for the Spanish production facility. Our cheese is generally produced by our strategic supplier, Ornua (previously known as the Irish Dairy Board), which provides us the cheese through a long-term strategic supply contract. This combination of manufacturing our pizza dough and having a strategic provider of our cheese provides benefits such as flexibility, product control, product expertise, low stock, just-in-time production and product consistency across all geographies.

We generally manage logistics centres located next to our production facilities, which allows us to centralize the storage and distribution of dough, cheese and other supplies to our own and franchised stores and to reduce inventory costs in stores. Deliveries from the logistics centres to stores, which are generally contracted to integrated third-party logistical operators, are made on

demand by the different stores but normally take place twice or three times a week, together with certain ancillary products being provided directly to our stores by the suppliers. Overall we have a complex and sophisticated supply chain that allows for price and rebate negotiation, product and supplier selection and specification as well as product quality control and storage. Benefits of this model include inventory control, transport flexibility and full product traceability.

**Own Stores, Franchises and Master Franchises**

We maintain a strategic balance between owned and franchised stores in order to maximize efficiency, flexibility and profitability. Typically, when we enter a market we choose to have more own stores than franchised stores in order to develop local market knowledge and once we are well established in a market, we aim to pursue a franchise strategy that achieves better financial results through an asset-light model and the release of cash from existing stores. In addition, our franchise and master franchise network is key to obtain access to areas that the Company is unable to reach and would not be able to make profitable without the local knowledge of the franchisee. Separately, we carry out an active policy of network optimization, buying back from franchisees stores that have room to improve their profitability or are underperforming. On the other hand, we also transfer less profitable or underperforming stores to franchisees who we believe can operate them more efficiently.

**Our Brand**

We have strong brand recognition among our customers in our consolidated markets, which are Spain, Portugal, Poland and Chile. We enjoy a very strong brand awareness in Spain, with 88% of individuals surveyed stating that they are familiar with our brand (*Source: Kantar Worldpanel 2015*) and are supported by a high penetration with families. We also enjoy very strong brand awareness in Portugal, Poland, Chile and Colombia, with 84%, 75%, 90% and 78% of individuals surveyed stating that they are familiar with our brand, respectively (*Source: Toluna 2015*).

We have focused on building a strong brand image through the use of traditional advertising campaigns and promotions and intense activity in social media. Our marketing activity is based on our marketing slogan which is "the secret is in the dough" (*el secreto está en la masa*).

**Our Segments**

We operate in 15 countries through our four segments: (i) Spain; (ii) Rest of Europe (Portugal and Poland); (iii) Latin America (Chile, Colombia, Peru and Ecuador); and (iv) Master Franchises and Others (mostly through master franchise agreements).

**Our Competitive Strengths**

We believe we benefit in particular from the following competitive strengths which will allow us to execute our business plan:

- Highly favourable pizza delivery market;
- Benefiting from improving Spanish macroeconomic fundamentals;
- Major global pizza brand;
- Differentiated, vertically integrated and scalable business model;
- Proven digital platform supporting multi-channel strategy;
- Well-seasoned management team driving culture of excellence; and
- Compelling financial profile with multiple growth levers.

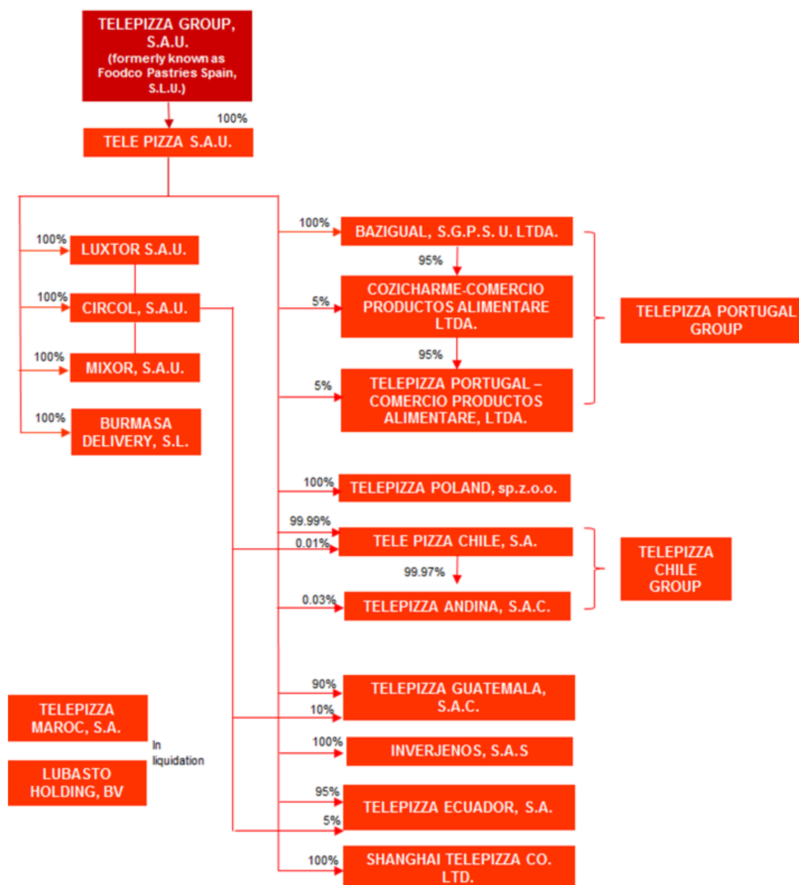
**Our Growth Strategy**

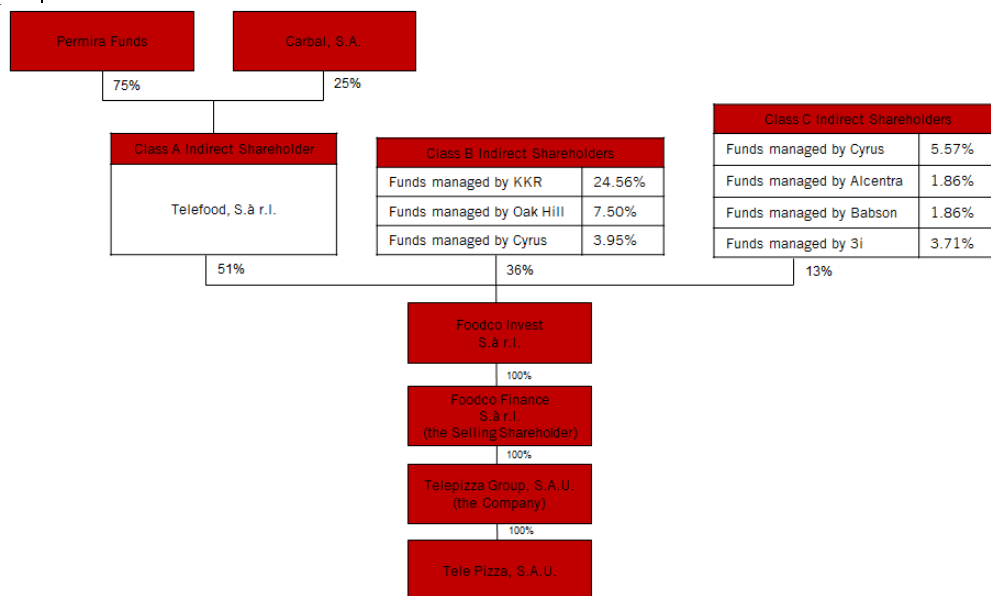
Our core strategies to drive future growth include, amongst others:

- Driving like-for-like chain sales growth both in Spain and internationally as a result of specific initiatives to improve customer experience, such as continued product innovation,

| Section B – Issuer | | |
|---|---|---|
| | | an improved digital/mobile platform, store refurbishments, together with expected positive evolution of macroeconomic indicators;<br>• Capitalising on strong market position in existing markets by increasing coverage in areas where we lack a strong presence by leveraging existing level of penetration and further expanding its eat-in concept in malls and other new store formats such as mini stores;<br>• Signing of additional master franchise agreements with local expert operators in new markets that are less familiar, limiting capital investments while reinforcing its brand across the globe and further acceleration growth in untapped areas; and<br>• Exploring selective and complementary opportunities for consolidation in a global pizza market that remains fragmented. |
| **B.4** | Significant recent trends affecting the issuer and the industries in which it operates | We operate within the pizza foodservice sector of the consumer foodservice market, which includes all outlets specialized in pizza, and is made up of three sub-sectors: (i) pizza full service restaurants, (ii) pizza delivery and (iii) fast food pizza.<br><br>We are the top non-US player in the global pizza delivery foodservice sector and the fourth global player in pizza delivery in terms of number of stores (*Source: Euromonitor, excluding Papa Murphy's, Little Caesars and Pizza School which do not operate a delivery service, April 2016*).<br><br>Within pizza foodservice in Spain, we operate in the pizza delivery sub-sector which we lead with an NPD estimated c.53% sales market share in 2015, followed by Grupo Zena, the operator of the Domino's Pizza in Spain, as distant number two player with c.15% market share. Pizza Hut (owned by Yum! Brands) has a 2% market share, while smaller chains and independent players make up the rest of the market (*Source: NPD, December 2015*).<br><br>We believe there are a number of factors which will continue to drive market growth in the pizza delivery market. These include:<br><br>• Universal appeal and easy adaptation to local preferences.<br>• Favourable consumer trends in convenience and delivery.<br>• Amplifying trend of social lives moving to people's homes which is driving a considerable increase in consumers' need for convenience and all-day dining options.<br>• Relatively resilient throughout economic cycles and well-placed to benefit from general economic recovery/improving consumer confidence. The recent recovery in employment and customer confidence in Spain has driven a significant improvement in foodservice sales and in quick service restaurants ("QSR") in particular.<br>• Significant global white space and further global growth opportunities: several markets globally remain largely underpenetrated by large players such as Domino's Pizza and us, with considerable potential for growth in the pizza foodservice sector (*Source: Euromonitor, April 2016*).<br>• Fragmented market with growing share of chains: pizza foodservice chain sales represent 41% of the total pizza foodservice market globally. (*Source: Euromonitor, April 2016*).<br>• Well-positioned to benefit from digitalization: The delivery/takeaway sector in general is one of the main beneficiaries of a surge in the use of digital technology which is acting as an enabler. Online ordering, irrespective of channel, is growing in popularity.<br>• Strong unit economics and high cash conversion: the delivery distribution model by nature yields a high ratio of sales per square foot of retail selling space.<br><br>Euromonitor expects the chained pizza delivery market globally to grow by 5.1% annually between 2015 and 2020 in euro terms. |
| **B.5** | Group description | The Company is a holding company with no direct material operations, which conducts its business mainly through a wholly-owned subsidiary, Tele Pizza, S.A.U. ("Telepizza Sub"), together with its subsidiaries. |

<table>
<tr><th colspan="3">Section B – Issuer</th></tr>
<tr><td></td><td></td><td>The following figure illustrates our corporate structure as of December 31, 2015:


</td></tr>
<tr><td>B.6</td><td>Principal Shareholders and Selling Shareholder</td><td>The following chart sets out the shareholder structure in the Company as of the date of this prospectus: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**Section B – Issuer**

Foodco Finance S.à r.l. (the "Selling Shareholder") owns 100% of the share capital of the Company. The Selling Shareholder is wholly-owned by Foodco Invest S.à r.l. ("Foodco Invest"), a Luxembourg investment vehicle which, in turn, is held by:

(i) the Class A Indirect Shareholder, Telefood S.à r.l. (51%), an entity controlled by certain funds managed by Permira (the "Permira Funds") that hold 75% of the voting rights and where Carbal, S.A. (an entity where Mr. Pedro José Ballvé Lantero holds 50.02%, the remaining stake being held by other members of the Ballvé family) holds 25% of the voting rights;

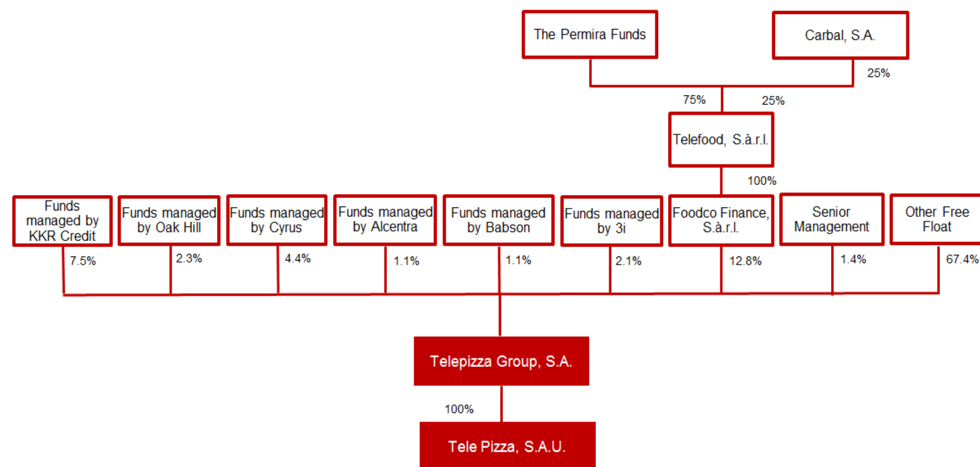
(ii) the Class B Indirect Shareholders (36%, including 24.6% held by certain funds and accounts (the "KKR Funds") managed or advised by KKR Credit Advisors (US) LLC and its affiliates; and

(iii) the Class C Indirect Shareholders (13%) (together, the "Indirect Shareholders").

Consequently, the Company is currently indirectly controlled by the Permira Funds. It is expected that it will not be controlled by any shareholder after the Offering (as defined in E.3).

After settlement of the Offering on the Settlement Date (as defined in E.3), a reorganization of the shareholding structure (the "Shareholders Reorganization") will be initiated resulting in the Class B Indirect Shareholders and the Class C Indirect Shareholders becoming direct shareholders of the Company and Foodco Invest being liquidated.

The following chart sets out the shareholder structure in the Company after the Subordinated Loan Capitalization (as defined in B.7), the settlement of the Offering and the completion of the Shareholders Reorganization. The ownership stakes in the Shares of the Company assume that the Offering Price (as defined in E.3) is €8.25, the mid-point of the Offering Price Range (as defined in E.3), and that the Over-allotment Option has not been exercised.




**Shareholders Agreements**

On April 13, 2016, the Indirect Shareholders, Foodco Invest and the Selling Shareholder entered into on an agreement regulating the Shareholders Reorganization after settlement of the Offering (the "Reorganization Agreement"). Pursuant to the Reorganization Agreement, between the Settlement Date of the Offering and the completion of the Shareholders Reorganization (expected to take place on the Settlement Date or as soon as possible thereafter), the Selling Shareholder will exercise its voting rights in the Company as if the Shareholders Reorganization had been completed, according to the number of Shares in the Company attributable, directly or indirectly, to each of the Indirect Shareholders and the Indirect Shareholders will be able to direct the vote of the Selling Shareholder in proportion to the Shares to be allocated to each of them. The Reorganization Agreement will terminate once the Shareholders Reorganization and the liquidation of Foodco Invest is completed.

<table>
<tr><th colspan="3">Section B – Issuer</th></tr>
<tr><td></td><td></td><td>On April 13, 2016, the Indirect Shareholders (other than the funds managed by Cyrus) and the Selling Shareholder entered into an agreement regulating an orderly and coordinated process in respect of future sales of Shares of the Company following the expiration of the shareholders' lock-up arrangements (the "Orderly Sales Agreement"). The Orderly Sales Agreement will enter into effect on Admission (as defined in C.1).<br><br>The Orderly Sales Agreement and the provision of the Reorganization Agreement regulating the exercise of the voting rights in the Company, as "extra-statutory" shareholders' agreements (pactos parasociales) pursuant to the reinstated text of the Companies Act approved by Royal Decree 1/2010, of July 2 (Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio) (the "Spanish Companies Act"), have been communicated to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) (the "CNMV"), will be deposited with the Mercantile Registry on the Admission date and will be published in the relevant fact notice (hecho relevante) expected to be reported to the CNMV on the pricing date of the Offering.<br><br>As of the date of this prospectus, the following shareholders agreements are in force:<br><br>• A shareholders agreement entered into on October 20, 2014 between, among others, the Indirect Shareholders, Foodco Invest, the Selling Shareholder and Telepizza Sub regulating, among others, the special economic rights and liabilities attached to the Class A shares, Class B shares and Class C shares in Foodco Invest (the "SHA between all Indirect Shareholders");<br>• A shareholders agreement entered into on October 20, 2014 between, among others, the KKR Funds, the Permira Funds and Foodco Invest that granted to the KKR Funds customary minority protections (the "SHA between Permira and KKR"); and<br>• A shareholders agreement entered into on September 25, 2014 between, among others, the Permira Funds, Carbal, S.A., the Company and Telepizza Sub which contains customary minority protections (the "SHA between Permira and Carbal").<br><br>The SHA between all Indirect Shareholders and the SHA between Permira and KKR will terminate on Admission conditional upon settlement of the Offering and the SHA between Permira and Carbal will remain in effect post Admission only in respect of the Selling Shareholder and its holding companies (not affecting the voting rights in the Shares of the Company nor the transfer of such Shares) and the Company and Telepizza Sub will cease to be parties to the SHA between Permira and Carbal on Admission conditional upon settlement of the Offering.</td></tr>
<tr><td>B.7</td><td>Historical key financial information</td><td>The following tables present financial information relating to our consolidated statement of financial position, income statement and statement of cash flows that is derived from our audited annual accounts as of and for the years ended December 31, 2015 ("2015 Financial Statements"), 2014 ("2014 Financial Statements") and 2013 ("2013 Financial Statements") (together, the "Financial Statements"), included elsewhere in this prospectus, and prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS-EU").<br><br>In our 2014 Financial Statements, following our receipt of a binding offer to acquire our operations in Colombia, we classified these as discontinued operations in our income statement and restated the 2013 income statement information therein to make it comparable with 2014. However, we decided not to sell our Colombian operations and we have no current plans to sell our Colombian operations, and our 2015 Financial Statements therefore include these operations as part of our continuing operations. As a result, and in order to provide greater consistency and comparability between periods, the financial information presented in this prospectus that is derived from our income statements is taken from our 2015 Financial Statements (in respect of 2015), the comparable 2014 information contained in our 2015 Financial Statements (in respect of 2014) and our 2013 Financial Statements (in respect of 2013).</td></tr>
</table>

**Section B – Issuer**

**Income Statement Data**

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Own store sales | 200.1 | 202.3 | 229.3 |
| Supply sales | 90.6 | 85.3 | 73.7 |
| Royalties | 20.3 | 17.9 | 15.8 |
| Other revenues | 17.9 | 21.1 | 18.0 |
| **Total revenues** | **328.9** | **326.5** | **336.8** |
| Merchandise and raw materials used | (91.3) | (90.5) | (74.3) |
| Personnel expenses | (91.1) | (98.6) | (104.9) |
| Amortization and depreciation | (16.6) | (17.4) | (17.5) |
| Other expenses | (88.8) | (98.1) | (99.0) |
| **Operating profit** | **41.1** | **21.9** | **41.2** |
| Finance income | 1.5 | 4.2 | 5.5 |
| Settlement of financial liabilities through the issue of equity instruments | - | 128.6 | - |
| Finance costs | (36.9) | (72.5) | (62.0) |
| Other losses | (4.0) | (8.8) | (44.4) |
| Profit/(loss) before tax from continuing operations | 1.7 | 73.3 | (59.7) |
| Income tax income/(expense) | (2.8) | 17.5 | (23.9) |
| Profit/(loss) for the year from continuing operations | (1.1) | 90.8 | (83.6) |
| Post-tax loss on discontinued operations | - | (0.1) | (1.2) |
| **Profit/(loss) for the year** | **(1.1)** | **90.7** | **(84.8)** |
| Profit/(loss) for the year attributable to equity holders of the Parent | | | |
| Continuing operations | (1.1) | 90.8 | (83.6) |
| Discontinued operations | - | (0.1) | (1.2) |
| **Profit/(loss) for the year** | **(1.1)** | **90.7** | **(84.8)** |

*Own store sales*

Own store sales decreased by €2.2 million, or 1.1%, to €200.1 million in 2015 from €202.3 million in 2014, primarily as a result of the decrease in the number of our own stores, mostly transferred to the franchised stores but also those that were closed, which offset those that were opened.

Own store sales decreased by €27.0 million, or 11.8%, to €202.3 million in 2014 from €229.3 million in 2013, principally due to a decrease in the number of our own stores, from 501 as of December 31, 2013 to 464 as of December 31, 2014, primarily as a result of the transfer of own stores to the franchise system.

*Supply sales*

Supply sales increased by €5.3 million, or 6.2%, to €90.6 million in 2015 from €85.3 million in 2014, primarily as a result of the increase in the number of our franchised and master franchised stores, from 804 as of December 31, 2014 to 850 franchised and master franchised stores as of December 31, 2015, due to the openings of franchised stores mainly in Spain and the Rest of Europe as well as the net transfer of nine of our own stores to franchisees in 2015.

Supply sales increased by €11.6 million, or 15.7%, to €85.3 million in 2014 from €73.7 million in 2013, resulting from the increase in the number of our franchised and master franchised stores from 729 stores as of December 31, 2013 to 804 stores as of December 31, 2014, resulting primarily from the net transfer of 58 of our own stores to franchisees in 2014, as well as the openings of franchised stores mainly in Spain and the Rest of Europe.

| Section B – Issuer | | |
|---|---|---|
| | | *Royalties*<br>Royalties increased by €2.4 million, or 13.4%, to €20.3 million in 2015 from €17.9 million in 2014, primarily as a result of an increase in the number of our franchised and master franchised stores, increasing the sales of our franchisees, and our increased marketing efforts.<br>Royalties increased by €2.1 million, or 13.3%, to €17.9 million in 2014 from €15.8 million in 2013, resulting from the increase in the number of franchises, from 729 as of December 31, 2013 to 804 as of December 31, 2014.<br>*Other revenues*<br>Other revenues decreased by €3.2 million, or 15.2%, to €17.9 million in 2015 from €21.1 million in 2014. This €3.2 million difference is explained by the fact that while in 2014 we recorded income of €3.3 million as a result of our entry into the supply agreement with Ornua.<br>Other revenues increased by €3.1 million, or 17.2%, to €21.1 million in 2014 from €18.0 million in 2013, primarily as a result of our entry into the supply agreement with Ornua for the long term supply of the different kinds of cheese and other similar dairy products, and in exchange for granting exclusivity (in Spain) and minimum purchase requirements (in Chile and Poland) from Ornua, we recorded income of €3.3 million.<br>*Merchandise and raw materials used*<br>Merchandise and raw materials used increased by €0.8 million, or 0.9%, to €91.3 million in 2015 from €90.5 million in 2014, primarily resulting from a 4.5% increase in the purchases, partially offset by a 22.6% increase in discounts from our suppliers, primarily represented by rebates for large volume purchases.<br>Merchandise and raw materials used increased by €16.2 million, or 21.8% to €90.5 million in 2014 from €74.3 million in 2013, primarily resulting from a 9.8% increase in the purchases, as well as a 25.7% decrease in discounts from our suppliers.<br>*Personnel expenses*<br>Personnel expenses decreased by €7.5 million, or 7.6%, to €91.1 million in 2015 from €98.6 million in 2014, primarily as a result of (i) a 6.3% decrease in salaries and other personnel expenses to €90.6 million in 2015 from €96.7 million in 2014 and (ii) a 78.9% decrease in termination benefits to €0.4 million in 2015 from €1.9 million in 2014.<br>Personnel expenses decreased by €6.3 million, or 6.0%, to €98.6 million in 2014 from €104.9 million in 2013, primarily as a result of (i) a 5.6% decrease in salaries and other personnel expenses to €96.7 million in 2014 from €102.4 million in 2013 and (ii) a 24.0% decrease in termination benefits to €1.9 million in 2014 from €2.5 million in 2013.<br>*Other expenses*<br>Other expenses decreased by €9.3 million, or 9.5%, to €88.8 million in 2015 from €98.1 million in 2014, primarily as a result of (i) a decrease in expenses relating to external professional services, (ii) a decrease of €1.9 million in expenses relating to operating leases in 2015, and (iii) a reduction of €0.6 million in utilities expenses.<br>Other expenses decreased by €0.9 million, or 0.9%, to €98.1 million in 2014 from €99.0 million in 2013, primarily as a result of (i) a decrease in expenses relating to operating leases in 2014; (ii) a decrease in transport expenses in 2014; and (iii) a decrease in utilities expenses in 2014.<br>*Finance costs*<br>Our finance costs decreased by €35.6 million, or 49.1%, to €36.9 million in 2015 from €72.5 million in 2014, primarily due to our capitalization of the shareholders participating loan and our reduced gross financial debt amount that were both a result of our 2014 refinancing. |

**Section B – Issuer**

Our finance costs increased by €10.5 million, or 16.9%, to €72.5 million in 2014 from €62.0 million in 2013, primarily due to costs associated with the settlement of our 2014 refinancing.

*Income tax income/(expense)*

Our income tax expense increased by €20.3 million, to €2.8 million in 2015 from an income tax income of €17.5 million in 2014, primarily due to the adjustment of assets and liabilities related to deferred tax carried out in 2014 related to the change in our deferred tax rate, from 30% to 28% and 25%, according to the new Spanish corporate income tax law that took effect in 2014. Our income tax income was €17.5 million in 2014 compared to an income tax expense of €23.9 million in 2013.

**Statement of Financial Position Data**

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| **Assets** | | | |
| Property, plant and equipment | 40.2 | 35.9 | 39.3 |
| Goodwill | 382.7 | 376.2 | 376.0 |
| Other intangible assets | 334.0 | 339.5 | 345.7 |
| Deferred tax assets | 11.9 | 11.5 | - |
| Non-current financial assets | 23.7 | 21.0 | 23.9 |
| **Total non-current assets** | **792.4** | **784.2** | **785.0** |
| Inventories | 11.4 | 9.9 | 13.5 |
| Trade and other receivables | 34.4 | 43.9 | 37.8 |
| Other current assets | 8.2 | 3.6 | 3.5 |
| Cash and cash equivalents | 39.9 | 44.9 | 8.8 |
| Subtotal current assets | 94.0 | 102.3 | 63.6 |
| *Non-current assets held for sale* | *0.1* | *0.1* | *2.0* |
| **Total current assets** | **94.1** | **102.4** | **65.6** |
| **Total assets** | **886.5** | **886.6** | **850.5** |
| **Liabilities** | | | |
| Loans and borrowings | 286.2 | 286.9 | 504.2 |
| Deferred tax liabilities | 84.7 | 86.9 | 96.2 |
| Other financial liabilities | 96.5 | 84.8 | 192.9 |
| Other non-current liabilities | 5.6 | 286.9 | 7.7 |
| **Total non-current liabilities** | **473.0** | **464.2** | **801.1** |
| Loans and borrowings | 5.0 | 4.8 | 14.4 |
| Trade and other payables | 47.5 | 46.9 | 47.7 |
| Other current liabilities | 6.6 | 10.6 | 5.1 |
| Subtotal current liabilities | 59.1 | 62.4 | 67.2 |
| *Liabilities directly associated with non-current assets held for sale* | *0.1* | *0.1* | *0.1* |
| **Total current liabilities** | **59.2** | **62.5** | **67.3** |
| **Shareholders' Equity** | | | |
| Share capital | 18.0 | 18.0 | 17.8 |
| Share premium | 321.4 | 321.4 | 236.8 |
| Accumulated gains/(losses) | 23.1 | 25.0 | (268.6) |
| Translation differences | (8.1) | (4.4) | (3.8) |
| **Total shareholders' equity** | **354.3** | **359.9** | **(17.8)** |
| **Total liabilities and shareholders' equity** | **886.5** | **886.6** | **850.5** |

*Goodwill and other intangible assets*

Goodwill, as at December 31, 2015, 2014 and 2013, amounted to €382.7 million, €376.2 million

**Section B – Issuer**

and €376.0 million, respectively (which represented increases of 1.7% and 0.1% in 2014 and 2013, respectively).

Other intangible assets, as at December 31, 2015, 2014 and 2013, amounted to €334.0 million, €339.5 million and €345.7 million, respectively (which represented decreases of 1.6% and 1.8%, respectively).

We have recorded substantial goodwill and other intangible assets on our statement of financial position arising principally from subsequent acquisitions undertaken by the Company in the context of the corporate reorganization in 2006 and which correspond to the value of the "Telepizza" brand and to the contractual rights of the franchise agreements. As of December 31, 2015, our goodwill and other intangible assets together represent 80.8% of our consolidated total assets.

*Financial liabilities*

As of December 31, 2015, our total consolidated financial liabilities were €389.8 million, of which €289.1 million was senior debt, €98.7 million was outstanding under the Subordinated Loan (as defined below) and €2.1 million was other debt (credit facilities and finance leases).

Our current senior debt is comprised of the outstanding amounts under the existing senior facilities which were originally made available by means of the senior facilities agreement entered into on December 22, 2006 (as amended on June 22, 2012 and October 16, 2014 in the context of the refinancing of our capital structure and debt carried out in 2014) originally entered into between, amongst others, the Company and Telepizza Sub, as borrowers, and certain financial institutions as lenders (the "Existing Facilities Agreement").

We intend on the Settlement Date to repay in full the outstanding amounts under the Existing Facilities Agreement (together with the close out amounts under the existing hedging agreement) with the net proceeds of the Offering and the amounts to be drawn under the €215 million new senior facilities agreement (€200.0 million term loan facility and €15.0 million revolving facility) entered into on April 8, 2016 between Telepizza Sub as borrower, the Company together with some of our subsidiaries as obligors and certain financial institutions (including Merrill Lynch International, UBS Limited, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Nomura International plc, Banca IMI S.p.A., London Branch and ING Bank N.V., Sucursal en España) as lenders, Banco Santander, S.A. as facility agent and GLAS Trust Corporation Limited as security agent (the "New Facilities Agreement").

On October 20, 2014, we entered into a subordinated loan with our Selling Shareholder for an initial principal amount of €84.8 million (the "Subordinated Loan"). The Selling Shareholder, conditional upon pricing of the Offering, will convert into equity as soon as possible after the date of Admission, at the Offering Price, the outstanding principal amount and accrued interest as of the pricing date of the Offering of the Subordinated Loan (€105.2 million), except for €1.2 million that will be repaid in cash (with €104.1 million expected to be converted into equity), and the Selling Shareholder will subscribe such number of New Capitalization Shares (as defined in E.3) as is required at the Offering Price to effect the equity conversion (the "Subordinated Loan Capitalization"), partially on behalf of certain current indirect shareholders of the Company that will become direct shareholders of the Company after the Shareholders Reorganization.

**Statement of Cash Flow Data**

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Cash flows from (used in) in operating activities | 54.6 | 36.4 | 42.2 |
| Cash flows from (used in) investing activities | (30.0) | (14.5) | (10.6) |

| Section B – Issuer | | |
|---|---|---|

| | | | |
|---|---|---|---|
| Cash flows from (used in) financing activities | (26.5) | 12.5 | (47.7) |
| Cash flows from (used in) discontinued operations | (0.1) | 1.8 | - |
| **Increase (decrease) in cash and cash equivalents** | **(2.1)** | **36.2** | **(16.0)** |
| Cash and cash equivalents | 42.8 | 45.0 | 8.8 |
| **Foreign exchange gains/losses on cash and cash equivalents** | **(2.9)** | **(0.1)** | **-** |
| **Cash and cash equivalents as of December 31,**[1] | **39.9** | **44.9** | **8.8** |

*Note:—*

(1) For the years ended December 31, 2015 and 2014, we isolated the effect of foreign exchange gains/losses on cash and cash equivalents and presented this effect on a separate line; we did not isolate this effect for the year ended December 31, 2013.

**Alternative Performance Measures**

In addition to the financial information presented herein and prepared under IFRS-EU, we have included below alternative performance measures ("APMs") as defined in the guidelines issued by the European Securities and Markets Authority on October 5, 2015 on alternative performance measures (the "ESMA Guidelines"). We present these APMs as supplemental information because we believe they may contribute to a fuller understanding of our cash generation capacity (in the case of EBITDA measures) and the growth of our business and brand in a way that takes into account our mixed model that uses both own and franchised and master franchised stores (in the case of chain store measures).

We believe that the presentation of the APMs included herein comply with the ESMA Guidelines.

However, these measures are not defined under IFRS-EU, should not be considered in isolation, do not represent our revenues, margins, results of operations or cash flow for the periods indicated and should not be regarded as alternatives to revenues, cash flow or net income as an indicator of operational performance or liquidity. A certain growth in these measures does not involve the same growth in revenues or other line items in the income statement.

The APMs included herein have not been reviewed or audited by our auditors nor by any independent expert.

The following table shows our chain sales, LfL chain sales growth, EBITDA, Underlying EBITDA, cash conversion rate and cash conversion rate before new capex for each of the years ended December 31, 2015, 2014 and 2013.

| | **For the year ended December 31,** | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Chain sales | 491.8 | 451.0 | 445.3[1] |
| LfL Chain sales growth | 5.5% | 1.2% | - |
| EBITDA | 57.7 | 39.3 | 58.6 |
| Underlying EBITDA | 57.7 | 53.4 | 58.6 |
| Cash conversion rate | 47.7% | 64.4% | 74.2% |
| Cash conversion rate before new capex | 90.3% | 92.1 % | 91.1% |

*Note:—*

(1) To enhance comparability, chain sales for 2013 exclude own store sales of €4.2 million coming from discontinued operations; these sales are included as losses from discontinued operations in our 2013 Financial Statements.

| | | |
|---|---|---|
| **B.8** | Selected key pro forma financial information | Not applicable. |

| Section B – Issuer | | |
|---|---|---|
| **B.9** | Profit forecast | Not applicable. |
| **B.10** | Qualifications in the audit report on historical financial information | The audit reports corresponding to the Financial Statements issued by KPMG Auditores, S.L., are unqualified. |
| **B.11** | Qualified working capital | Not applicable. |

| Section C- Securities | | |
|---|---|---|
| **C.1** | Type and class of the securities | The Shares have the ISIN code ES0105128005, allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the Spanish National Securities Market Commission. It is expected that our Shares will be traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "Spanish Stock Exchanges") and quoted on the Automated Quotation System (the "AQS") under the ticker symbol "TPZ" ("Admission"). |
| **C.2** | Currency of the securities issue | The Shares are denominated in Euro. |
| **C.3** | Number of issued and fully paid shares | As of the date of this prospectus, our share capital consists of €18,000,000 divided into a single series of 72,000,000 ordinary shares denominated in euro, with a nominal value of €0.25 per Share.<br><br>Pursuant to the Subordinated Loan Capitalization we will issue between 10,953,084 and 14,864,900 New Capitalization Shares (as defined in E.3). Pursuant to the Offering we will issue between 12,477,335 and 16,933,526 New Offer Shares (as defined in E.3). |
| **C.4** | Rights attached to the securities | The Shares rank *pari passu* in all respects with each other, including for voting purposes and in full for all dividends and distributions on Shares declared, made or paid after their issue and for any distributions made on a liquidation of the Company.<br><br>The Shares grant their owners the rights set forth in our bylaws and under Spanish corporate law, such as, among others: (i) the right to attend general shareholders' meetings of the Company with the right to speak and vote; (ii) the right to dividends proportional to their paid-up shareholding in Company; (iii) the pre-emptive right to subscribe for newly issued Shares in capital increases with cash contributions; and (iv) the right to any remaining assets in proportion to their respective shareholdings upon liquidation of Company.<br><br>As of December 31, 2015, all of our Shares representing 100% of our total issued share capital were subject to a first ranking pledge in order to secure all present and future obligations under the Existing Facilities Agreement and the existing hedging agreement. As of the date of this prospectus, the pledge has been cancelled and released in respect of all Shares of the Company. No pledges or other types of security will be granted over our Shares after the Offering pursuant to our post-Admission debt financing arrangements.<br><br>All future obligations arising from the New Facilities Agreement will be guaranteed by certain group companies and secured by a pledge over the shares of Telepizza Sub and other security interests over the share capital of certain other of our subsidiaries and personal guarantees of |

| Section C- Securities | | |
|---|---|---|
| | | group companies. |
| **C.5** | Restrictions on the free transferability of the securities | There are no restrictions on the free transferability of the Shares in our bylaws, without prejudice to the lock-up arrangements assumed by the Company, the Selling Shareholder and our senior managers described in section E.5 of this summary. |
| **C.6** | Admission | Application will be made to list the Shares on the Spanish Stock Exchanges and to have them quoted on the AQS. No application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange.<br><br>The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about April 27, 2016, under the symbol "TPZ", except for the New Capitalization Shares, which are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS as soon as possible after Admission. |
| **C.7** | Dividend policy | Due to our profile and strategy, we expect to reinvest our near-term future earnings and cash generation in initiatives to grow the business and reduce leverage, therefore, we do not foresee the payment of a dividend in 2016 or in the medium term. We will review our dividend policy as our business evolves.<br><br>The amount of future dividends we decide to pay, if any, and our future dividend policy will depend on a number of factors, including, but not limited to, our earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. The amount of dividends will be proposed by our board of directors and determined by our shareholders at a general shareholders' meetings.<br><br>No dividends have been declared or paid by the Company in the years ended December 31, 2015, 2014 and 2013.<br><br>There are no contractual restrictions on the distribution of dividends by the Company and its subsidiaries under the New Facilities Agreement or any other financing arrangement in place upon Admission.<br><br>As we are a holding company with no direct material operations and conduct our business mainly through our wholly-owned subsidiary Telepizza Sub and its subsidiaries, our distribution of dividends will be subject to the prior fulfilment by Telepizza Sub and the relevant subsidiaries of the requirements set forth in its bylaws and applicable laws. In particular, Act 22/2015, of July 20, on audit of accounts (*Ley 22/2015, de 20 de julio, de auditoría de cuentas*) amended, with effect as from January 1, 2016, the Spanish Companies Act in relation to the non-distributable mandatory goodwill reserve and set forth new rules for the amortization of intangible assets.<br><br>Since January 1, 2016, the creation of a non-distributable mandatory goodwill reserve is no longer required. Amounts previously allocated to the non-distributable mandatory goodwill reserve are reclassified as voluntary reserves and can be distributed in the amount exceeding the goodwill recorded as an asset in the statement of financial position of a company. As of December 31, 2015, Telepizza Sub's non-distributable mandatory goodwill reserve amounted to €110.3 million (against €294.5 million of goodwill) and, therefore, the amortization of its goodwill in the short-term is not expected to permit Telepizza Sub to distribute the amount of this reserve.<br><br>Likewise, since January 1, 2016, intangible assets (including goodwill) must be amortized for accounting purposes on a linear basis during their useful life, which unless it can be otherwise reliably determined is presumed to be a ten-year period. The goodwill recorded as an asset in our individual statement of financial position will be reduced annually in an amount at least equal to its amortization. Telepizza Sub has a large quantity of intangible assets on its individual Spanish |

| Section C- Securities | | |
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| | | GAAP statement of financial position resulting from the value of Telepizza Sub's goodwill and brands. As of December 31, 2015, Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million (including the €230.6 million related to the value of the brand).<br><br>The recent changes to the non-distributable mandatory goodwill reserve and to the intangible assets accounting criteria will considerably reduce Telepizza Sub's profits under Spanish GAAP in 2016 and in the following years and will result in losses in 2016, which will materially adversely affect Telepizza Sub's dividend distribution capacity in the future, which could materially and negatively affect the Company's dividend distribution capacity.<br><br>Given that our revenue and cash flow depend on distributions and other payments from Telepizza Sub, the amortization of Telepizza Sub's intangible assets may considerably reduce the profits of the Company each year and could materially and negatively affect the Company's dividend distribution capacity. |

| Section D- Risks | | |
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| **D.1** | Key information on the key risks that are specific to the issuer or its industry | *Investing in our Shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with the other information contained in this prospectus, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. The market price of our Shares could decline due to any of these risks and uncertainties, and you could lose all or part of your investment.*<br><br>**IMPORTANT NOTICE**<br><br>We wish to highlight to the investors of the Shares in the Offering and to any future shareholders of the Company the following matters:<br><br>• ***We have experienced fluctuations in our profitability and have incurred significant losses in the past and expect to incur losses in the current year***<br>We incurred losses in 2013 and 2015. In 2013, the Company's consolidated and individual losses amounted to €84.8 million and €44.3 million, respectively, and in 2015, the Company's consolidated and individual losses amounted to €1.1 million and €12.0 million, respectively.<br>In 2014 the Company recorded a profit of €90.7 million and €108.3 million on a consolidated and individual basis, respectively. This was the result of recognizing as income a settlement gain of an amount of €128.6 million following the issuance of equity instruments in compensation of a profit participating loan in the amount of €107.1 million and the partial conversion of a subordinated loan in the amount of €106.3 million in connection with our 2014 debt refinancing.<br>We expect to incur in losses in 2016 as a result of the amortization of the goodwill and other intangible assets derived from the recent changes to accounting regulations and of the non-recurring costs of €44.5 million incurred in connection with the Offering, the Subordinated Loan Capitalization and the arrangements of the New Facilities (these expenses expected to be an aggregate of €16.1 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range), and the impact of the management incentive plans on our results of operations (expected to be an aggregate of €28.4 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range).<br>• ***We have recorded €382.7 million in goodwill and €334.0 million in other intangible assets (including €228.5 million related to the value of the brand) in our consolidated statement of financial position as of December 31, 2015, which together represent 80.8% of our consolidated total assets. Our goodwill and other intangible assets may be subject to*** |

| Section D- Risks | | |
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| | | ***impairments in the future***<br>We have recorded substantial goodwill and other intangible assets on our statement of financial position arising principally from subsequent acquisitions undertaken by the Company in the context of the corporate reorganization in 2006 and which correspond to the value of the "Telepizza" brand and to the contractual rights of the franchise agreements. As of December 31, 2015, we have recorded €382.7 million in goodwill and €334.0 million in other intangible assets in our consolidated statement of financial position, which together represent 80.8% of our consolidated total assets. Material impairment to our goodwill and intangible assets would have a negative impact on our income statement through the recognition of impairment charges and our statement of financial position and capital position through the write-down of the relevant carrying values.<br>• ***The shares of Telepizza Sub and other subsidiaries will be pledged in favour of the lenders under the New Facilities Agreement***<br>The obligations arising under the New Facilities Agreement will be secured by a first ranking pledge over the shares representing 100% of the share capital of Telepizza Sub together with other security interests over the share capital of certain other of our subsidiaries and personal guarantees of group companies. If we are unable to meet our obligations under the New Facilities Agreement, the lenders may accelerate amounts due thereunder and, if we were unable to pay such amounts, the lenders have the right to enforce such security and interests and guarantees.<br>• ***We are a holding company and our only material assets are and are expected to be our interest in Telepizza Sub and its subsidiaries, upon whom we are dependent to pay dividends, taxes and other expenses***<br>Our main activity is serving as the holding company of our subsidiary Telepizza Sub. Our subsidiary Telepizza Sub has a large amount of intangible assets on its individual Spanish GAAP statement of financial position resulting from the value of Telepizza Sub's goodwill and brands. As of December 31, 2015, Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million (including €230.6 million related to the value of the brand). Recent changes to accounting regulations in Spain require intangible assets to be amortized in Spanish GAAP annual accounts on a linear basis over their useful lives (intangible assets with indefinite useful life disappear), which unless it can be otherwise reliably determined, shall be presumed to be a ten year period. Although as of the date of this prospectus we are unable to predict the amortization of intangible assets that we will record in Telepizza Sub's individual statutory annual accounts in the future, the amortizations to be made in 2016 and in the following years according to the said changes to the Spanish intangible assets accounting criteria will considerably reduce Telepizza Sub's profits under Spanish GAAP and will result in losses in 2016, which will materially adversely affect Telepizza Sub's dividend distribution capacity and could materially and negatively affect the Company's dividend distribution capacity.<br><br>For a further description of these matters, see the risks factors below.<br><br>**Risks Related to the Company**<br><br>• We have experienced fluctuations in our profitability and have incurred significant losses in the past and expect to incur losses in the current year;<br>• We have recorded €382.7 million in goodwill and €334.0 million in other intangible assets (including €228.5 million related to the value of the brand) in our consolidated statement of financial position as of December 31, 2015, which together represent 80.8% of our consolidated total assets. Our goodwill and other intangible assets may be subject to impairments in the future<br>• The shares of Telepizza Sub and other subsidiaries will be pledged in favour of the lenders under the New Facilities Agreement; |

**Section D- Risks**

- We are a holding company and our only material assets are and are expected to be our interest in Telepizza Sub and its subsidiaries, upon whom we are dependent to pay dividends, taxes and other expenses;
- Our business may be adversely affected due to the loss of certain clients or franchisees and master franchisees;
- We rely on third-party suppliers and we may face shortages or interruptions in the supply of raw materials, ingredients and complementary products;
- Certain of our supply contracts place long-term price and volume obligations upon us. In other cases, we do not have long-term contracts with suppliers, who could seek to significantly increase prices or fail to deliver supplies on time;
- Our growth strategy depends in part on opening profitable new stores in existing and new markets and generating growth per store;
- Our marketing initiatives may not be successful, and our new products, advertising campaigns and store designs and refurbishments may not generate increased sales or profits;
- We depend on our franchises and master franchises and their sub-franchises to develop our business;
- Our plans to open new own stores and maintain and renovate our existing own stores require us to make extensive capital investments;
- Our international operations subject us to additional risks;
- Our business depends on our ability to deliver our products to our customers;
- We may face labour shortages or increased labour costs;
- We may not be able to adequately protect our intellectual property or the value of our brand and branded products;
- We do not own any substantial real property and our operations are substantially located in leased premises;
- Fluctuations in exchange rates can affect our results of operations;
- The implementation of IFRS 16 may have a significant impact on our accounts; and
- Spanish tax legislation may limit the deductibility for Spanish corporate income tax purposes of the financial expenses incurred on our indebtedness. This could negatively affect our financial position and reduce our available cash flows.

**Risks Related to Our Indebtedness**

- We have incurred substantial indebtedness;
- Our indebtedness has restrictive terms and our failure to comply with any of these terms could put us in default;
- We are subject to interest rate risk in connection with our indebtedness; and
- We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, and our substantial indebtedness may have other important consequences for us.

**Risks Related to Our Business**

- Our reputation and the quality of our brand are critical to our business;
- We may experience instances of foodborne illness;
- We depend on key executive management;
- We rely heavily on information technology and we may face security breaches;
- Our strategy includes acquisitions, which require substantial investment of time and funds.
- Our insurance may not provide adequate levels of coverage;
- Changes in statutory, regulatory, and other legal requirements could potentially impact our operating and financial results; and

**Risks Related to our Industry**

- We are vulnerable to economic and political conditions, particularly in Spain;

| Section D- Risks | | |
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| | | • The QSR market, and the pizza delivery sector in particular, are highly competitive; and<br>• Increased food and utilities costs or sales taxes could decrease our store-level operating margins or cause us to limit or otherwise modify our product variety. |
| **D.3** | Key information on the key risks that are specific to the securities | **Risks Related to the Offering and the Shares**<br>• Certain indirect shareholders will be significant shareholders and will exercise substantial influence over us. We may take certain risks relating to conflicts of interest between some of our shareholders;<br>• We do not intend to pay dividends in 2016 or in the medium term and, as a result, the only opportunity of shareholders to achieve a return on their investments would be if the price of our shares appreciates;<br>• There can be no assurance that the Offering Price (as defined below) will match the price at which trading in the Shares will develop and continue after the Offering;<br>• Substantial sales of our Shares after the Offering may cause the market price of our Shares to fall;<br>• An active trading market for our Shares may fail to develop;<br>• Market volatility may affect the price of our Shares, and the issue of additional Shares or other equity or equity-linked securities may dilute the ownership interest of shareholders;<br>• Shareholders in certain jurisdictions other than Spain may not be able to exercise their pre-emptive rights;<br>• The Offering may be revoked;<br>• Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of the Shares;<br>• The ability of shareholders residing outside Spain to effect service of process or to enforce any foreign court judgments against us or our directors may be limited; and<br>• The Offer Shares (as defined in E.3) will not be freely transferable in the United States. |

| Section E- Offer | | |
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| **E.1** | Total net proceeds of the Offering and estimated total expenses | We expect to raise gross proceeds of €118.5 million from the issue of New Offer Shares in the Offering. The underwriting commissions, fees and expenses which will be payable by us in connection with the Offering are expected to be approximately €16.1 million. We intend to pay this out of the gross proceeds of the Offering.<br>We will not receive any of the proceeds from the sale of the Existing Offer Shares (as defined in E.3) and the Over-allotment Shares (as defined in E.3) by the Selling Shareholder in the Offering.<br>The Selling Shareholder expects to raise gross proceeds of €431.5 from the sale of Existing Offer Shares. The underwriting commissions, fees and expenses that will be payable by the Selling Shareholder in connection with the Offering are expected to be approximately €14.6 million. |
| **E.2** | Reasons for the Offering and use of proceeds | We intend to use the net proceeds from the issue of New Offer Shares as follows: (i) €87.4 million, together with drawings under our New Facilities Agreement, to repay in full amounts outstanding under the Existing Facilities Agreement; (ii) €1.2 million to repay in full the outstanding amount of Subordinated Loan after the Subordinated Loan Capitalization; (iii) €5.0 million to make an aggregate payment in cash by the Company and Telepizza Sub to our senior managers under the cash and shares incentive plan adopted by the Company, Telepizza Sub and the Selling Shareholder on April 6, 2016 (the "Cash and Shares Incentive Plan") upon Admission; (iv) up to €4.0 million to grant an optional loan, at the discretion of our senior |

| Section E- Offer | | |
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| | | managers, to each of our senior managers to finance part of the taxes due by them upon receiving the Shares subject to the Cash and Shares Incentive Plan upon Admission; and (v) up to €4.9 million to make a payment in April 2018, under a cash bonus awarded to our senior managers and certain other managers corresponding to any or all of the years 2015, 2016 and 2017 under the long term management incentive plans.<br><br>The Selling Shareholder intends to use the proceeds from the Offering (i) to repay in full a subordinated loan that was granted to the Selling Shareholder in 2014 by certain of our current indirect shareholders concurrently or immediately following repayment of the existing facilities and (ii) to make a payment in cash to our senior managers (of which certain amounts will be contributed in cash to the reserves of the Company to fund the withholding taxes to be paid by the Company as a result of the payments to be made by the Selling Shareholder to our senior managers under the Cash and Shares Incentive Plan upon Admission). |
| **E.3** | Terms and conditions of the Offering | We are offering between 12,477,335 and 16,933,526 new offer shares (the "New Offer Shares"), being such number of New Offer Shares as is required, at the Offering Price, to provide the Company with gross proceeds of €118.5 million, and the Selling Shareholder is offering between 45,417,402 and 61,637,903 existing offer shares (the "Existing Offer Shares", and together with the New Offer Shares, the "Initial Offer Shares"), being such number of Existing Offer Shares as is required, at the Offering Price, to provide the Selling Shareholder with gross proceeds of €431.5 million (together, the "Offering").<br><br>In addition, the Selling Shareholder will grant an option to the Underwriters (as defined below), exercisable by UBS Limited as stabilizing manager (the "Stabilizing Manager") no later than 30 calendar days after the date on which the Shares commence trading on the Spanish Stock Exchanges, to purchase a number of additional Shares (the "Over-allotment Shares" and, together with the Initial Offer Shares, the "Offer Shares") at the Offering Price representing up to 10% of the Initial Offer Shares, solely to cover over-allotments of Shares in the Offering, if any, and short positions resulting from stabilization transactions, if any.<br><br>In addition, and subject to pricing of the Offering, the Selling Shareholder will subscribe such number of new Shares as is required at the Offering Price to effect the Subordinated Loan Capitalization (the "New Capitalization Shares"), partially on behalf of certain current indirect shareholders of the Company that will become direct shareholders of the Company after the Shareholders Reorganization.<br><br>In member states of the European Economic Area, the Offering consists of an offering not qualifying as a public offering for the purposes of the European Parliament and Council Directive 2003/71/EC of November 4, 2003 (as amended, including by Directive 2010/73/EU, the "Prospectus Directive") and only addressed to and directed at persons who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the European Economic Area, such as the Royal Decree 4/2015, of October 23, approving the reinstated text of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, que aprueba el Texto Refundido de la Ley del Mercado de Valores*) and Royal Decree 1310/2005).<br><br>In addition the Offering consists of an offering (i) in the United States to persons reasonably believed to be qualified institutional buyers (QIBs) as defined in, and in reliance on, Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and (ii) outside the United States in compliance with Regulation S under the U.S. Securities Act.<br><br>The offering price range is between €7.00 and €9.50 per Share (the "Offering Price Range"). The Offering Price Range is indicative only, it may change during the course of the Offering and the Offering Price may be set within, above or below the Offering Price Range. The final price of the Shares in the Offering (the "Offering Price") will be determined by us, the Selling Shareholder and Merrill Lynch International and UBS Limited (the "Joint Global |

**Section E- Offer**

Coordinators”), upon finalization of the book-building period (expected to occur on or about April 25, 2016) and will be announced through the publication of a relevant fact notice (*hecho relevante*). No independent experts will be consulted in determining the Offering Price.

Upon finalization of the book-building period (expected to be on or about April 25, 2016) we, the Selling Shareholder and the Joint Global Coordinators, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Nomura International plc, Banco Santander, S.A., Banca IMI S.p.A. and ING Bank N.V. (together, the “Underwriters”) are expected to enter into an underwriting agreement with respect to the Offer Shares (the "Underwriting Agreement"). Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Underwriter will agree, severally but not jointly, to procure purchases for, or failing which, to subscribe or purchase (as the case may be) such percentage of the total number of Initial Offer Shares as is set forth opposite its name in the following table:

| Underwriters | % Initial Offer Shares |
|---|---|
| Merrill Lynch International | 32.5% |
| UBS Limited | 32.5% |
| Banco Bilbao Vizcaya Argentaria, S.A. | 10.5% |
| Barclays Bank PLC | 10.5% |
| Nomura International plc | 6% |
| Banco Santander, S.A. | 4% |
| Banca IMI S.p.A. | 2% |
| ING Bank N.V. | 2% |

The transaction date of the Offering (*fecha de operación bursátil*) (the “Transaction Date”) is expected to be on or about April 26, 2016. Under Spanish law, on the Transaction Date, investors become unconditionally bound to pay for, and entitled to receive, the relevant Initial Offer Shares subscribed for or purchased in the Offering.

In order to expedite the listing of the Initial Offer Shares, it is expected that the Joint Global Coordinators, in their capacity as prefunding banks, will subscribe and pay for the New Offer Shares on the Transaction Date of the Offering, each acting in the name and on behalf of the Underwriters, and each Underwriter acting on behalf of the final investors. Payment for the New Offer Shares by the prefunding banks is expected to be made to the Company by 9:00 CET on the Transaction Date in its account maintained with Banco Santander, S.A., as the agent bank, and the New Offer Shares will come into existence once registered with the Commercial Registry of Madrid and recorded in book-entry form with *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* (“Iberclear”).

Payment by the final investors for the Initial Offer Shares, including for the New Offer Shares subscribed and paid for on the Transaction Date by the Joint Global Coordinators as prefunding banks, will be made no later than the third business day after the Transaction Date against delivery through the facilities of Iberclear of the Initial Offer Shares to final investors, which is expected to take place on or about April 29, 2016 (the “Settlement Date”).

The execution of the capital increase resulting from the Subordinated Loan Capitalization will be approved by our board of directors on or about April 25, 2016. The public deed relating to the Subordinated Loan Capitalization will be granted as soon as possible after Admission. The New Capitalization Shares will come into existence once the public deed is registered with the Commercial Registry of Madrid and the New Capitalization Shares are recorded in book-entry form with Iberclear, which is expected to occur as soon as possible after Admission.

The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about April 27, 2016, under the symbol “TPZ”, except for the New Capitalization Shares,

| Section E- Offer | | |
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| | | which are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS as soon as possible after Admission.<br><br>In case of withdrawal or revocation of the Offering, all offers to subscribe or purchase shall be cancelled and all subscription or purchase orders related to the Offering shall be terminated. Additionally, we will have no obligation to issue and deliver the New Offer Shares and the Selling Shareholder shall have no obligation to deliver the Existing Offer Shares and the investors (including for the purposes of this section, the Underwriters on behalf of the final investors) shall have no obligation to subscribe for or purchase, as the case may be, the Initial Offer Shares.<br><br>In the event that the New Offer Shares have already been issued and paid for by investors before termination of the Offering takes place, the Company will repurchase the New Offer Shares that have been issued and paid, and then reduce its share capital and cancel the New Offer Shares in order to return the subscription monies received by the Company. The Company will repurchase the New Offer Shares for an amount equal to the monies paid by the investors in respect of the subscription of the New Offer Shares in the Offering, together with interest calculated at the statutory rate (interés legal) currently set at 3.00%) from the date on which the investors paid for the New Offer Shares until the date on which the Company repays the subscription price.<br><br>In the event that the Existing Offer Shares have already been delivered by the Selling Shareholder and the purchase price has been paid by the investors, the investors would be required to return title to the Existing Offer Shares to the Selling Shareholder and the Selling Shareholder will repurchase the Existing Offer Shares from the purchasers of the Existing Offer Shares for the amount paid by the purchasers in respect of the sale of the Existing Offer Shares in the Offering, together with interest calculated at the statutory rate (*interés legal*) (currently set at 3.00%) from the date on which the purchasers paid for the Existing Offer Shares until the date on which the Selling Shareholder repays the purchase price.<br><br>In connection with the Offering, the Stabilizing Manager, may (but will be under no obligation to) to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price, as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Any stabilization transactions shall be undertaken in accordance with applicable laws and regulations, in particular, European Commission Regulation (EC) No 2273/2003 of December 22. |
| **E.4** | Material interests in the Offering | The Underwriters and their respective affiliates have in the past engaged, are currently engaged and may from time to time in the future engage in transactions with, and may perform services for, us in the ordinary course of their business.<br><br>Some of the Underwriters and their respective affiliates are lenders or participants under our financing arrangements, including the New Facilities Agreement, which obligations will be secured by first ranking pledges over the shares representing 100% of the share capital in our Spanish subsidiaries.<br><br>On February 29, 2016, we executed an engagement letter with KKR Capital Markets Limited, for the provision of certain advisory services in connection with the Offering and the refinancing of the Existing Facilities Agreement. In consideration for these services, the Company expects to pay to KKR Capital Markets Limited fees for an amount of approximately €2.2 million, to be paid upon the Offering and the New Facilities becoming effective. |
| **E.5** | Entity offering the shares and lock-up arrangements | **(A) Entities offering the Shares**<br><br>The Company is the entity offering the New Offer Shares. The Selling Shareholder is the entity offering the Existing Offer Shares. |

| Section E- Offer | | |
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| | | **(B) Lock-up arrangements**<br>Pursuant to the Underwriting Agreement, the following parties will be subject to lock-up arrangements for the periods from the execution of the Underwriting Agreement to the date falling on the following days after the Settlement Date of the Offering:<br>The Company ........ 180 days<br>The Selling Shareholder ........ 180 days<br>Senior managers ........ 365 days [(1)]<br>*Note:—*<br>(1) Each of the members of our senior management will also agree with the Company and the Selling Shareholder to similar restrictions on the transfer of Shares to be received in connection with the management incentive plans for a period of one or two years, as applicable, after the Transaction Date of the Offering.<br>The lock-up agreements are subject to customary exceptions. |
| **E.6** | Dilution | Between 12,477,335 and 16,933,526 New Offer Shares will be issued pursuant to the Offering and between 10,953,084 and 14,864,900 New Capitalization Shares will be issued pursuant to the Subordinated Loan Capitalization. The existing Shares of the Company as of the date of this prospectus will represent between 69.4% and 75.4% of the total share capital of the Company post- Subordinated Loan Capitalization and post-Offering. |
| **E.7** | Expenses charged to investors | Notwithstanding any expenses, broker fees or commissions that might be charged by the participating entities in Iberclear in accordance with their respective fees (and which are external to the Company), for the purposes of the transfer of the Shares, we will not charge final investors any expense in addition to the Offering Price.<br>Subscribers or purchasers of the Offer Shares may be required to pay stamp taxes and other charges in compliance with the laws and practices of their country of purchase in addition to the Offering Price. |

## THE OFFERING

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| The Company | Telepizza Group, S.A.U. |
| The Selling Shareholder | Foodco Finance S.à r.l. See "*Principal Shareholders and Selling Shareholder*". |
| The Offering | In member states of the EEA, the Offering consists of an offering not qualifying as a public offering for the purposes of the Prospectus Directive and only addressed to and directed at persons who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the EEA, such as the Royal Decree 4/2015, of October 23, approving the reinstated text of the Securities Market Act (*Texto Refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) (the "Securities Market Act") and Royal Decree 1310/2005).<br><br>In addition the Offering consists of an offering (i) in the United States to persons reasonably believed to be QIBs as defined in, and in reliance on, Rule 144A under the U.S. Securities Act and (ii) outside the United States in compliance with Regulation S under the U.S. Securities Act. |
| Offering Price | The indicative Offering Price Range at which Offer Shares are being offered in the Offering is between €7.00 and €9.50 per Offer Share, but the Offering Price may be outside this range. The Offering Price Range has been determined based on discussions and agreement between us, the Selling Shareholder and the Joint Global Coordinators, and no independent experts have been consulted in determining the Offering Price Range.<br><br>The Offering Price of the Offer Shares will be determined by us, the Selling Shareholder and the Joint Global Coordinators, upon the finalization of the book-building period (expected to be determined on or about April 25, 2016) and will be announced through the publication of a relevant fact notice (*hecho relevante*). No independent experts will be consulted in determining the Offering Price. |
| Total Number of Initial Offer Shares | We are offering between 12,477,335 and 16,933,526 New Offer Shares in the Offering, being such number of New Offer Shares as is required, at the Offering Price, to provide the Company with gross proceeds of €118.5 million (see "*Use of Proceeds*"), and the Selling Shareholder is offering between 45,417,402 and 61,637,903 Existing Offer Shares, being such number of Existing Offer Shares as is required, at the Offering Price, to provide the Selling Shareholder with gross proceeds of €431.5 million. |
| Over-allotment Option | The Selling Shareholder will grant an option to the Underwriters, exercisable by the Stabilizing Manager no later than 30 calendar days after the date on which the Shares commence trading on the Spanish Stock Exchanges and quoted on the AQS, to purchase a number of Over-allotment Shares at the Offering Price |

representing up to 10% of the number of Initial Offer Shares in the Offering to cover over-allotments, if any, and short positions resulting from stabilization transactions, if any. See "*Plan of Distribution*".

Subordinated Loan Capitalization

Pursuant to the Subordinated Loan Capitalization, subject to pricing of the Offering, the Selling Shareholder will convert into equity as soon as possible after Admission, at the Offering Price, the outstanding principal amount and accrued interest as of the pricing date of the Offering of the Subordinated Loan (expected to be €105.2 million), except for €1.2 million that will be repaid in cash (with €104.1 million expected to be converted into equity), and the Selling Shareholder will subscribe such number of New Capitalization Shares as is required at the Offering Price to effect the equity conversion, partially on behalf of certain current indirect shareholders of the Company that will become direct shareholders of the Company after the Shareholders Reorganization (as defined in "*Principal Shareholders and Selling Shareholder*") to be carried out on the settlement date of the Offering or as soon as possible thereafter. The New Capitalization Shares do not form part of the Offering.

Listings and Quotation

Application will be made to list the Shares on the Spanish Stock Exchanges and to have them quoted on the AQS. It is expected that the Shares will be admitted to listing on the Spanish Stock Exchanges on or about April 27, 2016 under the symbol "TPZ", except for the New Capitalization Shares, which are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS as soon as possible after Admission.

If the Shares (except for the New Capitalization Shares) are not listed on the Spanish Stock Exchanges and quoted on the AQS by 23:59 CET on May 31, 2016, the Offering will be automatically revoked, in which case (i) the New Offer Shares will be repurchased by the Company for their cancellation and the purchase price will be returned to the subscribers, together with accrued interest; and (ii) the Existing Offer Shares will be returned to the Selling Shareholder and the purchase price will be returned to the purchasers, together with accrued interest. See "*Plan of Distribution*".

Dividend Policy

Due to our profile and strategy, we expect to reinvest our near-term future earnings and cash generation in initiatives to grow the business and reduce leverage, therefore, we do not foresee the payment of a dividend in 2016 or in the medium term. We will review our dividend policy as our business evolves.

The amount of future dividends that we decide to pay, if any, will depend upon a number of factors, including, but not limited to, our earnings, financial condition, cash generation, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. The amount of dividends will be proposed by our board of directors and approved by our shareholders at a general

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| | shareholders' meeting.<br><br>The Offer Shares and the New Capitalization Shares will be eligible for any dividends paid or declared after the settlement of the Offering.<br><br>Any dividends paid in the future will be subject to tax under Spanish law. As an exemption to the above, certain distributions could be tax exempt under Spanish law if certain circumstances are met. See "*Taxation—Material Spanish Tax Considerations*". |
| Voting Rights | Each Share entitles the holder to one vote. See "*Description of Share Capital—General Shareholders' Meetings and Voting Rights*". |
| Use of Proceeds | We expect to raise gross proceeds of €118.5 million from the issue of the New Offer Shares in the Offering. The underwriting commissions, fees and expenses which will be payable by us in connection with the Offering are expected to be approximately €16.1 million. We intend to pay this out of the gross proceeds of the Offering.<br><br>We intend to use the net proceeds from the issue of the New Offer Shares as follows: (i) €87.4 million, together with drawings under our New Facilities Agreement, to repay in full amounts outstanding under the Existing Facilities Agreement; (ii) €1.2 million to repay in full the outstanding amount of the Subordinated Loan after the Subordinated Loan Capitalization; (iii) €5.0 million to make a payment in cash to our senior managers under the Cash and Shares Incentive Plan upon Admission; (vi) up to €4.0 million to grant an optional loan, at the discretion of our senior managers, to each of our senior managers to finance part of the taxes due by them upon receiving the Shares subject to the Cash and Shares Incentive Plan upon Admission; and (v) up to €4.9 million to make a payment in April 2018 under the 3 Year Plan under the long term management incentive plans.<br><br>We will not receive any of the proceeds from the sale of the Existing Offer Shares or the Over-allotment Shares by the Selling Shareholder in the Offering. |
| Lock-up Arrangements | We will agree to certain lock-up arrangements during the period from the date on which the Underwriting Agreement is signed to 180 days after the Settlement Date of the Offering, which will be subject to certain exceptions.<br><br>The Selling Shareholder and the entities listed in the table in the section "*Principal Shareholders and Selling Shareholder*" that will become direct shareholders of the Company upon completion of the Shareholders Reorganization (as defined in that section) will also agree to certain lock-up arrangements during the period from the date on which the Underwriting Agreement is signed to 180 days after the Settlement Date of the Offering, which will be subject to certain exceptions. This 180 days lock-up undertaking of the Selling Shareholder will also be applicable to the New Capitalization Shares. |

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| | Each of the members of our senior management will also agree with the Underwriters to certain lock-up arrangements during the period from the date on which the Underwriting Agreement is signed to 365 days after the Settlement Date of the Offering. In addition, each of the members of our senior management will agree with the Company and the Selling Shareholder to similar restrictions on the transfer of Shares under the Management Incentive Plans for a period of one or two years, as applicable, after the Transaction Date of the Offering. See "*Board of Directors and Management—Compensation—Management Incentive Plans*".<br><br>See "*Plan of Distribution—Lock-up*". |
| Payment, Delivery and Settlement | The Initial Offer Shares are expected to be delivered against payment of the Offering Price, through the book-entry facilities of Iberclear and its participating entities, on or about April 29, 2016. |

# RISK FACTORS

*Investing in our Shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with the other information contained in this prospectus, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. The market price of our Shares could decline due to any of these risks and uncertainties, and you could lose all or part of your investment.*

*The risks described below are not the only risks that we face. There may be additional risk factors that are currently unknown or that our management deems immaterial but which, if they materialize, could materially harm our business, results of operations, financial condition, cash flows and prospects.*

*You should not consider the order in which we present the risk factors below as an indication of our management's assessment of the relative likelihood or severity of those risks.*

## IMPORTANT NOTICE

We wish to highlight to potential investors in Shares in the Offering and to any future shareholders of the Company the following matters:

- ***We have experienced fluctuations in our profitability and have incurred significant losses in the past and expect to incur losses in the current year***

  We incurred losses in 2013 and 2015. In 2013, the Company's consolidated and individual losses amounted to €84.8 million and €44.3 million, respectively, and in 2015, the Company's consolidated and individual losses amounted to €1.1 million and €12.0 million, respectively.

  In 2014 the Company recorded a profit of €90.7 million and €108.3 million on a consolidated and individual basis, respectively. This was the result of recognizing as income a settlement gain of an amount of €128.6 million following the issuance of equity instruments in compensation of a profit participating loan in the amount of €107.1 million and the partial conversion of a subordinated loan in the amount of €106.3 million in connection with our 2014 debt refinancing.

  We expect to incur in losses in 2016 as a result of the amortization of the goodwill and other intangible assets derived from the recent changes to accounting regulations and of the non-recurring costs of €44.5 million incurred in connection with the Offering, the Subordinated Loan Capitalization and the arrangements of the New Facilities (these expenses expected to be an aggregate of €16.1 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range), and the impact of the management incentive plans on our results of operations (expected to be an aggregate of €28.4 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range).

- ***We have recorded €382.7 million in goodwill and €334.0 million in other intangible assets (including €228.5 million related to the value of the brand) in our consolidated statement of financial position as of December 31, 2015, which together represent 80.8% of our consolidated total assets. Our goodwill and other intangible assets may be subject to impairments in the future***

  We have recorded substantial goodwill and other intangible assets on our statement of financial position arising principally from subsequent acquisitions undertaken by the Company in the context of the corporate reorganization in 2006 and which correspond to the value of the "Telepizza" brand and to the contractual rights of the franchise agreements. As of December 31, 2015, we have recorded €382.7 million in goodwill and €334.0 million in other intangible assets in our consolidated statement of financial position, which together represent 80.8% of our consolidated total assets. Material impairment to our goodwill and intangible assets would have a negative impact on our income statement through the recognition of impairment charges and our statement of financial position and capital position through the write-down of the relevant carrying values.

- ***The shares of Telepizza Sub and other subsidiaries will be pledged in favour of the lenders under the New Facilities Agreement***

  The obligations arising under the New Facilities Agreement will be secured by a first ranking pledge over the shares representing 100% of the share capital of Telepizza Sub together with other security interests over the share capital of certain other of our subsidiaries and personal guarantees of group companies. If we are unable to meet our obligations under the New Facilities Agreement, the lenders may accelerate amounts due thereunder and, if we were unable to pay such amounts, the lenders have the right to enforce such security and interests and guarantees.

- ***We are a holding company and our only material assets are and are expected to be our interest in Telepizza Sub and its subsidiaries, upon whom we are dependent to pay dividends, taxes and other expenses***

  Our main activity is serving as the holding company of our subsidiary Telepizza Sub. Our subsidiary Telepizza Sub has a large amount of intangible assets on its individual Spanish GAAP statement of financial position resulting from the value of Telepizza Sub's goodwill and brands. As of December 31, 2015, Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million (including €230.6 million related to the value of the brand). Recent changes to accounting regulations in Spain require intangible assets to be amortized in Spanish GAAP annual accounts on a linear basis over their useful lives (intangible assets with indefinite useful life disappear), which unless it can be otherwise reliably determined, shall be presumed to be a ten year period. Although as of the date of this prospectus we are unable to predict the amortization of intangible assets that we will record in Telepizza Sub's individual statutory annual accounts in the future, the amortizations to be made in 2016 and in the following years according to the said changes to the Spanish intangible assets accounting criteria will considerably reduce Telepizza Sub's profits under Spanish GAAP and will result in losses in 2016, which will materially adversely affect Telepizza Sub's dividend distribution capacity and could materially and negatively affect the Company's dividend distribution capacity.

### Risks Related to the Company

***We have experienced fluctuations in our profitability and have incurred significant losses in the past and expect to incur losses in the current year***

We incurred losses in 2013 and 2015. In 2013, the Company's consolidated and individual losses amounted to €84.8 million and €44.3 million, respectively, and in 2015, the Company's consolidated and individual losses amounted to €1.1 million and €12.0 million, respectively. In 2014 the Company recorded a profit of €90.7 million and €108.3 million on a consolidated and individual basis, respectively. This was the result of recognizing as income an amount of €128.6 million following the issuance of equity instruments in compensation of a profit participating loan in the amount of €107.1 million and the partial conversion of a subordinated loan in the amount of €106.3 million in connection with our 2014 debt refinancing.

We expect to incur losses in 2016 as a result of the amortization of the goodwill and other intangible assets derived from the recent changes to accounting regulations and of the non-recurring costs of €44.5 million incurred in connection with the Offering, the Subordinated Loan Capitalization and the arrangements of the New Facilities (these expenses expected to be an aggregate of €16.1 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range), and the impact of the management incentive plans on our results of operations (expected to be an aggregate of €28.4 million, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range), as further described in "*—We are a holding company and our only material assets are and are expected to be our interest in Telepizza Sub and its subsidiaries, upon whom we are dependent to pay dividends, taxes and other* expenses", "*Use of Proceeds—Offering Expenses*" and "*Board of Directors and Management—Compensation—Management Incentive Plans*". There can be no assurance that the Group will not experience further fluctuations in our profitability and incur further losses in the future, in particular as a consequence of any payment to be made under the long-term management incentive plan.

***We have recorded €382.7 million in goodwill and €334.0 million in other intangible assets (including €228.5 million related to the value of the brand) in our consolidated statement of financial position as of December 31, 2015, which together represent 80.8% of our consolidated total assets. Our goodwill and other intangible assets may be subject to impairments in the future***

We have recorded substantial goodwill and other intangible assets on our statement of financial position arising principally from subsequent acquisitions undertaken by the Company in the context of the corporate reorganization in 2006 and which correspond to the value of the "Telepizza" brand and to the contractual rights of the franchise agreements. As of December 31, 2015, we have recorded €382.7 million in goodwill and €334.0 million in other intangible assets in our consolidated statement of financial position, which together represent 80.8% of our consolidated total assets.

Impairments reflect changes in the value of each asset as a consequence of changes in the expected performance of such asset, which can be driven by a number of factors affecting our operations, as well as other market considerations. We test goodwill and the brand for impairment on an annual basis. In the years ended December 31, 2013, 2014 and 2015, the Group recognized goodwill and intangible assets impairments of €38.9 million, €6.2 million and €0.4 million, respectively.

A reduction in expected future cash generation in light of potential difficult market conditions in Spain or the markets where we operate, could lead us to recognize impairments. Material impairment to our goodwill and intangible assets would adversely affect: (i) results of operations due to the recognition of impairment charges; and (ii) our statement of financial position and capital position through the write-down of the relevant carrying values. Consequently, material impairments to our goodwill and intangible assets could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

***The shares of Telepizza Sub and other subsidiaries will be pledged in favour of the lenders under the New Facilities Agreement***

All obligations arising from the New Facilities Agreement will be secured by first ranking pledges over the shares representing 100% of the share capital in Telepizza Sub and Luxtor S.A., pledges or promissory pledges over the shares, or quotas as applicable, representing 100% of the share capital of our Portuguese subsidiaries (Bazigual Unipessoal SGPS Lda, Cozicharme – Comércio de Produtos Alimentares Lda and TelePizza Portugal Comércio de Produtos Alimentares, S.A.) and a security interest and prohibition on charging and alienation over the shares representing 100% of the share capital of Telepizza Chile, S.A.

In addition, the obligations under the New Facilities Agreement will be guaranteed on an unsecured basis by the Company, Telepizza Sub and our subsidiaries Luxtor S.A., Telepizza Chile, S.A., Bazigual Unipessoal SGPS Lda, Cozicharme – Comércio de Produtos Alimentares Lda and TelePizza Portugal Comércio de Produtos Alimentares, S.A.

If we are unable to meet our obligations under the New Facilities Agreement, the lenders may accelerate amounts due thereunder. If we were unable to pay such amounts, the lenders have the right to enforce the guarantees and security interests granted in their favour, including the share pledge granted by the Company over all of the shares in Telepizza Sub. We are a holding company, and our business and commercial activity is mainly carried out by Telepizza Sub and its subsidiaries, which hold most of our assets. Consequently, the revenue and cash flow of the Company depend on distributions and other payments from Telepizza Sub and certain others subsidiaries. If any significant guarantee or security interest granted in favour of our lenders is enforced our business, results of operations, financial condition, cash flows and prospects will be adversely affected.

***We are a holding company and our only material assets are and are expected to be our interest in Telepizza Sub and its subsidiaries, upon whom we are dependent to pay dividends, taxes and other expenses***

Our main activity is serving as the holding company of our subsidiary Telepizza Sub and rendering corporate and strategic management-related services to Telepizza Sub, which is the parent company of all

the subsidiaries of the Group. Our business and commercial activity is carried out by Telepizza Sub and its subsidiaries. The Company does not have any employees (save for its directors and a senior manager), it does not carry out any commercial activity related to the business of the Group and all of its assets (which generate all of its revenue) are held by Telepizza Sub and its subsidiaries. Consequently, the revenue and cash flow of the Company depend on distributions and other payments from Telepizza Sub and certain others subsidiaries. To the extent that one or more of our subsidiaries is restricted from making distributions under the terms of agreements or applicable law and regulations or is otherwise unable to provide such funds, it could materially adversely affect the liquidity and financial condition of the Company and limit the ability of the Company to pay dividends to its shareholders. No dividends were declared or paid by Telepizza Sub to the Company during the years ended December 31, 2015, 2014 and 2013.

The ability of Telepizza Sub and its subsidiaries to pay dividends to us will depend on the amount of their cash flow and yearly profits. Although our consolidated annual accounts are prepared under IFRS-EU, the determination of our subsidiaries' ability to pay dividends in compliance with applicable corporate law will depend on their individual financial statements prepared under generally accepted accounting principles in the relevant jurisdiction (Spanish GAAP in the case of Spain). In Spain our subsidiaries may only pay dividends to shareholders if their net equity (*patrimonio neto*) is not, and as a result of the payment of dividends would not be, lower than their share capital. Recent changes to Spanish law implemented by Act 22/2015, of July 20, on audit of accounts (*Ley 22/2015, de 20 de julio, de auditoría de cuentas*) (the "Spanish Audit Act"), effective as of January 1, 2016, require intangible assets to be amortized in Spanish GAAP annual accounts on a linear basis over their useful life (intangible assets with indefinite useful lives disappear), which unless it can be otherwise reliably determined, shall be presumed to be a ten year period. The goodwill recorded as an asset in our individual statement of financial position will be reduced annually in an amount at least equal to its amortization. Our subsidiary Telepizza Sub has a large amount of intangible assets on its individual Spanish GAAP statement of financial position resulting from the value of Telepizza Sub's goodwill and brands. As of December 31, 2015, Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million (including the €230.6 million related to the value of the brand). All Telepizza Sub's intangible assets except for the brand currently have a limited useful life and our intention is to amortize such intangible assets as we have been doing in the past. However, changes to the accounting of intangible assets under the Spanish Audit Act are still subject to further legal development and, therefore, we cannot predict how we will amortize our brand and our goodwill in the future.

In addition, pursuant to changes to the Spanish Companies Act implemented by the Spanish Audit Act, the creation of a non-distributable mandatory goodwill reserve is no longer required. Amounts previously allocated to the non-distributable mandatory goodwill reserve will be reclassified as voluntary reserves in the 2016 individual statutory annual accounts and can be distributed in the amount exceeding the goodwill recorded as an asset in the statement of financial position of a company. As of December 31, 2015, Telepizza Sub's non-distributable mandatory goodwill reserve amounted to €110.3 million (against €294.5 million of goodwill) and, therefore, amortization of its goodwill in the short-term are not expected to permit Telepizza Sub to distribute the amount of this reserve.

In 2015, 2014 and 2013, Telepizza Sub recorded a profit of €6.2 million, losses of €0.7 million and a gain of €12.2 million, respectively, in its individual results of operations, having recorded amortizations in the amounts of €9.5 million, €9.6 million and €10.5 million, respectively. Although as of the date of this prospectus we are unable to predict the amortization of intangible assets that we will record in Telepizza Sub's individual statutory annual accounts in the future, the amortizations to be made in 2016 and in the following years according to the said changes to the Spanish intangible assets accounting criteria will considerably reduce Telepizza Sub's profits under Spanish GAAP and will result in losses in 2016, which will materially adversely affect its dividend distribution capacity. Consequently, Telepizza Sub may find itself unable to declare or pay dividends to us in the amounts it intends or at all, which could materially and negatively affect the Company's dividend distribution capacity.

In addition, foreign-sourced dividends by the subsidiaries of Telepizza Sub may be subject to unrecoverable withholding tax in certain jurisdictions, at rates that may be increased from time to time.

***Our business may be adversely affected due to the loss of certain clients or franchisees and master franchisees***

As a retail business, we have a highly diversified client base. However, our business relies in part on our franchisees and master franchisees. In 2015, 2014 and 2013 we received 33.7%, 31.6% and 26.6% of our consolidated total revenues from our franchisees and master franchisees in the form of supply sales and royalties, respectively. As of December 31, 2015, we had 478 franchisees globally and seven master franchisees. The loss of a substantial part of our franchisees could have a significant adverse effect on our business, results of operations, financial condition, cash flows and prospects.

As of that same date, our franchisees operated an average of 1.5 franchises and our top three largest franchisees operated 11, 11 and 9 franchises, respectively. We received less than 0.2% of our consolidated revenues from our largest master franchisee (the Pollo Campero group) during 2015 (which represented 27.7% of the revenues within Master Franchises and Others). The master franchise agreements with the Pollo Campero group in Guatemala and El Salvador both expire in 2017, although they may be renewed for additional periods of seven and ten years, respectively.

***We rely on third-party suppliers and we may face shortages or interruptions in the supply of raw materials, ingredients and complementary products***

Our business and the business of our franchisees and master franchisees are dependent on frequent deliveries from third-party suppliers of raw materials, ingredients and complementary products that meet our specifications. Suppliers may fail to provide necessary products on a timely basis or to the agreed upon standard, may discontinue their products or may seek to charge us higher prices, any of which could adversely affect the availability, quality and cost of own products.

Our suppliers may, among other things, extend delivery times, deliver unsatisfactory products, raise prices and limit and discontinue supply due to their own shortages, business requirements or otherwise. Shortages or interruptions from suppliers may be caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions. We have prepared alternative supply options in the event of a disruption in our principal suppliers' operations, and we have in place emergency plans in the event of a disruption of operations at our dough production facilities, our logistics centers or those of our suppliers. However, it may be difficult for us to adapt to such contingencies and if we need to arrange for an alternative supplier, there may be disruptions that lead to an increase in costs or negatively affect our customers' experience.

Moreover, our policy is to centralize the production of our proprietary dough blend and the supply of raw materials, pizza topping ingredients and complementary products for our own and franchised stores. We currently operate six dough production facilities worldwide and use seven logistics centers, making deliveries to stores several times per week. Our dough production facilities and logistics centers that stock ingredients and complementary products from third-party suppliers serve all of our own and franchised stores. This centralizing policy means that the supply of our own and franchised stores depends on a small number of suppliers. We have only four suppliers of cheese globally (two in Europe and two in Latin America) and our main supplier, Ornua, supplies us on an exclusive basis in Spain, Portugal, Chile and Poland (in the case of Chile and Poland the exclusivity is for 75% and 65% of the supply, respectively). Regarding complementary products, we have agreements for the supply of beverages with Coca-Cola in Spain and Pepsi in other countries and for the supply of desserts with Unilever in Spain. The concentration of certain of our suppliers significantly increases our reliance on them, which would increase the effects of any shortages or interruptions in the supply of raw materials, ingredients and complementary products. Consequently, an interruption to the operation of, or delivery from, our dough production facilities, our logistics centers or our suppliers' production facilities could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

***Certain of our supply contracts place long-term price and volume obligations upon us. In other cases, we do not have long-term contracts with suppliers, who could seek to significantly increase prices or fail to deliver supplies on time***

We have entered into a long-term strategic supply contract with Ornua (formerly known as the Irish Dairy Board) for cheese (the "Ornua Supply Agreement"), which along with dough constitutes one of our primary raw materials. In 2015, cheese made up 32% of our gross purchases with Ornua being our main supplier (it supplies dairy products in exclusivity to Spain, Portugal, Chile and Poland). Under this contract, we are bound to purchase a minimum annual amount of ten million kilograms of cheese and other dairy products at agreed prices, which are adjusted quarterly. Should our demand for cheese and dairy products under the contract decrease beneath the minimum annual amount for any reason, we may still be required to purchase the minimum annual amount.

In addition, we have entered into exclusive contracts for the supply of certain other products, ingredients and services (such as drinks, desserts and transportation). Should alternative supplies of these products, ingredients or services become available at lower prices or be more attractive to us or to our customers, we may be unable to change to these alternative sources quickly. As of December 31, 2015, we had long-term commitments for the acquisition of certain supplies which in the case of a breach would give rise to penalties with an estimated negative aggregate impact of €3.0 million in our consolidated results of operations.

Some of our master franchisees enter into supply agreements with local suppliers. We approve any local supply contracts between third parties and our master franchisees, but any subsequent price or other changes to such contracts with our master franchisees may indirectly have a material adverse impact on our results of operations due to any subsequent increased product prices and the possible reduction of master franchisee sales. Our supply arrangements and dependence on suppliers are described in "*Business—Supplies, Manufacturing and Distribution.*"

We do not have long-term arrangements with all of our suppliers of products, ingredients, equipment or services. Although we have not in the past experienced significant problems with our suppliers, they could in the future implement significant price increases or may not meet our requirements, and it could be costly or time-consuming to change suppliers. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our growth strategy depends in part on opening profitable new stores in existing and new markets and generating growth per store***

Our growth plan includes opening a significant number of new own stores (and operating those stores on a profitable basis) and entering into new franchise or master franchise agreements. We directly operate and manage staff in our own stores, whereas our franchised and master franchised stores are operated by our franchisees who pay us a percentage royalty based on net sales revenue and a further amount as a contribution to marketing. During 2013, 2014 and 2015, we opened 19, 48 and 28 own stores globally and closed 56, 27 and 22 own stores, and our franchisees and master franchisees opened 37, 50, and 64 stores and closed 31, 33 and 27 stores, respectively. Also, as a result of own store buybacks and transfers, the net transfer of own stores to franchisees was 31, 58 and 9 in 2013, 2014 and 2015, respectively.

We seek to identify key geographical markets where we can enter or expand taking into account numerous factors such as the location of our current stores (if any), demographics, traffic patterns and information gathered from our various contacts. Our analysis may not prove accurate, and these factors may not evolve in the future as we expect. Further, entering new markets involves particular challenges including: difficulties in hiring experienced personnel; unfamiliarity with local real estate markets and demographics; delays or problems in securing required governmental permits; consumer unfamiliarity with our brand and/or the strength of incumbent brands; inability to rely on consumption patterns gained from our operation in existing markets; competitive and economic conditions that differ from those we anticipated; and consumer tastes and discretionary spending patterns that are different or more difficult to predict or satisfy than in our existing markets. Any failure on our part to recognize or respond to these challenges may

materially adversely affect the success of our growth strategy and our business, results of operations, financial condition, cash flows and prospects.

Our ability to operate new stores profitably and increase revenues in new and existing markets will depend on many additional factors, some of which are beyond our control, including:

- general economic conditions, which can affect store traffic, local labor costs and prices we pay for the food products and other supplies we use;
- popularity of our store model that may differ from region to region;
- difficulties obtaining or maintaining adequate relationships with distributors or suppliers in new markets;
- increases in prices for commodities;
- increases in our labor costs as the staff gains experience;
- competition, including from our competitors in the QSR and pizza delivery industries;
- changes in government regulation; and
- other unanticipated increases in costs, any of which could give rise to greater expenses and reduced profitability.

Our ability to increase our revenues in line with our growth plans depends in part on our ability to successfully implement our strategic growth initiatives. It is possible such initiatives will not be successful and that we will not achieve our target sales or that sales growth could be negative, which may cause a decrease in profit growth.

In addition, the consumer target area of our stores varies by location, depending on a number of factors, including population density, other local stores and attractions, area demographics and geography. Due to brand recognition and logistical synergies, as part of our growth strategy, we also intend to open new stores in areas where we have existing stores. The opening of a new store in or near markets in which we already have stores could adversely affect the sales of those existing stores. Existing stores could also make it more difficult to build our consumer base for a new store in the same market. Opening new stores in close proximity with our existing stores may have a negative effect on the sales of existing stores and market saturation may become significant in the future as we continue to expand our operations and could adversely affect our store sales growth.

Even if we recognize and respond to these challenges, our existing internal systems and controls, distribution and delivery networks and information technology systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We may not be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure, or we may prove unable to hire or retain the necessary management and operating personnel. These demands could cause us to operate our existing business less effectively, which in turn could cause a deterioration in our financial performance. If we experience a decline in financial performance, we may decrease the number of or discontinue store openings or limit the growth of our franchise system, or we may decide to close stores that we are unable to operate in a profitable manner.

If our new stores do not perform as planned or close, our business and future prospects could be harmed. In addition, an inability to achieve our expected revenues would have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our marketing initiatives may not be successful, and our new products, advertising campaigns and store designs and refurbishments may not generate increased sales or profits***

We incur costs and expend other resources in our marketing efforts to develop and promote new products, undertake advertising campaigns and refurbish our stores with the goal of raising brand awareness and attracting and retaining customers. In 2015, we spent €15.5 million on marketing and advertising campaigns and €3.6 million on the refurbishment of own stores. However, these initiatives may not be successful in generating higher revenues. Additionally, some of our competitors may have greater financial resources, which enable them to spend significantly more on marketing and advertising and other initiatives than we are able to.

Moreover, under our franchise and master franchise agreements, franchisees and master franchisees may freely determine the prices of our products and generally devote additional resources to direct marketing initiatives over which we have limited control and which may divert from our global marketing strategies, rendering our advertising or promotions less effective than expected by us.

Should our advertising, promotions, new products and store designs and remodels be less effective than those of our competitors for any reason, there could be a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***We depend on our franchises and master franchises and their sub-franchises to develop our business***

Our business model relies in part on our franchisees and master franchisees (and their sub-franchisees). As part of our growth strategy, we use franchises on substantially similar terms to grow in those markets where we are well-established through own stores and where we have developed significant local knowledge. We normally use master franchise agreements to enter into geographic markets where the dynamics or business culture differ significantly from our consolidated markets, and where we can benefit from an experienced local partner. As of December 31, 2015, 850 of our total of 1,311 stores were under franchise or master franchise agreements and in 2015, 2014 and 2013 we received 33.7%, 31.6% and 26.6% of our consolidated total revenues from our franchisees and master franchisees, including only the sales from the factory to franchisees and the royalty and marketing fees, respectively.

Although we set the business strategy for the Group, franchisees and master franchisees, as independent business operators, may from time to time disagree with us and our strategies regarding the business or our interpretation of our respective rights and obligations under the franchise or master franchise agreements. The termination of our franchise and master franchise agreements, either as a result of expiry of their term or due to a breach by any of the parties, may result in conflicts with our franchisees and master franchisees regarding the conditions and consequences of such termination. The terms of our master franchise agreements are broadly similar but subject to a degree of variation. Our franchise agreements typically provide for a geographic exclusivity zone in which we may neither open nor grant to others the right to open additional stores. As a result, we depend on our franchisees to pursue our strategy within the geographic exclusivity zone, for example in relation to the concentration or location of stores.

We provide training and support to franchisees and master franchisees, but the quality and financial performance of franchised and master franchised stores operations may be affected by any number of factors beyond our control including the ability to obtain financing from financial institutions, hire and train qualified managers and other store personnel, find suitable sites to open stores, negotiate acceptable lease or purchase terms for store sites, obtain the necessary permits and regulatory approvals or meet opening plans contemplated in our franchise and master franchise agreements. Consequently, franchisees and master franchisees may not successfully operate stores in a manner consistent with our standards and requirements. If they do not, our image and reputation may suffer, and revenues could decline.

Under our franchise and master franchise agreements, we may among other things recommend pricing policies and indicative prices for our products, but franchisees and master franchisees may freely decide the final prices to be applied. Franchisees and master franchisees may from time to time not observe our pricing recommendations and establish unprofitable prices over which we lack control due to compliance with antitrust regulations and which may negatively affect our business, results of operations, financial condition,

cash flows and prospects. The same applies to prices and promotions mentioned in the webpage. Those prices are maximum prices and therefore franchisees and master franchisees may decide to sell the products at lower prices.

Moreover, it is also possible that some franchisees or master franchisees could file for bankruptcy or become delinquent in their payments to us, which could have a significant adverse impact on our business due to loss or delay in payments of royalties, contributions to our marketing efforts and our information technology systems and commissioning payments from our supply activity. Bankruptcies by our franchisees or master franchisees could limit our ability to offer their geographic zones to other franchisees or master franchisees, negatively impact our market share and operating results and adversely impact our ability to attract new franchisees or master franchisees and retain existing franchisees and master franchisees. We typically sign lease agreements with landlords and sub-lease the property to franchisees, leaving us potentially responsible for the full lease payments if the sub-lessee cannot pay us. The overdue debt (for more than one day and not provisioned) related to franchisees and master franchisees was €7.3 million, €7.7 million and €12.0 million as of December 31, 2015, 2014 and 2013, respectively, which represented 5.7%, 6.2% and 11.2% of the revenue from franchisees and master franchisees in 2015, 2014 and 2013, respectively. As of December 31, 2015, the total amounts provisioned by us in our consolidated balance sheet in relation to receivables with franchisees amounted to €6.8 million.

In 2015, all of the franchise agreements that expired in Spain during the year were renewed. Although, we have developed criteria to evaluate and screen prospective franchisees and master franchisees, we cannot be certain that the franchisees and master franchisees we select will have the business acumen or financial resources necessary to open and operate successful franchises in their areas. The failure of franchisees and master franchisees to open and operate franchised and master franchised stores successfully could have a material adverse effect on us, our reputation, our brand and our ability to attract prospective franchisees and master franchisees and slow our growth and reduce our franchise revenues, all of which could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

***Our plans to open new own stores and maintain and renovate our existing own stores require us to make extensive capital investments***

Our growth strategy includes the opening of new stores. In addition, as our existing stores mature, we require capital expenditures for the maintenance, refurbishment, renovation and improvement of existing stores to remain competitive and maintain the value of our brand. In 2015 we recorded capital expenditures of €4.4 million for the opening of new own stores and relocations, €5.6 million for maintenance and €3.6 million for the refurbishment of own stores. In 2016, we plan to refurbish 92 own stores, with expected capital expenditures associated with this investment of €3.9 million. We intend to use cash flows from operations for these capital expenditures. However, if cash flows from operations prove insufficient, we would need to borrow or otherwise obtain the necessary funds. If we are not able to obtain the necessary funds, we may experience reduced profitability and could be required to delay, significantly curtail or eliminate planned store openings or renovations, which could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. Furthermore, if the costs of opening new stores or the refurbishments, renovations or enhancements of existing stores exceed budgeted amounts, it could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our international operations subject us to additional risks***

We conduct a portion of our business and procure products and ingredients outside Spain, as described further in "*Business—Our Segments*". In 2015, 20.0% of our total consolidated revenues were originated in Latin America, 15.0% in the Rest of Europe segment and 0.7% in Master Franchises and Others. Our financial condition and results of operations may be adversely affected if the markets where our own stores and franchised and master franchised stores compete are affected by changes in political, economic or other factors. These factors, over which neither we nor our franchisees or master franchisees have control, may include:

- macroeconomic trends in international markets and in the specific countries where we conduct business;
- changing labor conditions and difficulties in staffing and managing our foreign operations;
- changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;
- restrictions on imports and exports of products and equipment;
- increases in the taxes we pay and other changes in applicable tax laws;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws;
- changes in inflation rates;
- risks associated with conflicts, piracy or terrorism;
- difficulty in collecting our royalties and longer payment cycles;
- expropriation of private enterprises;
- political and economic instability;
- transportation risks; and
- other external factors.

We are exposed to these risks in all of our international operations to some degree, particularly in those markets where the political and legal environment is less certain (such as Angola, Russia, Saudi Arabia or Bolivia). We also conduct business in countries where there is government corruption. We are committed to doing business in accordance with all applicable laws, but there is a risk that our employees may act in violation of applicable law, which could result in substantial civil and criminal penalties and could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our business depends on our ability to deliver our products to our customers***

Our business is subject to risks associated with our ability to provide delivery services for our products. In 2015, we delivered 51.3% of our own store sales to our customers. Our operations depend on our fleet of road vehicles and delivery drivers. These vehicles, and their drivers, could be involved in accidents causing fatalities, injuries and property damage, and adverse weather conditions and increased road traffic volumes may contribute to increases in the number of accidents involving our vehicle fleet in the future. Any such accidents may affect our reputation and brand and expose us to financial liabilities. In addition, our operations are subject to the state of general road networks which are less developed in some of the countries in which we operate. Furthermore, if we are not able to maintain our vehicle fleet or employ qualified delivery drivers in sufficient number, we may be unable to maintain or improve our standards of delivery to customers.

As of December 31, 2015, we owned 2,301 motorbikes in Spain used for deliveries from our own stores. The investment in our motorbike network in Spain in 2015, 2014 and 2013 was €0.5 million, €0.4 million and €0.5 million, respectively. As part of our growth plan, we aim to improve the delivery experience for customers by reducing delays, which requires us to add additional delivery staff across our network. If we are unable to implement these measures, it may materially adversely affect our business, results of operations, financial condition, cash flows and prospects .

***We may face labor shortages or increased labor costs***

Labor is a primary component in the cost of operating our own stores. If we face labor shortages or increased labor costs because of increased competition for employees, higher employee-turnover rates, unionization of store workers, increases in the legally mandated minimum wage, changes in labor law requirements, or increases in employee benefits costs (including costs associated with health insurance

coverage or workers' compensation insurance) in the countries in which we operate, our operating expenses could increase and our growth and profitability could be adversely affected.

Although we pay wages above the applicable minimum wage in Spain, significant increases in the minimum wage could increase our labor costs. The minimum wage in Spain and in other countries in which we operate may be raised in the future. We may be unable to increase our product prices in order to pass future increased labor costs on to our customers, in which case our profitability would be negatively affected. If product prices are increased to cover increased labor costs, the higher prices could adversely affect our sales and thereby reduce our profitability.

Collective bargaining agreements govern our relationship with employees involved in delivery of our products, and our other employees may elect to be represented by labor unions in the future. If a significant number of our employees were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, results of operations or financial condition. In addition, a labor dispute involving some or all of our employees may harm our reputation, disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

In addition, our success depends in part upon our ability to attract, motivate and retain a sufficient number of well-qualified store operators, management personnel and other employees. Qualified individuals needed to fill these positions can be in short supply in some geographic areas. Moreover, QSR have traditionally experienced relatively high employee turnover rates. Although we have not yet experienced any significant problems in recruiting employees, our ability to recruit and retain such individuals may delay the planned openings of new stores or result in higher employee turnover in existing stores. Competition for these employees could require us to pay higher wages, which could also result in higher labor costs. These factors could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***We may not be able to adequately protect our intellectual property or the value of our brand and branded products***

We depend in large part on our brands and branded products and believe that they are very important to our business. We rely on a combination of trademarks, copyrights, service marks, trade secrets and similar intellectual property rights to protect our brand and branded products. The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both Spanish and international markets. Our most important trademark globally is "Telepizza" and, locally in Colombia, "Jeno's Pizza". The "Telepizza" name is registered (or we have applied for its registration), in 81 countries, including all the countries in which we operate. However, we may not be able to adequately protect our trademarks, and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps we have taken to protect our intellectual property in Spain and in foreign countries may not be adequate. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of Spain.

There can be no assurance that third-parties will not assert infringement or misappropriation claims against us, or assert claims that our rights in our trademarks, copyrights, service marks and trade secrets and other intellectual property assets are invalid or unenforceable. Any such claims could have a material adverse effect on us or our franchisees and master franchisees if such claims were to be decided against us. If our rights in any intellectual property were invalidated or deemed unenforceable, it could permit competing uses of intellectual property which, in turn, could lead to a decline in revenues. If the intellectual property became subject to third-party infringement, misappropriation or other claims, and such claims were decided against us, we may be forced to pay damages, be required to develop or adopt non-infringing intellectual property or be obligated to acquire a license to the intellectual property that is the subject of the asserted claim. There could be significant expenses associated with the defense of any infringement, misappropriation, or other third-party claims.

***We do not own any substantial real property and our operations are substantially located in leased premises***

We do not own any substantial real property and our headquarters, production facilities, logistics centers and stores are located in leased premises, which we believe provides us with greater operational flexibility. The lease agreements of most of our stores provide an average term of ten years, generally allowing us to terminate the lease early without penalty giving due notice. In the leases of stores in shopping malls, there is a fixed lease period of five years (on average) where early termination is not permitted. As of December 31, 2015, our total future payments due under non-cancellable operating leases amounted to €67.8 million (including €12.2 million due within a year). If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our credit facilities or other sources, we may not be able to service our lease expenses or fund our other liquidity and capital needs, which would materially affect our business.

In the case of franchised stores, we typically sign the lease with the landlord and sub-lease the stores to our franchisees (for a ten-year period). We sub-lease approximately 49.3% of our franchised stores. We are obliged to continue making payments on the underlying lease even if our franchisee ceases to make payments to us on the sub-lease and in the event that we seek to recover such payments, such actions and proceedings may be costly.

In addition, we may, at the end of the lease term and any renewal period for a store, be unable to renew the lease or to do so without substantial additional cost. As a result, we may close or relocate stores, which could subject us to construction and operational costs and risks. As a result, we may experience an impact on our existing customer base and displacement of some our employees, and may incur costs associated with the development of new premises, adjustments to our supply chains and marketing and other costs relating to establishment of our business in new premises or, as the case may be, a new area. In addition, the operating results generated at a relocated store may be less favourable than at the existing store.

The risks associated with leasing most of our property may have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Fluctuations in exchange rates can affect our results of operations***

Our results of operations and financial condition have been, and will continue to be, affected by changes in the value of the euro (our functional currency) against the U.S. dollar, Polish zloty, Chilean peso or Colombian peso, because a portion of our revenue and costs is linked to these currencies. 23.6% of our revenues in 2014 and 25.2% in 2015 were derived from countries outside of the Eurozone. Sales made by our stores outside of the Eurozone are denominated in the currency of the country in which the store is located, and this currency could become less valuable when converted into euros as a result of exchange rate fluctuations. Our current policy is to hedge the euro value in Chilean pesos of approximately half of the payments from our Chilean operations expected in the following year, but these hedges may not be effective, and our hedging policy may change at any time. Unfavourable currency fluctuations could also lead to increased prices to customers outside the Eurozone or lower profitability to our franchisees and master franchisees outside the Eurozone, for example through increasing the cost of euro-denominated supplies in relation to local currencies. Unfavourable currency fluctuations could also result in lower revenues and earnings for us, on a euro basis, from our customers, franchisees and master franchisees outside the Eurozone. Furthermore, foreign-sourced dividends by the subsidiaries of Telepizza Sub may be subject to unfavourable currency fluctuations when converted into euros, reducing the distribution received by Telepizza Sub on a euro basis. Especially as we enter additional markets outside the Eurozone, fluctuations in currency exchange rates could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects and we may choose not to hedge the euro value in those currencies.

***The implementation of IFRS 16 may have a significant impact on our accounts***

The International Accounting Standards Board issued IFRS 16 ("Leases") in January 2016 will become effective from January 1, 2019 but may be implemented by companies prior to this date. Although as of the date of this prospectus, the EU has not yet adopted IFRS 16, we are considering the changes required by IFRS 16 and expect to comply with such requirements by the time IFRS 16 comes into effect. We are currently analyzing the potential impact of the first-time application of this standard on our consolidated annual accounts. We have not yet completed the process, given the recent publication of this standard and the various transition options established for its first-time application.

Because we carry out our activity by leasing a large number of stores and, to a lesser extent, offices, factories and warehouses, for periods in excess of one year, the application of IFRS 16 in 2019 is expected to have a significant negative impact on our accounts.

***Spanish tax legislation may limit the deductibility for Spanish corporate income tax purposes of the financial expenses incurred on our indebtedness. This could negatively affect our financial position and reduce our available cash flows.***

Under the Spanish CIT Act (as defined in "*Taxation—Material Spanish Tax Considerations*"), net financial expenses incurred by CIT taxpayers exceeding 30% of their operating profit (including dividend income from qualifying subsidiaries) for the relevant tax year are not deductible. However, net financial expenses not deducted in a given tax year may be carried forward and used in the following years subject to the same general limitation. For these purposes, "net financial expenses" are defined as the difference between the financial expenses (generally, the expenses derived from financings granted to the CIT payer such as interest expenses) and the income derived from financing to third parties (typically, interest income) in a given tax year, excluding non-deductible financial expenses such as those referred to in the next paragraph or financial expenses derived from qualified financial instruments (i.e. intra-group profit participating loans).

In addition, a specific limitation applies on the deductibility of intra-group financial expenses incurred to acquire interests in the share capital in other group companies or to make contributions to the capital or equity of other group companies. These financial expenses are not deductible at all for Spanish CIT purposes unless evidence exists of valid economic reasons for implementing such intra-group transactions.

The impact of the above rules on our ability to deduct financing expenses incurred in our indebtedness could increase our tax burden and, therefore, have a negative effect in our financial condition and operating results as well as reducing our cash flow available to service debts or invest in our business or for other purposes.

Furthermore, we have incurred net financial expenses for €155.6 million (in tax base) which have not been deducted in previous years. The right to use carry forward net financial expenses in Spain does not expire. We have not recognized such tax deductions but based on our current business plans we expect to use such recognized tax deductions to offset losses in the coming years.

The Group carried out a restructuring of its capital and financial structure in 2014 which led to a substantial reduction of its financial expenses going forward and, in the Company's opinion, the reinforcement of the financial position and solvency of the Group (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Existing Facilities*").

The Group was subject to complete tax audits related to fiscal years 2007 to 2010 and a partial tax audit for fiscal year 2011. Although we believe that the tax policy of the Company and its subsidiaries is in material compliance with applicable tax laws and regulations, financial expenses are an area of particular scrutiny by the Spanish tax authorities and we may be subject to a reassessment requiring us to reduce or cancel such tax deductions. Any change in our ability to use such tax deductions could materially affect our business, results of operations, financial condition, cash flows and prospects.

## Risks Related to Our Indebtedness

### *We have incurred substantial indebtedness*

We have incurred a substantial amount of indebtedness. As of December 31, 2015, our total consolidated financial liabilities were €389.8 million, of which €289.1 million was senior debt, €98.7 million was outstanding under the Subordinated Loan and €2.1 million was other debt (credit facilities and finance leases). Our debt ratio (calculated as net debt divided by EBITDA) was 6.1x as of December 31, 2015.

We intend on the Settlement Date to repay in full the Existing Facilities (together with the close out amounts under the Existing Hedging Agreement) with the net proceeds of the Offering and the €200 million to be drawn under the €215.0 million new senior facilities agreement (€200.0 million term loan facility and €15.0 million revolving facility) entered into on April 8, 2016 between Telepizza Sub as borrower, the Company together with some of our subsidiaries as obligors and certain financial institutions (including the Joint Bookrunners) as lenders (the "New Facilities Agreement"). Banca IMI S.p.A., London Branch (which will originally hold 13.9% of the total commitments under the New Facilities), Merrill Lynch International and UBS Limited (12.7% each) and Banco Bilbao Vizcaya Argentaria, S.A., Nomura International plc and Barclays Bank PLC (9.4% each) will be the principal original lenders under the New Facilities.

All future obligations arising from the New Facilities Agreement will be guaranteed by certain group companies and secured by a pledge over the shares of Telepizza Sub and other security interests described above in "*—The shares of Telepizza Sub and other subsidiaries will be pledged in favour of the lenders under the New Facilities Agreement*".

If we are unable to satisfy any of our debt obligations or breach any related financial or operating covenants or other provisions of the debt documents, the holder of that debt could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. Further, certain of our financing arrangements contain cross-default provisions such that a default under one particular financing arrangement could automatically trigger defaults under other financing arrangements. Such cross-default provisions could, therefore, magnify the effect of an individual default. As a result, any default under any indebtedness to which we or any such other party are a party could result in a substantial loss to us or could otherwise have a material adverse effect on our and our subsidiaries' ability to perform our and their respective obligations in respect of any of our debt obligations.

### *Our indebtedness has restrictive terms and our failure to comply with any of these terms could put us in default*

The New Facilities Agreement contains a number of significant financial and operative covenants and other provisions that limit our ability to operate our business as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*". For example, some of these provisions restrict, among other things, the ability of the obligors to incur certain indebtedness, grant security over assets, enter into mergers, consolidations or corporate restructurings, make disposals, and change the general nature of the business of the Group as a whole.

Our ability to meet such covenants can be affected by events beyond our control. A breach of any of these covenants could result in a default under the New Facilities Agreement, which would have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

### *We are subject to interest rate risk in connection with our indebtedness*

We are exposed to interest rate risk related to our indebtedness. The interest rates under the New Facilities Agreement in respect of euro debt are based on a spread over EURIBOR. As a result, the interest expenses associated with such indebtedness will be subject to the potential impact of any fluctuation in EURIBOR. Any increase in EURIBOR could increase our financing costs if not effectively hedged.

***We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, and our significant indebtedness may have other important consequences for us***

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our substantial indebtedness and the fact that a large portion of our cash flows from operations must be used to make principal and interest payments on our indebtedness could have important consequences to us. For example, they could:

- make it more difficult for us to satisfy our obligations with respect to our debt agreements;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt;
- expose us to risks inherent in interest rate fluctuations because our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates; and
- limit, by the financial and other restrictive covenants in our debt agreements, our ability to borrow additional funds and pay dividends.

**Risks Related to Our Business**

***Our reputation and the quality of our brand are critical to our business***

Our reputation and the quality of our brand are critical to our business and success in existing markets and will be critical to our success as we enter into new markets. We typically enter new markets under our "Telepizza" brand, although we have also entered new markets by purchasing an alternative brand, such as in Colombia where we maintained the "Jeno's Pizza" brand after acquiring the related pizza chain in 2010. We believe that we have built our reputation on the high quality of our products and services, our commitment to our customers, our strong employee culture, and the atmosphere and design of our stores, and we must protect and grow the value of our brand in order for us to continue to be successful. Any negative incident that affects consumer loyalty to our brand could significantly reduce its value and damage our business.

We may be adversely affected by any negative publicity, regardless of its accuracy, including with respect to:

- food safety concerns, including food tampering or contamination;
- incidents of food-borne illness;
- the safety of the food commodities we use;
- customer injury;
- security breaches of confidential customer or employee information;
- employment-related claims relating to alleged employment discrimination, wage and hour violations, labor standards or healthcare and benefit issues; or
- government or industry findings concerning our stores, stores operated by other foodservice providers, or others across the food industry supply chain.

These risks may increase due to actions by our franchisees and master franchisees outside our control. While we try to ensure that our franchisees and master franchisees maintain the quality of our brand and branded products, they may take actions that adversely affect our reputation. Incidents involving third-party delivery services or quick service restaurants ("QSR") unrelated to us could also adversely affect consumer sentiment toward our products and services, even if they have no connection to us.

Also, there has been a marked increase in the use of social media platforms and similar devices, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish content from subscribers and participants, often without filters or checks on accuracy of the content. The opportunity for dissemination of information, including inaccurate information, is therefore large. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate, and we may have no opportunity for redress or correction. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, which could materially affect our business, results of operations, financial condition, cash flows and prospects.

***We may experience instances of foodborne illness***

Incidents or reports of foodborne or waterborne illness or other food safety issues, food contamination or tampering, employee hygiene and cleanliness failures or improper employee conduct at our stores or production facilities could lead to product liability or other claims. Such incidents or reports could materially negatively affect our brand and reputation as well as our business, results of operations, financial condition, cash flows and prospects. Similar incidents or reports occurring at QSR unrelated to us could likewise create negative publicity, which could negatively impact consumer sentiment towards us.

Food safety is a top priority, and we dedicate substantial resources to help ensure that our customers enjoy safe, quality food products. However, foodborne or waterborne illnesses and other food safety issues have occurred in the food industry in the past, and could occur in the future. We cannot guarantee that our internal controls and training will be fully effective in preventing all foodborne illnesses. Furthermore, our reliance on franchisees, master franchisees and certain third-party food suppliers, distributors and processors makes it difficult to monitor food safety compliance and may increase the risk that foodborne illness would affect multiple locations rather than single stores. Some foodborne illness incidents could be caused by third-party food suppliers and transporters outside of our control. We cannot guarantee that all products will be properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our stores. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in one of our own or franchised and master franchised stores could negatively affect sales at all of our stores if highly publicized, especially due to the high geographic concentration of many of our stores. This risk exists even if it were later determined that the illness was wrongly attributed to one of our stores. A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had material adverse impacts on their operations, and we could experience a similar impact upon the occurrence of a similar incident at one of our stores. If our customers become ill from foodborne illnesses, we could be forced to temporarily close some stores and may be subject to regulatory fines, rectification costs and may incur higher food safety costs in the future.

***We depend on key executive management***

Our operations are currently managed by a number of key senior managers and employees and we depend on their leadership and experience. The loss of the services of any of our senior management members could have a material adverse effect on our business plans, product development, growth strategy, marketing and other plans, as we may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all, which could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

In addition, we believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel, especially in order to manage and develop our growth strategy and international expansion. There is a high level of competition for experienced, successful personnel in our industry. Our inability to meet our executive staffing requirements in the future could impair our growth strategy and harm our business.

***We rely heavily on information technology and we may face security breaches***

We rely heavily on information systems, including for point-of-sale processing in our stores, management of our supply chain, accounting, payment of obligations, collection of cash, processing of credit and debit card transactions and other processes and procedures. We operate and manage our Group operations, including our franchises and master franchises through a unified information technology management system as described in "*Business—Information Technology*". Furthermore, our growth strategy relies on the development and improvement of our customer-facing information technology services such as our website and Telepizza mobile application. Our ability to manage and grow our business therefore requires us to develop and put in place efficient and reliable information technology systems. Our operations also depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively due to maintenance problems, upgrades, transitions to new platforms, expanding our systems as we grow or breaches in security could result in interruptions to or delays in our business and customer service and reduce efficiency in our operations.

Although we have employed significant resources to develop our security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, including personal information, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

We have in the past and are likely again in the future to be subject to these types of attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction. We could also face fines and legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our third-party service providers or the communication infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Information technology failures, whether or not due to the actions of third parties, could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our strategy includes acquisitions, which require substantial investment of time and funds***

We have in the past and expect in the future to pursue strategic acquisitions as part of our business (as described in "*Business—Our Growth Strategy*"). If we are able to identify acquisition candidates, such acquisitions may result in rapid and significant changes to our operations, including the integration of new brands, stores, employees and systems. This may require considerable management time as well as integration expenses for rebranding before any significant revenues and earnings can be generated. Operations in new markets may be unprofitable, and acquisitions in existing markets may be affected by our

existing presence as well as local economic and market conditions. Therefore, we may not experience the operating margins we expect in the event of a strategic acquisition. Acquisitions also require extensive management attention to complete and to pursue effective integration. If we are unable to integrate our acquisitions successfully, our business, results of operations, financial condition, cash flows and prospects may be materially adversely affected.

Any such acquisitions may require substantial investment and may be financed, to the extent permitted under our debt agreements, with substantial debt or with potentially dilutive issuances of equity securities. Incurrence of substantial debt may subject us to all the risks associated with substantial indebtedness and increase our exposure to the risks described in "*—Risks Related to our Indebtedness—We have incurred substantial indebtedness*". As a result, such acquisitions may have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Our insurance may not provide adequate levels of coverage***

We believe that we maintain insurance customary for businesses of our size and type. We have contracted insurance policies that cover employee-related accidents and injuries, property and equipment damage, inventory damage and civil and criminal liability deriving from our activities. Pursuant to the terms of our standard franchise agreement, franchisees are also required to maintain at their expense minimum levels of insurance coverage against fire, floods and civil liability. In the event of an accident, our insurance coverage provides for an aggregate maximum amount of €70.0 million, with relevant sub-limits, including a maximum €23.6 million for loss of profits as a result of accidents to our production plants.

However, there can be no assurance that all claims made against us or all losses suffered are or will be effectively covered by insurance, nor that policies in place will always be sufficient to cover all costs and financial awards it may be required to pay as a result. In addition, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. In addition, in the future our insurance premiums may increase and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain, insurance coverage could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

***Changes in statutory, regulatory, and other legal requirements could potentially impact our operating and financial results***

The food industry is subject to numerous statutory, regulatory and legal requirements, both in Spain and internationally. Our operating results could be negatively affected by developments in these areas due to the costs of compliance with new or increased requirements relating to the food industry in addition to possible government penalties and litigation in the event of deemed non-compliance. The foodservice industry and QSR sector in particular may be affected by changes in the regulatory environment in the area of food safety, labelling requirements, retail trade and consumer protection regulations, privacy, personal data, environmental protection and wage and hour laws, among others. In particular, we rely on a variety of direct marketing techniques, including email, text messages and postal mailings. We also interact with our customers through digital channels such as mobile apps and social networks based upon their consumption and behavioral patterns. Any future restrictions in Spanish or overseas laws regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of our communications techniques, and could force changes in our marketing strategies.

In addition, the QSR industry is currently under heightened journalistic, legislative and regulatory scrutiny stemming from the perception that some QSR products have contributed to widespread medical problems such as obesity and diabetes. Consumer eating habits, as well as legal and regulatory oversight, may change if our products are perceived to be unhealthy.

If any of the above occurs, we may need to adapt our practices and product range, which may be costly and time-consuming and, potentially, have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

## Risks Related to our Industry

***We are vulnerable to economic and political conditions, particularly in Spain***

Foodservice businesses generally and the QSR industry in particular depend on consumer discretionary spending and are often affected by changes in consumer tastes, national, regional and local economic and political conditions and demographic trends. Economic growth and employment rates have in the past had a large effect on our results of operations, and deterioration in these conditions in the markets where we operate may have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. If negative economic conditions and trends persist, consumer changes to their discretionary spending behavior, including the frequency with which they dine out or order food in, could be more permanent. If store sales decrease, our profitability would also decline as we spread fixed costs across a lower level of store sales. Prolonged negative trends in store sales could cause us to, among other things, reduce the number and frequency of new store openings, close stores or delay refurbishment of our existing stores and could materially affect our business, results of operations, financial condition, cash flows and prospects.

During the global economic downturn starting in 2008, continuing disruptions in the overall economy, including the ongoing impacts of the housing crisis, high unemployment, and financial market volatility and unpredictability, caused a related reduction in consumer confidence, which negatively affected the foodservice industry. This effect was particularly pronounced in Spain, our largest market. The global economy has been gradually recovering from that downturn, and many of the markets where we are present have seen an improvement in economic indicators, such as growth and employment, since that time. However, there is no guarantee that this improvement of the economic conditions will be sustained in the future.

Our revenue is geographically concentrated in Spain. Our revenues in Spain represented 64% of our total revenues in 2015. Currently, the Spanish economy is experiencing positive growth and its gross domestic product expanded 3.2% in 2015. As a result of our concentration in the Spanish market, we are disproportionately affected by adverse economic conditions in Spain compared to competitors with greater international diversification. Continued political uncertainty in Spain could hinder business investment and consumer confidence, resulting in lower employment growth, lower spending on our products and services and difficult economic conditions more generally.

In addition, we have a consolidated presence in Chile and Portugal, representing 12.7% and 10.5% of our revenues for 2015, respectively. Although the Chilean and Portuguese GDP experienced modest growth in 2015 of 2.3% and 1.7%, respectively, we cannot predict economic and political conditions in those markets in the future.

***The QSR market, and the pizza delivery sector in particular, are highly competitive***

The overall foodservice market and the QSR sector are intensely competitive with respect to food quality, price, service, convenience and concept, and are often affected by changes in:

- consumer tastes;
- national, regional or local economic conditions;
- disposable purchasing power;
- demographic trends; and
- currency fluctuations, to the extent international operations are involved.

In each geographical market where we operate, we compete against international chains, as well as many national, regional and local businesses in the pizza delivery sector. We also compete on a broader scale with QSR, including other international, national, regional and local stores. We compete within the QSR and the pizza delivery sectors not only for customers, but also for management and hourly employees, suitable real estate sites and qualified franchisees and master franchisees.

This competition can put downward pressure on product prices and demand for our products as well as upward pressure on wages and rents, resulting in reduced profitability. We could experience increased competition from existing or new companies in the pizza delivery or quick food sector, which could create increasing pressures to grow our business in order to maintain our market share. Our competitors could open additional stores in Spain, where we have significant concentration, or in any other market where we are present or where we intend to develop our operations. If we are unable to maintain our competitive position, we could lose market share, suffer reduced profitability and find ourselves unable to take advantage of new business opportunities, any of which would have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

Our supply activity is also subject to competition from outside suppliers. If other approved suppliers, who meet our qualification standards as agreed under our master franchise arrangements, were to offer lower prices or better service to our master franchisees for their ingredients and supplies, and as a result, our master franchisees chose not to purchase from us, our business, results of operations, financial condition, cash flows and prospects would be materially adversely affected.

Our ability to compete depends in part on the quality and innovation of our products and services. In particular, our competitive position will depend increasingly on the attractiveness and reliability of our digital presence, including the timely introduction and market acceptance of the digital services we offer compared to those of our competitors. Our competitors are constantly developing online marketing, communications, social networking and other digital services to enhance users' online experience. If our digital infrastructure and services do not compete effectively with our competitors' digital platforms, our business, results of operations, financial conditions, cash flows and prospects could be materially and adversely affected.

***Increased food and utilities costs or sales taxes could decrease our store-level operating margins or cause us to limit or otherwise modify our product variety***

Our profitability depends in part on our ability to anticipate and react to changes in the price and availability of food commodities, including among other things grains, dairy, beef, poultry, and produce. Prices may be affected by market movements, seasonality, increased competition, the general risk of inflation, shortages or interruptions in supply due to weather, disease or other conditions beyond our control, or other reasons. Events such as droughts could increase commodity prices or cause shortages that could affect the cost and quality of the items we buy or require us to further raise prices or limit our products. These events, combined with other more general economic and demographic conditions, could impact our pricing and negatively affect our chain sales and store-level operating margins.

While we seek to partially offset inflation and other changes in the costs of core raw materials by gradually increasing certain of our product prices and applying more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to do so in the future. From time to time, competitive conditions could limit our product pricing flexibility. In addition, macroeconomic conditions could make additional product price increases impracticable. There can be no assurance that future cost increases can be offset by increased product prices or that increased product prices will be fully absorbed by our customers without any resulting change to their visit frequencies or purchasing patterns. In addition, there can be no assurance that we will generate LfL chain sales growth sufficient to offset inflationary or other cost pressures.

We do not currently hedge our commodity risks. We may decide to enter into certain forward pricing arrangements with our suppliers, which could result in fixed or formula-based pricing with respect to certain food products. However, these arrangements generally are relatively short in duration and may provide only limited protection from price changes. In addition, the use of these arrangements may limit our ability to benefit from favourable price or foreign exchange movements.

Our profitability also is adversely affected by increases in the price of resources, such as natural gas, petrol, electricity, and water, whether as a result of inflation, shortages or interruptions in supply, or otherwise. Our ability to respond to increased costs by increasing prices or by implementing alternative

processes or products will depend on our ability to anticipate and react to such increases and other more general economic and demographic conditions, as well as the responses of our competitors and customers. All of these things may be difficult to predict and beyond our control. In this manner, increased costs could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

Furthermore a change in taxes applicable to our sales, such as value added tax, may affect consumer demand and may adversely affect our business, financial condition, results of operations, cash flows and prospects. For example, we found that when Spain and Portugal increased value added tax (in 2012 and 2011, respectively) we were unable to pass the full increase on to customers through higher prices and store profitability was adversely affected.

**Risks Related to the Offering and the Shares**

***Certain indirect shareholders will be significant shareholders and will exercise substantial influence over us. We may take certain risks relating to conflicts of interest between some of our shareholders***

Upon completion of the Shareholders' Reorganization (as defined in "*Principal Shareholders and Selling Shareholder*") and the Subordinated Loan Capitalization and settlement of this Offering, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, the Selling Shareholder (of which, upon completion of the Shareholders' Reorganization, the Permira Funds will hold indirectly 75% of the voting rights and Carbal, S.A. 25% of the voting rights) will be the holder of 12.8% of our issued share capital (or 10.0% if the Over-allotment Option is fully exercised) and the KKR Funds and the funds managed by Cyrus will be the holders of 7.5% and 4.4%, respectively, of our issued share capital (or 5.9%, and 3.5%, respectively, if the Over-allotment Option is fully exercised). In addition, the other free float (which includes an aggregate of all the Shares that, as of Admission, will not be held by the current direct and indirect shareholders of the Company or by the senior management upon Admission pursuant receipt of Shares under the Management Incentive Plans) would represent 67.4% of our issued share capital (or 74.1% if the Over-allotment Option is fully exercised). See "*Principal Shareholders and Selling Shareholder*".

As a result, the Selling Shareholder, the KKR Funds, the funds managed by Cyrus and the funds managed by Oak Hill are and will continue to be in a position to exercise a significant influence over matters requiring shareholders' approval, including, among other things, the appointment and dismissal of the members of our board of directors, the payment of dividends, changes in our issued share capital and adoption of amendments to our bylaws.

There can be no assurance that the interests of our significant direct and indirect shareholders will coincide with the interests of purchasers of the Offer Shares or that our significant direct and indirect shareholders will act in a manner that is in our best interests, which could adversely affect our business and have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects and those of our other shareholders.

The Permira Funds, the KKR Funds, the funds managed by Cyrus and the funds managed by Oak Hill are in the business of making investments in and providing financing to companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us, or act as our lenders, customers and suppliers. In addition, companies of these groups or their respective affiliates may, in the future, own other businesses that compete directly or indirectly with ours or do business with us, or may make decisions or engage in transactions which might otherwise directly or indirectly adversely affect our business, including trading in our securities, acting as lenders, counterparties or clients. It may be the case that future actions of these companies or any of their affiliates could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects and those of our other shareholders.

***We do not intend to pay dividends in 2016 or in the medium term and, as a result, the only opportunity of shareholders to achieve a return on their investments would be if the price of our shares appreciates***

Due to our profile and strategy, we expect to reinvest our near-term future earnings and cash generation in initiatives to grow the business and reduce leverage. Therefore, we do not foresee the payment of any

dividend in 2016 or in the medium term, and we will review our dividend policy as our business evolves. Any determination to pay dividends in the future must be proposed by our board of directors and then approved by our shareholders. In addition, we may only pay dividends if certain requirements under the Royal Decree 1/2010, of July 2, approving the reinstated text of the Companies Act (*Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio*) (the "Spanish Companies Act") are met. See "*Description of Share Capital—Dividend and Liquidation Rights*". For example, we may only pay dividends to shareholders if our net equity (*patrimonio neto*) is not, and as a result of the payment of dividends would not be, lower than our share capital. The actual payment of future dividends, if any, and the amounts thereof will also depend upon a number of factors, including, but not limited to, our earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), compliance with covenants in our debt instruments (further details of which are set out in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*"), market conditions and such other factors as may be deemed relevant at the time.

In particular, we are subject to the corporate law restrictions applicable to the payments of dividends by our subsidiaries, which may be materially adversely affected by recent changes to Spanish GAAP. See "—*Risks Related to Our Business—We are a holding company and our only material assets after completion of the Offering will be our interests in our subsidiaries, upon whom we are dependent to pay dividends, taxes and other expenses*".

If dividends are not paid in the future, capital appreciation, if any, of the Shares would be shareholders' sole source of gains.

There are no contractual restrictions on the distribution of dividends by the Company, Telepizza Sub and its subsidiaries under the New Facilities Agreement or any other financing arrangement in place upon Admission.

***There can be no assurance that the Offering Price will match the price at which trading in the Shares will develop and continue after the Offering***

If you purchase Offer Shares in the Offering, you will pay a price that was not established in a trading market. The Offering Price Range per Offer Share indicated on the cover of this prospectus has been, and the Offering Price will be, discussed and agreed by us, the Selling Shareholder and the Joint Global Coordinators, and no independent experts were, nor will be, consulted in determining the Offering Price Range or the Offering Price. There can be no assurance that the prices at which the Offer Shares will sell in the market after the Offering will not be lower than the Offering Price or that an active trading market in our Shares will develop and continue after the Offering.

***Substantial sales of our Shares after the Offering may cause the market price of our Shares to fall***

Sales of a substantial number of our Shares following the Offering, or the perception that such sales could occur, could adversely affect the market price of our Shares.

As described further in "*Plan of Distribution—Lock-up*", we, the Selling Shareholder and the entities listed in the table in section "*Principal Shareholders and Selling Shareholder*" that will become direct shareholders of the Company upon completion of the Shareholders Reorganization (as defined in such section) agreed to certain limitations on the ability to dispose of or hedge any of our Shares, or any securities convertible into or exchangeable for our Shares, for a period of 180 days after the Settlement Date. In addition, each of the members of our senior management will also agree to similar restrictions during a period of two years or one year, as applicable, after Admission for the transfer of Shares to be received in connection with the Management Incentive Plans. See "*Board of Directors and Management—Compensation—Management Incentive Plans*". Future sales of substantial amounts of the Shares and/or issues of equity-related securities, or the perception that such sales or issues may occur, could adversely affect prevailing trading prices of the Shares and could impair our ability to raise capital through future offerings of equity or equity-related securities. The price of our Shares could be depressed by investors' anticipation of the potential sale in the market of substantial additional amounts of Shares.

***An active trading market for our Shares may fail to develop***

As of the date of this prospectus there is no established trading market for the Shares, and there can be no assurance that an active trading market will develop or be sustained following the completion of the Offering. Although we will apply to list our Shares on the Spanish Stock Exchanges, and have them quoted on the AQS on or about April 27, 2016, subject to completion of customary procedures in Spain, Admission should not be taken as implying that there will be a liquid market for the Shares. Any delay in the Admission would impair the liquidity of the market for the Shares and make it more difficult for shareholders to sell Shares.

If an active trading market for the Shares does not develop, you may not be able to sell the Offer Shares at or above the price at which you acquired them or at all. As a result, investors could lose all or part of their investment in our Shares.

***Market volatility may affect the price of our Shares, and the issue of additional Shares or other equity or equity-linked securities may dilute the ownership interest of shareholders***

Following the completion of the Offering, the trading price of our Shares is likely to be volatile. The market price of our Shares may be subject to wide fluctuations in response to many factors, some of which may be outside our control, including, among other things, variations in our operating results, additional issuances or future sales of our Shares or other securities exchangeable for, or convertible into, our Shares, divergence in financial results from stock market expectations, changes in stock market analyst recommendations, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in our industry, announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us, investor perception of the success and impact of the Offering and our strategy or negative publicity.

In addition, during the past few years securities markets in general have experienced significant volatility that is unrelated to our financial condition and operating performance and which may adversely affect the trading price of our Shares.

In the future, we may seek to raise additional funds from further equity or debt financings, including sales of preferred shares or convertible debt, which would (if made on a non-pre-emptive basis or, if made on a pre-emptive basis, where shareholders elect not to take up their pre-emptive rights) result in the dilution of the ownership interests of purchasers of our Shares in the Offering. We cannot predict the size of future issuances of shares or the effect, if any, that future issuances and sales of shares would have on their market price. On April 12, 2016, our board of directors was authorized by our sole shareholder to increase our share capital by an amount of up to 50% of our share capital as of the date of the decision by our sole shareholder (which amounted to €18.0 million) (in the context of equity offerings, convertible debt instruments or warrants), which includes the delegation to our board of directors to exclude pre-emptive rights of shareholders in respect of a share capital increase of up to 20% of our share capital as of such date. This increase can be completed in one or multiple transactions during a maximum period of five years from such date. The 50% limit will be reduced by the amount of the share capital increase related to the New Offer Shares issued in the context of the Offering.

***Shareholders in certain jurisdictions other than Spain may not be able to exercise their pre-emptive rights***

Under Spanish corporate law and our bylaws, holders of our Shares generally have the right to subscribe and pay for a sufficient number of Shares to maintain their relative ownership percentages prior to the issuance of any new Shares in exchange for cash consideration or the issuance of convertible securities, unless such right is explicitly excluded under special circumstances by a resolution passed by the general shareholders' meeting or by our board of directors with the prior delegation of the general shareholders' meeting, in accordance with the Spanish Companies Act.

Even if the right is not excluded and therefore is exercisable, shareholders in certain jurisdictions other than Spain may not be able to exercise pre-emptive rights unless applicable securities laws have been complied with in such jurisdictions with respect to such rights and the related Shares, or an exemption from

the requirements of the securities laws of these jurisdictions is available, although the option provided under applicable European regulations to passport a prospectus into other member states of the EEA may facilitate the exercise of such rights for residents in the EEA. We may determine it is not in our best interest to comply with such formalities, and there can be no assurance that such exemptions will be available. Any affected shareholder may lose its pre-emptive rights and as a result, the proportionate interest of such shareholder in our capital may be diluted. In particular, holders of our Shares resident in the United States may not be able to exercise any future pre-emptive rights in respect of our Shares they hold unless a registration statement under the U.S. Securities Act is effective or an exemption from the registration requirements is available. We have no intention to file any such registration statement and there can be no assurance that any exemption from such registration requirements would be available to allow for the exercise of the pre-emptive rights of U.S. holders or that we would utilize an exemption if one were available.

***The Offering may be revoked***

If (i) the Underwriting Agreement is not signed on or before 03:00 Madrid time on the date following setting of the Offering Price (which is expected to be set on April 25, 2016) or any postponement thereof duly notified to the CNMV; (ii) the Underwriting Agreement is terminated upon the occurrence of certain customary termination provisions set forth in the Underwriting Agreement until the granting of the public deed of the New Offer Shares; (iii) the Offering is suspended or withdrawn by any judicial or administrative authority; or (iv) our Shares are not admitted to listing on the Spanish Stock Exchanges before May 31, 2016, the Offering (and the arrangements associated with it) will be automatically revoked, and all offers to subscribe or purchase shall be cancelled and all subscription or purchase orders related to the Offering shall be terminated. See "*Plan of Distribution—Withdrawal and Revocation of the Offering*". In the event of any such termination, we and the Selling Shareholder will be obliged to reimburse investors for any amounts paid in exchange for the Shares, in addition to any interest (at the legal interest rate currently in effect in Spain) from the date investors paid for the Shares until and including the date investors are reimbursed.

The Offering may also be revoked or postponed in the other cases envisaged in the "*Plan of Distribution*" section of this prospectus.

***Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of the Shares***

Our Shares will be quoted only in euro and any future payments of dividends, if any, on the Shares will be denominated in euro. The euro could decline in value against other world currencies, including the U.S. dollar. The U.S. dollar or other currency equivalent of any dividends paid on the Shares or any distributions made would be adversely affected by the depreciation of the euro against the U.S. dollar or such other currencies. Accordingly, any investment in our Shares by a shareholder whose main currency is not the euro will be exposed to foreign currency exchange risk so that any depreciation of the euro vis-a-vis such the shareholder's main currency will reduce the value of his equity investment and the value of any dividends received from us.

***The ability of shareholders residing outside Spain to effect service of process or to enforce any foreign court judgments against us or our directors may be limited***

We are a public limited company (*sociedad anónima*) organized and existing under the laws of Spain. The rights of our shareholders are governed by Spanish law and by our bylaws and our internal rules governing the meetings of the board of directors and our shareholders. Shareholders' rights and the fiduciary responsibilities of directors, officers and controlling shareholders differ under Spanish law from the statutes and judicial precedents of other jurisdictions, including most states in the United States. As a result, shareholders may have more difficulty in protecting their interests with regard to any acts or any failure to act by our directors, officers or controlling shareholders than would shareholders of a corporation incorporated in another jurisdiction or a state in the United States.

A majority of our current directors are resident in Spain and our assets are located outside of the United States. As a result it may be difficult for shareholders in the United States to serve process on or enforce

foreign judgments against our company or the directors in foreign courts predicated solely upon the civil liability provisions of United States securities laws.

There is doubt that a lawsuit based upon U.S. federal or state securities laws, or the laws of any other non-Spanish jurisdiction, could be brought in an original action in Spain and that a foreign judgment based upon such laws would be enforced in Spain.

***The Offer Shares will not be freely transferable in the United States***

Any Offer Shares offered and sold to investors located in the United States will be "restricted securities" (as defined in Rule 144 under the U.S. Securities Act), and such Offer Shares may not be reoffered, resold, pledged or otherwise transferred, except: (i) outside the United States in accordance with Rule 903 or Rule 904 under Regulation S; (ii) to a QIB in a transaction that is exempt from registration under the U.S. Securities Act and that meets the requirements of Rule 144A; (iii) pursuant to an effective registration statement under the U.S. Securities Act; (iv) in accordance with Rule 144 under the U.S. Securities Act; or (v) in another transaction not requiring registration under the U.S. Securities Act; and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

## DECLARATION OF RESPONSIBILITY

Mr. Pablo Juantegui Azpilicueta, acting in the name and on behalf of the Company, acting under a special power of attorney granted by the board of directors and the sole shareholder of the Company by means of their resolutions dated March 31, 2016 and April 12, 2016, accepts responsibility for the information contained in this prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of his knowledge, in accordance with the facts and contains no omissions likely to affect its import.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Information

All the financial statements and other financial information included in this prospectus, unless expressly specified otherwise, have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU").

### Financial Statements

We present in this prospectus, in each case prepared under IFRS-EU, the following:

- the Company's audited consolidated annual accounts as of and for the year ended December 31, 2015, which present, for comparative purposes, consolidated annual financial information as of and for the year ended December 31, 2014 (the "2015 Financial Statements");
- the Company's audited consolidated annual accounts as of and for the year ended December 31, 2014, which present, for comparative purposes, consolidated annual financial information as of and for the year ended December 31, 2013 (the "2014 Financial Statements"); and
- the Company's audited consolidated annual accounts as of and for the year ended December 31, 2013, which present, for comparative purposes, consolidated annual financial information as of and for the year ended December 31, 2012 (the "2013 Financial Statements", and together with the 2015 Financial Statements and the 2014 Financial Statements, the "Financial Statements").

The Financial Statements have been audited by KPMG Auditores, S.L., as stated in its unqualified reports.

The 2013 and 2014 Financial Statements included herein are English translations of the originally issued consolidated annual accounts in Spanish. The 2015 Financial Statements included herein were simultaneously issued in both English and Spanish.

The Company's individual annual accounts, from which certain information in this prospectus is derived, have been prepared in accordance with generally accepted accounting principles in Spain ("Spanish GAAP").

### Alternative Performance Measures

In addition to the financial information presented herein prepared under IFRS-EU, we have included herein certain alternative performance measures ("APMs") that have not been prepared under IFRS-EU, including "chain sales", "LfL chain sales growth", "EBITDA", "Underlying EBITDA", "cash conversion rate" and "cash conversion rate before new capex". We present these APMs, which are unaudited, as supplemental information because we believe they may contribute to a fuller understanding of our cash generation capacity (in the case of EBITDA measures) and the growth of our business in a way that takes into account our mixed model that uses both own and franchised and master franchised stores (in the case of chain store measures).

These measures are not defined under IFRS-EU, should not be considered in isolation, do not represent our revenues, results of operations or cash flow for the periods indicated and should not be regarded as alternatives to revenues, cash flow or net income as indicators of operational performance or liquidity.

Chain sales, LfL chain sales growth, EBITDA, Underlying EBITDA, cash conversion rate and cash conversion rate before new capex do not have standardized meanings, and different companies may use different definitions of chain sales, LfL chain sales, EBITDA, Underlying EBITDA, cash conversion rate and cash conversion rate before new capex or similar terms. Therefore our definitions of these measures may not be comparable to the definitions used by other companies.

Given our mixed business model that uses both own and franchised and master franchised stores, we believe that chain sales gives us a better sense of our overall brand performance. However, the use of chain

sales has limitations because it includes revenues from own stores and franchised and master franchised store sales, which do not contribute equally to our results. We use figures prepared on a LfL basis both for our internal analysis and for our external communications, as we believe that they provide means by which to analyze and explain variations from one period to another on a more comparable basis than historical figures, since they eliminate factors that do not directly impact our organic performance, namely changes in scope of consolidation (stores bought-back or transferred) and changes in exchange rates. The use of LfL chain sales growth as an indicator of our sales growth has limitations because, among others, it does not account for the contribution of stores that were newly opened or closed during a certain period. EBITDA is widely used by investors and analysts in measuring performance and ability to pay debt or invest in a business, and we believe that Underlying EBITDA provides a more helpful comparison across the relevant periods by excluding our 2014 refinancing costs. However, the use of EBITDA and Underlying EBITDA as indicators of our profitability does not account for certain costs in connection with our business, such as financial costs, net taxes, depreciation, capital expenses and other related expenses.

Investors are cautioned not to place undue reliance on these APMs, which should be considered supplemental to, and not a substitute for, the financial information prepared in accordance with IFRS-EU included elsewhere in this document.

For a definition and a reconciliation of our chain sales, LfL chain sales growth, EBITDA and Underlying EBITDA to financial measures prepared under IFRS-EU, and a calculation of our cash conversion rate and cash conversion rate before new capex, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Alternative Performance Measures*".

**Recent Accounting Pronouncements**

The International Accounting Standards Board issued IFRS 16 ("Leases") in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It will remove the distinction between "operating leases", which are reported on a company's statement of profit or loss and "finance leases", which are reported on a company's statement of financial position. Under the new standard, a lease is defined as a contract that provides the right to use an asset for a period of time in exchange for consideration. Therefore, companies that are lessees are required to recognize a lease liability for the obligation to make lease payments for the right to use the underlying asset for the term of the lease. IFRS 16 will effectively require companies that are lessees, including us, to report all leases as assets and liabilities on their statements of financial position. It will become effective from January 1, 2019 but may be implemented by companies prior to this date. Although as of the date of this prospectus, the EU has not yet adopted IFRS 16, we are considering the changes required by IFRS 16 and expect to comply with such requirements by the time IFRS 16 comes into effect. We are currently analyzing the potential impact of the first-time application of this standard on the consolidated annual accounts. We have not yet completed the process, given the recent publication of this standard and the various transition options established by this standard for first-time application. Given that to carry out our activity we lease a large number of stores and, to a lesser extent, offices and factories or warehouses, for periods in excess of one year, the application of IFRS 16 in 2019 is expected to have a significant impact on our accounts.

**Currency References**

Unless otherwise indicated or otherwise required by the context, all references in this prospectus to ''euro,'' ''€,'' ''EUR'' or ''eurocent'' are to the lawful currency of the participating Member States, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time, all references to ''US dollars'', ''U.S. dollars'', ''dollars'', ''U.S.$'', ''USD'' or ''$'' are to the lawful currency of the United States of America, all references to ''Polish zloty'', ''zloty'' or ''PLN'' are to the lawful currency of the Republic of Poland, all references to ''Chilean pesos'' or ''CLP'' are to the lawful currency of the Republic of Chile and all references to ''Colombian pesos'' or ''COP'' are to the lawful currency of the Republic of Colombia.

### Rounding

Certain numerical figures included herein have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding. Variations in absolute values and percentages shown in the charts and notes in this prospectus reflect calculations based upon the rounded figures, and therefore may not conform exactly to the variations and percentages that would result if the relevant calculation were based upon the underlying figures. In addition, when describing the change in a percentage between two periods, the term ''pp'' means percentage points. As used in this prospectus, the term "billion" means one thousand million (1,000,000,000) and the term "trillion" means one thousand billion (1,000,000,000,000).

### Exchange Rates

The Group reports its financial results in its functional currency, the euro. The following table sets forth, for the periods set forth below, the high, low, average and period-end Bloomberg Composite Rate for the euro as expressed in US dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this document. No representation is made that the euro could have been, or could be, converted into US dollars.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

| | Exchange Rates of U.S.$ per €1.00 | | | |
|---|---|---|---|---|
| | **Period-End** | **Average** | **High** | **Low** |
| **Year ended December 31,** | | | | |
| 2011 | 1.2961 | 1.4002 | 1.4807 | 1.2907 |
| 2012 | 1.3192 | 1.2860 | 1.3458 | 1.2061 |
| 2013 | 1.3789 | 1.3283 | 1.3804 | 1.2772 |
| 2014 | 1.2100 | 1.3285 | 1.3925 | 1.2100 |
| 2015 | 1.0926 | 1.1039 | 1.2002 | 1.0492 |
| 2016 (through April 11, 2016) | 1.1414 | 1.1072 | 1.1414 | 1.0748 |
| **Month** | | | | |
| October 2015 | 1.1006 | 1.1220 | 1.1474 | 1.0923 |
| November 2015 | 1.0565 | 1.0729 | 1.1016 | 1.0565 |
| December 2015 | 1.0926 | 1.0900 | 1.1025 | 1.0615 |
| January 2016 | 1.0831 | 1.0865 | 1.0932 | 1.0746 |
| February 2016 | 1.0873 | 1.1099 | 1.1323 | 1.0873 |
| March 2016 | 1.1380 | 1.1142 | 1.1380 | 1.086 |
| April 2016 (through April 11, 2016) | 1.1414 | 1.1394 | 1.1414 | 1.1378 |

The U.S. dollar per euro Bloomberg Composite Rates on April 11, 2016 was U.S.$1.1414 per €1.00.

## PRESENTATION OF INDUSTRY AND MARKET DATA

In this prospectus, we rely on, and refer to, information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this prospectus were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them, and there can be no assurance as to the accuracy or completeness of the included information.

Certain market information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflect our best estimates. We have based these estimates upon information obtained from our customers, trade and business organizations and associations and other contacts in the industries in which we operate.

Elsewhere in this prospectus, statements regarding our position in the industries and geographies in which we operate are based solely on our experience, our internal studies and estimates and our own investigation of market conditions.

All of the information set forth in this prospectus relating to the operations, financial results or market share of our competitors has been obtained from information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, internal studies, estimates and investigation of market conditions. We have not funded, nor are we affiliated with, any of the sources cited in this prospectus.

Certain information in this prospectus is derived from independent market research carried out by third parties, including Euromonitor International Limited ("Euromonitor"), Kantar Worldpanel, The NPD Group, Inc. ("NPD"), TNS (IOP) & Infoadex and Toluna, which should not be relied upon in making, or refraining from making, any investment decision.

All third-party information, as outlined above, has to our knowledge been accurately reproduced and, as far as we are aware and are able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading, but there can be no assurance as to the accuracy or completeness of the included information.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our intentions, beliefs or current expectations and projections. These forward-looking statements include, but are not limited to, statements regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “is likely to”, “may”, “plan”, “potential”, “predict”, “projected”, “seek”, “should” or “will” or the negative of such terms or other similar expressions or terminology.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements speak only as of the date of this prospectus and are not guarantees of future performance and are based on numerous assumptions. Our actual results of operations, financial condition and the development of events may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements. Investors should read the section entitled “*Risk Factors*” and the description of our business lines in the section entitled “*Business*” for a more complete discussion of the factors that could affect us.

We caution that the important factors referenced in such sections may not be all of the factors that are important to investors. In addition, all forward-looking statements speak only as of the date of this prospectus. Unless required by law, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

## USE OF PROCEEDS

We expect to raise gross proceeds of €118.5 million from the issue of the New Offer Shares in the Offering. The underwriting commissions, fees and expenses which will be payable by us in connection with the Offering are expected to be approximately €16.1 million. We intend to pay this out of the gross proceeds of the Offering.

We intend to use the net proceeds from the issue of the New Offer Shares as follows: (i) €87.4 million, together with drawings under our New Facilities Agreement, to repay in full amounts outstanding under the Existing Facilities Agreement; (ii) €1.2 million to repay in full the outstanding amount of the Subordinated Loan after the Subordinated Loan Capitalization; (iii) €5.0 million to make an aggregate payment in cash by the Company and Telepizza Sub to our senior managers under the Cash and Shares Incentive Plan upon Admission; (vi) up to €4.0 million to grant an optional loan, at the discretion of our senior managers, to each of our senior managers to finance part of the taxes due by them upon receiving the Shares subject to the Cash and Shares Incentive Plan upon Admission; and (v) up to €4.9 million to make a payment in April 2018 under the 3 Year Plan under the long term management incentive plans. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Subordinated Loan*", "*Capitalization and Indebtedness*" and "*Board of Directors and Management—Compensation—Management Incentive Plans*".

We will not receive any of the proceeds from the sale of the Existing Offer Shares or the Over-allotment Shares by the Selling Shareholder in the Offering.

The Selling Shareholder expects to raise gross proceeds of €431.5 million from the sale of Existing Offer Shares. The underwriting commissions, fees and expenses that will be payable by the Selling Shareholder in connection with the Offering are expected to be approximately €14.6 million. The Selling Shareholder intends (i) to repay the 2014 PIK Loan to the Selling Shareholder in full with the proceeds of the Existing Offer Shares concurrently or immediately following repayment on the Existing Facilities and; (ii) to make a payment in cash to our senior managers (of which certain amounts will be contributed in cash to the reserves of the Company to fund the withholding taxes to be paid by the Company as a result of the payments to be made by the Selling Shareholder to our senior managers under the Cash and Shares Incentive Plan upon Admission). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*" and "*Board of Directors and Management—Compensation—Management Incentive Plans*".

### Offering Expenses

Due to the difficulty in determining the expenses incurred as of the date of this prospectus, for purely informational purposes, the following table sets forth the estimated expenses payable in relation to the Offering, the Subordinated Loan Capitalization and the arrangements of the New Facilities (excluding any applicable VAT):

| Expenses | Paid by | |
|---|---|---|
| | **The Company** | **The Selling Shareholder** |
| | *(in million of €)* | |
| Underwriting commissions[1] | 3.6 | 14.6 |
| *Base underwriting commission* | *2.2* | *9.1* |
| *Discretionary commission* | *1.3* | *5.5* |
| KKR Capital Markets Fee | 2.2 | - |
| Refinancing costs | 6.1 | - |
| Iberclear fee, Spanish Stock Exchanges fee and CNMV fee. | 0.2 | - |
| Legal expenses and others (notary public, registration with the Commercial Registry, legal publishing, legal and financial advice, audit) | 4.0 | - |
| **Total** | **16.1** | **14.6** |

*Note:—*

(1) Assuming that (i) the Offering Price is the mid-point of the Offering Price Range, €8.25 per Offer Share; (ii) all the Offer Shares (including the Over-allotment Shares) have been placed or underwritten by each of the Underwriters and that the Over-allotment Option has been entirely exercised; and (iii) the discretionary commission is paid in full.

# DIVIDENDS AND DIVIDEND POLICY

## Dividend Policy

Due to our profile and strategy, we expect to reinvest our near-term future earnings and cash generation in initiatives to grow the business and reduce leverage, therefore, we do not foresee the payment of a dividend in 2016 or in the medium term. We will review our dividend policy as our business evolves.

The amount of future dividends we decide to pay, if any, and our future dividend policy will depend on a number of factors, including, but not limited to, our earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. The amount of dividends will be proposed by our board of directors and determined by our shareholders at a general shareholders' meetings.

The Offer Shares and the New Capitalization Shares will be eligible for any dividends paid or declared after the Offering.

No dividends have been declared or paid by the Company in the years ended December 31, 2015, 2014 and 2013.

Any dividends paid in the future will be subject to tax under Spanish law. See "*Taxation—Material Spanish Tax Considerations*".

## Limitations on Dividends and other Distributions

### *Distribution of dividends by the Company*

Our capacity to distribute dividends may be restricted under general Spanish corporate law rules.

The conditions under which we may declare dividends based on Spanish law and our bylaws are described under "*Description of Share Capital—Dividend and Liquidation Rights*".

There are no contractual restrictions on the distribution of dividends by the Company and its subsidiaries under the New Facilities Agreement or any other financing arrangement in place upon Admission.

### *Distribution of dividends by Telepizza Sub to the Company*

As we are a holding company with no direct material operations and conduct our business mainly through our wholly-owned subsidiary Telepizza Sub and its subsidiaries, our distribution of dividends will be subject to the prior fulfilment by Telepizza Sub and the relevant subsidiaries of the requirements set forth in its bylaws and applicable laws. In particular, the Spanish Audit Act amended, with effect as from January 1, 2016, the Spanish Companies Act in relation to the non-distributable mandatory goodwill reserve and set forth new rules for the amortization of intangible assets.

Since January 1, 2016, the creation of a non-distributable mandatory goodwill reserve is no longer required. Amounts previously allocated to the non-distributable mandatory goodwill reserve are reclassified as voluntary reserves and can be distributed in the amount exceeding the goodwill recorded as an asset in the statement of financial position of a company. As of December 31, 2015, Telepizza Sub's non-distributable mandatory goodwill reserve amounted to €110.3 million (against €294.5 million of goodwill) and, therefore, the amortizations of its goodwill in the short-term are not expected to permit Telepizza Sub to distribute the amount of this reserve.

Likewise, since January 1, 2016, intangible assets (including goodwill) must be amortized for accounting purposes on a linear basis during their useful life, which unless it can be otherwise reliably determined is presumed to be a ten-year period. The goodwill recorded as an asset in our individual statement of financial position will be reduced annually in an amount at least equal to its amortization. Telepizza Sub has a large quantity of intangible assets on its individual Spanish GAAP statement of financial position resulting from the value of Telepizza Sub's goodwill and brands. As of December 31, 2015,

Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million (including the €230.6 million related to the value of the brand).

The recent changes to the non-distributable mandatory goodwill reserve and to the intangible assets accounting criteria will considerably reduce Telepizza Sub's profits under Spanish GAAP in 2016 and in the following years and will result in losses in 2016, which will materially adversely affect Telepizza Sub's dividend distribution capacity.

Given that our revenue and cash flow depend on distributions and other payments from Telepizza Sub, the amortization of Telepizza Sub's intangible assets may considerably reduce the profits of the Company each year and could materially and negatively affect the Company's dividend distribution capacity.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our total liquidity, total gross debt, total shareholders' equity and total capitalization (i) as of December 31, 2015 on a historical basis derived from our 2015 Financial Statements; (ii) as of January 31, 2016 (a) on a historical basis derived from our unaudited accounting records; (b) after giving effect to the Subordinated Loan Capitalization assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, and assuming the issuance of 12,612,642 New Capitalization Shares; (c) after giving further effect to the Offering, including the receipt of proceeds therefrom assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, and the issuance of 14,367,840 New Offer Shares; (d) after giving further effect to the payment by the Company to our senior managers, and the contribution by the Selling Shareholder to the reserves of the Company, under our management incentive plans; and (e) after giving further effect to borrowings under the New Facilities and the repayment in full of the Existing Facilities.

You should read the following table in conjunction with the sections entitled "*Use of Proceeds*", "*Selected Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Board of Directors and Management—Management Incentive Plans*".

| | As of December 31, 2015 | As of January 31, 2016 | After giving effect to the Subordinated Loan Capitalization (1) | After giving further effect to the Offering(2) | After giving further effect to the Management Incentive Plans(3) | After giving further effect to borrowings under the New Facilities and the repayment of the Existing Facilities(4) |
|---|---|---|---|---|---|---|
| | | | *(in millions of €)* | | | |
| Cash ………………………………. | 39.9 | 39.8 | 38.6 | 141.1 | 132.1 | 44.8 |
| Cash equivalents…………………. | - | - | - | - | - | - |
| **A. Liquidity**……………………….. | **39.9** | **39.8** | **38.6** | **141.1** | **132.1** | **44.8** |
| Local debt facilities(5) (Current)… | 0.9 | 0.5 | 0.5 | 0.5 | 0.5 | - |
| Existing Facilities (Current)……… | 4.1 | 0.7 | 0.7 | 0.7 | 0.7 | - |
| New Facilities (Current)……….… | - | - | - | - | - | - |
| **B. Current gross financial debt.**… | **5.0** | **1.2** | **1.2** | **1.2** | **1.2** | - |
| Local debt facilities(5)(Non-Current) | 1.2 | 1.1 | 1.1 | 1.1 | 1.1 | - |
| Existing Facilities (Non-Current)… | 285.0 | 285.0 | 285.0 | 285.0 | 285.0 | - |
| New Facilities (Non-Current)…… | - | - | - | - | - | 200.0 |
| **C. Non-current gross financial debt** | **286.2** | **286.1** | **286.1** | **286.1** | **286.1** | **200.0** |
| **D. Total gross financial debt (B+C)** | **291.2** | **287.3** | **287.3** | **287.3** | **287.3** | **200.0** |
| Subordinated Loan (Current)…….. | 2.2 | 0.1 | - | - | - | - |
| Subordinated Loan (Non-Current). | 96.5 | 99.1 | - | - | - | - |
| **E. Subordinated Loan**…………..… | **98.7** | **99.2** | **-** | **-** | **-** | **-** |
| **F. Total gross debt (D+E)**………… | **389.8** | **386.6** | **287.3** | **287.3** | **287.3** | **200.0** |
| Share capital ……………………… | 18.0 | 18.0 | 21.2 | 24.7 | 24.7 | 24.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Legal reserve……………………… | 10.8 | 10.8 | 10.8 | 10.8 | 10.8 | 10.8 |
| Other reserves ………………….. | 325.5 | 326.5 | 427.4 | 531.3 | 524.6 | 524.6 |
| **G. Shareholders' equity**………… | **354.3** | **355.3** | **459.4** | **566.8** | **560.2** | **560.2** |
| **Total capitalization (F+G)**……….. | **744.1** | **741.8** | **746.7** | **854.1** | **847.5** | **760.2** |

*Notes:—*

(1) Reflects the conversion into equity and cash repayment of the outstanding principal amount and accrued interest as of the pricing date of the Offering (expected to be €105.2 million) of the Subordinated Loan (which as of January 31, 2016 was €99.2 million) pursuant to the Subordinated Loan Capitalization as follows:

- an increase in shareholders' equity of €104.1 million representing (i) an increase of €3.2 million in share capital and (ii) an increase of €100.9 million in share premium; and

- a repayment in cash of €1.2 million.

(2) The increase in cash of €102.5 million represents the net amount resulting from a capital increase in the gross amount of €118.5 million, after deducting fees and expenses related to the Offering assumed by the Company of €16.1 million.

The increase in shareholders' equity of €107.5 million represents (i) an increase of €3.6 million in share capital and (ii) an increase of €103.9 million in other reserves (resulting from (a) an increase in share premium in connection with the capital increase of €114.9 million and (b) a decrease in other reserves derived from the pre-tax impact of the costs and expenses related to the Offering that will be accounted for in our 2016 income statement (€11.1 million)).

(3) The decrease in cash represents the payment by the Company of an aggregate gross amount of €5.0 million to our senior managers under the Cash and Shares Incentive Plan and the up to aggregate €4.0 million optional loan, at the discretion of our senior managers, to be granted by the Company to our respective senior managers to finance part of the taxes due by them upon receiving the Shares under the Cash and Shares Incentive Plan, in each case upon Admission.

The decrease in other reserves of €6.6 million results from the personnel expenses in connection with the management incentive plans that will be accounted for in our 2016 income statement (€28.4 million), net of the €21.8 million resulting from the contribution to the reserves of the Company by the Selling Shareholder under the Cash and Shares Incentive Plan. See –"*Board of Directors and Management—Management Incentive Plans*".

(4) Reflects the drawing in full (in an amount of €200 million) of the term loan under the New Facilities on the Settlement Date and the repayment in full of the Existing Facilities as of the Settlement Date of the Offering (expected to be €287.4 million) using (i) €200 million from the borrowings under the New Facilities and (ii) €87.4 million from the proceeds of the Offering. The difference between the decrease in cash of €87.3 million (reflected in the table) and the use of proceeds of €87.4 million to repay the Existing Facilities is due to the difference between (a) the existing cash as of January 31, 2016 and (b) the expected cash (€40.0 million) as of the Settlement Date of the Offering.

(5) Includes financial leases and bank borrowings contracted by Group subsidiaries.

As a result of the Subordinated Loan Capitalization, the receipt of proceeds in connection with the issue of the New Offer Shares, the borrowings under the New Facilities and the repayment of the Existing Facilities, the Company's total net financial debt (calculated as the total gross financial debt minus liquidity) as of January 31, 2016, is expected to decrease from €247.5 million on a historical basis to €155.2 million as adjusted as reflected in the table above.

As of January 31, 2016, our total gross debt amounted to €386.6 million, of which €285.7 million was guaranteed (€0.7 million current and €285.0 million non-current), €287.3 million was secured (€1.2 million current and €286.1 million non-current) and €99.2 million was unguaranteed and unsecured.

"Guaranteed debt" refers to debt which is guaranteed by the relevant guarantor/s under financing arrangements and "secured debt" refers to debt which is secured by security interests. For a description of the guarantees and the security interests guaranteeing/securing financial debt, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*).

## SELECTED FINANCIAL AND OTHER INFORMATION

*You should read and analyze the information below in conjunction with our Financial Statements and related notes located elsewhere in this prospectus, as well as with the information presented under "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

The following tables present financial information relating to our consolidated statement of financial position, income statement and statement of cash flows that is derived from our audited Financial Statements included elsewhere in this prospectus, and prepared in accordance with IFRS-EU.

In our 2014 Financial Statements, following our receipt of a binding offer to acquire our operations in Colombia, we classified these as discontinued operations in our income statement and restated the 2013 income statement information therein to make it comparable with 2014. However, we decided not to sell our Colombian operations and we have no current plans to sell our Colombian operations, and our 2015 Financial Statements therefore include these operations as part of our continuing operations. As a result, and in order to provide greater consistency and comparability between periods, the financial information presented in this prospectus that is derived from our income statements is taken from our 2015 Financial Statements (in respect of 2015), the comparable 2014 information contained in our 2015 Financial Statements (in respect of 2014) and our 2013 Financial Statements (in respect of 2013).

## Income Statement Data

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Own store sales | 200.1 | 202.3 | 229.3 |
| Supply sales | 90.6 | 85.3 | 73.7 |
| Royalties | 20.3 | 17.9 | 15.8 |
| Other revenues | 17.9 | 21.1 | 18.0 |
| **Total revenues** | **328.9** | **326.5** | **336.8** |
| Merchandise and raw materials used | (91.3) | (90.5) | (74.3) |
| Personnel expenses | (91.1) | (98.6) | (104.9) |
| Amortization and depreciation | (16.6) | (17.4) | (17.5) |
| Other expenses | (88.8) | (98.1) | (99.0) |
| **Operating profit** | **41.1** | **21.9** | **41.2** |
| Finance income | 1.5 | 4.2 | 5.5 |
| Settlement of financial liabilities through the issue of equity instruments | - | 128.6 | - |
| Finance costs | (36.9) | (72.5) | (62.0) |
| Other losses | (4.0) | (8.8) | (44.4) |
| Profit/(loss) before tax from continuing operations | 1.7 | 73.3 | (59.7) |
| Income tax income/(expense) | (2.8) | 17.5 | (23.9) |
| Profit/(loss) for the year from continuing operations | (1.1) | 90.8 | (83.6) |
| Post-tax loss on discontinued operations | - | (0.1) | (1.2) |
| **Profit/(loss) for the year** | **(1.1)** | **90.7** | **(84.8)** |
| Profit/(loss) for the year attributable to equity holders of the Parent | | | |
| Continuing operations | (1.1) | 90.8 | (83.6) |
| Discontinued operations | - | (0.1) | (1.2) |
| **Profit/(loss) for the year** | **(1.1)** | **90.7** | **(84.8)** |

## Statement of Financial Position Data

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €)* | | |
| **Assets** | | | |
| Property, plant and equipment | 40.2 | 35.9 | 39.3 |
| Goodwill | 382.7 | 376.2 | 376.0 |
| Other intangible assets | 334.0 | 339.5 | 345.7 |
| Deferred tax assets | 11.9 | 11.5 | - |
| Non-current financial assets | 23.7 | 21.0 | 23.9 |
| **Total non-current assets** | **792.4** | **784.2** | **785.0** |
| Inventories | 11.4 | 9.9 | 13.5 |
| Trade and other receivables | 34.4 | 43.9 | 37.8 |
| Other current assets and other current financial assets | 8.2 | 3.6 | 3.5 |
| Cash and cash equivalents | 39.9 | 44.9 | 8.8 |
| Subtotal current assets | 94.0 | 102.3 | 63.6 |
| Non-current assets held for sale | 0.1 | 0.1 | 2.0 |
| **Total current assets** | **94.1** | **102.4** | **65.6** |
| **Total assets** | **886.5** | **886.6** | **850.5** |
| **Liabilities** | | | |
| Loans and borrowings | 286.2 | 286.9 | 504.2 |
| Deferred tax liabilities | 84.7 | 86.9 | 96.2 |
| Other financial liabilities | 96.5 | 84.8 | 192.9 |
| Other non-current liabilities | 5.6 | 5.6 | 7.7 |
| **Total non-current liabilities** | **473.0** | **464.2** | **801.1** |
| Loans and borrowings | 5.0 | 4.8 | 14.4 |
| Trade and other payables | 47.5 | 46.9 | 47.7 |
| Other current liabilities and other current financial liabilities | 6.6 | 10.6 | 5.1 |
| Subtotal current liabilities | 59.1 | 62.4 | 67.2 |
| Liabilities directly associated with non-current assets held for sale | 0.1 | 0.1 | 0.1 |
| **Total current liabilities** | **59.2** | **62.5** | **67.3** |
| **Equity** | | | |
| Share capital | 18.0 | 18.0 | 17.8 |
| Share premium | 321.4 | 321.4 | 236.8 |
| Accumulated gains/(losses) | 23.1 | 25.0 | (268.6) |
| Translation differences | (8.1) | (4.4) | (3.8) |
| **Total shareholders' equity** | **354.3** | **359.9** | **(17.8)** |
| **Total liabilities and shareholders' equity** | **886.5** | **886.6** | **850.5** |

## Statement of Cash Flow Data

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Profit/(loss) for the period/year before tax | 1.7 | 73.3 | (59.7) |
| Adjustments | 55.6 | (34.6) | 117.8 |
| Changes in working capital | 2.3 | 1.0 | (11.1) |
| Cash from operations | (5.0) | (3.3) | (4.8) |
| **Net cash from (used in) operating activities** | **54.6** | **36.4** | **42.2** |
| **Net cash from (used in) investing activities** | **(30.0)** | **(14.5)** | **(10.6)** |
| **Net cash from (used in) financing activities** | **(26.5)** | **12.5** | **(47.7)** |
| **Net cash from (used in) discontinued operations** | **(0.1)** | **1.8** | **-** |
| **Increase (decrease) in cash and cash equivalents at period/year end** | **(2.1)** | **36.2** | **(16.0)** |
| Cash and cash equivalents | 42.8 | 45.0 | 8.8 |
| **Foreign exchange gains/losses on cash and cash equivalents** | **(2.9)** | **(0.1)** | **-** |
| **Cash and cash equivalents as of December 31,**[(1)] | **39.9** | **44.9** | **8.8** |

*Note:—*

(1) For the years ended December 31, 2015 and 2014, we isolated the effect of foreign exchange gains/losses on cash and cash equivalents and presented this effect on a separate line; we did not isolate this effect for the year ended December 31, 2013.

## Statement of Changes in Equity

Our consolidated statements of changes in equity for the years ended December 31, 2015, 2014 and 2013 are included in the Financial Statements included herein.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Financial Statements included in this prospectus, as well as with the sections in this prospectus titled "Presentation of Financial and Other Information" and "Selected Financial and Other Information."*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including, without limitation, those set forth in "Cautionary Statements Regarding Forward-Looking Statements" and "Risk Factors."*

## Financial Presentation and Accounting Policies

### *Presentation of Financial Statements*

We have included elsewhere in this prospectus our Financial Statements. Our Financial Statements have been prepared in accordance with IFRS-EU. The reporting currency of our Financial Statements is the euro. Our Financial Statements included in this prospectus have been audited by our independent auditors, as set forth in their reports included elsewhere in this prospectus.

In our 2014 Financial Statements, following our receipt of a binding offer to acquire our operations in Colombia, we classified these as discontinued operations in our income statement and restated the 2013 income statement information therein to make it comparable with 2014. However, the sale of our Colombian operations did not take place and we have no current plans to sell our Colombian operations, and our 2015 Financial Statements therefore include these operations as part of our continuing operations. As a result, and in order to provide greater consistency and comparability between periods, the financial information presented in this prospectus that is derived from our income statements is taken from our 2015 Financial Statements (in respect of 2015), the comparable 2014 information contained in our 2015 Financial Statements (in respect of 2014) and our 2013 Financial Statements (in respect of 2013).

### *Segmentation*

We are organized internally into operating segments, which are strategic business units. Our strategic business units operate under different market conditions and are managed separately because they require different strategies.

In our 2015 Financial Statements (with comparable 2014 information), we present our results of operations according to four geographical segments: Spain, Rest of Europe (Portugal and Poland), Latin America (Chile, Colombia, Peru and Ecuador) and Master Franchises and Others (Guatemala, El Salvador, Russia, Angola, Bolivia, Panama (which also serves Costa Rica), the United Arab Emirates and Saudi Arabia). As explained more fully in "*Business—Our Segments—Master Franchises and Others*", the Master Franchises and Others segment comprises the remaining markets where we currently operate (that were not already included in the Spain, Rest of Europe or Latin America segments). In these markets, we have entered into master franchise agreements, except for in the United Arab Emirates, where we have entered into a franchise agreement, and therefore the "Others" of our Master Franchises and Others segment as of the date of this prospectus refers to the United Arab Emirates. Furthermore, certain assets or liabilities that apply to the Group as a whole and the general costs not directly attributable to any specific segment are recorded within our Spain segment.

Our current segmentation is a change from our 2014 Financial Statements and our 2013 Financial Statements, in which we presented our results of operations according to seven geographical segments: Spain, Portugal, Poland, Chile, Colombia, Peru and Rest of World. This change in segmentation had no effect on the total of each applicable line item in our Financial Statements. In future years, we intend to apply the segmentation used in our 2015 Financial Statements.

In the discussion below, we analyze our results of operations both on a consolidated basis and by segment. For comparability purposes, we have used the four segments appearing in our most recent audited annual accounts not only in our discussion of 2015 versus 2014 but also in our discussion of 2014 versus 2013. This reclassification of the prior segment information does not appear in our audited annual accounts for 2014 or 2013.

***Critical Accounting Policies and Estimates***

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

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

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

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

- We determine the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets.
- Calculation of the recoverable amount: We test goodwill and the brand for impairment on an annual basis. Calculation of the recoverable amount requires us to use estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. We generally use cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets we approve. The flows take into consideration past experience and represent our best estimate of future market performance. From the fifth year, cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.
- Valuation allowances for bad debts require a high degree of judgment by us and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa.
- We capitalize the tax credits we consider likely to be offset in the foreseeable future based on our business plan for each tax jurisdiction in which we operate.
- We have made a number of judgments and estimates relating to the valuation of the capital increases entailing debt-to-equity swaps carried out in 2014 with our shareholders. These judgments primarily consisted in determining the fair value of the equity instruments issued and financial liabilities cancelled while taking into account that we were engaged in a capital and debt restructuring process.
- Although estimates are calculated by our directors based on the best information available at December 31, 2015, future events may require changes to these estimates in subsequent years. Any effect on the Financial Statements of adjustments to be made in subsequent years would be recognized prospectively.

For a description of these critical accounting policies and estimates, see note 4 ("Significant Accounting Principles") to our 2015 Financial Statements.

## Principal Factors Affecting Our Results of Operations

### *Store Network*

In order to maintain our market share and attract new customers we need to (i) ensure that our existing stores are modern and attractive and (ii) expand our network through the opening of new own or franchised and master franchised stores in Spain and other markets. As of December 31, 2015, our network included a total of 1,311 stores, of which 65% were franchised stores and 35% own stores.

Our efforts to focus on quality mean that we are undertaking capital expenditures to renovate a majority of our own stores during the next four years to improve eat-in traffic, drive sales and enhance our brand image. In 2015, we spent €2.6 million on the refurbishment of own stores in our Spain segment, €0.5 million on the refurbishment of own stores in our Rest of Europe segment and €0.6 million on the refurbishment of own stores in our Latin America segment, in each case incurred in respect of own stores. Our refurbishment plan includes own and franchised and master franchised stores, although we do not incur any capital expenditures in the refurbishment for franchised or master franchised stores. The associated capital expenditures vary according to the size of the store and the nature of the refurbishment. In addition to our current modernization and refurbishment initiative, our stores generally require a certain level of yearly maintenance capex in order to maintain customer traffic.

In order to sustain further growth and expand our market share we plan to continue our store opening strategy, which encompasses a selective expansion of our footprint in Spain and internationally through own stores, franchises or master franchise agreements in new markets. In 2015, we opened 28 own stores and 64 franchised and master franchised stores. The comparability of our results of operations from one period to the next are affected by our opening and closing of stores, both own and franchised, as well as transfer of own stores to our franchisees or buybacks of stores from franchisees.

### *Financial Health of Our Franchise Network*

Our results of operations are affected by the overall financial health of our franchisees and their stores, as franchised and master franchised stores accounted for 65% of our global network by number of stores as of December 31, 2015. We receive revenues from franchisees in the form of royalties and marketing contributions calculated as a percentage of franchise store revenues, as well as revenues in the form of supply sales or decreased extension of rebates to our franchises and other revenues. Other revenues include (i) the fee receivable from franchisees when we transfer own stores to franchisees, known as the store transfer fee, (ii) franchise and master franchise fees, which are receivable upon the opening of a new franchised or master franchised store, the granting of a master franchise agreement, or the renewal of an existing franchise agreement and (iii) income from other services that we provide to our franchisees and master franchisees, such as IT and payroll services, revenue recorded through supply agreements affecting the Group or receivable rental income. As a result, our performance depends significantly on the level of sales and profitability of our franchises. If a franchisee faces financial difficulties it could result in, among other things, (i) decreasing revenues from franchises and advertising contributions for us, (ii) delayed payments to us of royalties and/or franchise fees and even (iii) franchised stores closures, which could jeopardize the payment of store transfer fees that are payable over a specific term. In situations where certain franchisees in our network have found themselves in financially stressed situations, we have also permitted an increase in the relevant collection days.

As we adjust our store ratio in favour of franchises through the transfer of own stores to franchised stores, we increase franchise-related revenues at the expense of revenue from own store sales. However, at the same time, certain costs associated with our own stores but that do not exist for our franchise stores, also decrease as a result of the transfer of own stores to franchised stores.

We have modified our franchise network by closing a number of stores (the large majority of them for reasons of underperformance or relocation) including 27, 33 and 31 closures in 2015, 2014 and 2013, respectively, as well as nine, 58 and 31 net transfers of own stores to franchised stores in 2015, 2014 and 2013, respectively. We have also taken a more pro-active approach to risk management by closely monitoring the financial health of our franchisees to rapidly address any weakness.

### *Effects of Fluctuations in the Prices of Raw Materials or Availability of Rebates from Our Suppliers*

Fluctuations in the prices of cheese and dough components or any other raw materials in the markets in which we operate, as well as changes in the availability of rebates from our suppliers for such raw materials, significantly affect our operating profit and our merchandise and raw materials used. Of our gross purchases of raw materials, cheese represented approximately 32%, meat-based products represented approximately 21%, packaging represented approximately 8%, the dough ingredients represent approximately 5% and sauces represented approximately 4% in 2015.

Our cheese and dough component prices are generally set by market conditions, which are outside of our control. We have the long-term Ornua Supply Agreement for cheese components that was entered into in 2014, with pricing re-evaluated quarterly based on market conditions and with a minimum purchase amount agreed with Ornua. This agreement allowed us to transfer certain personnel to Ornua resulting from the transfer of certain of our assets associated with our Luxtor cheese production facility in Spain to Ornua. For dough components, we have supply contracts with various suppliers in the different countries in which we operate. We have back-up suppliers for both cheese and dough components, as well as for our other raw materials if our primary suppliers cannot deliver the components in the contracted amounts and specifications or our needs exceed our minimum contracted amounts. In either of these cases we may choose to buy from our back-up suppliers rather than our primary suppliers. The market prices of cheese and dough components have fluctuated in the recent past, and we believe that they will continue to do so. Many factors determine the price fluctuations of commodities and these factors may significantly affect our profitability and their timing can affect the comparability of our interim results of operations.

Our suppliers of raw materials often offer rebates, which are discounts usually based on the purchase of a certain quantity of raw materials (in occasions linked to specific campaigns or commercial events). These rebates offered by our suppliers reduce our prices for merchandise and raw materials. However, both market conditions and our negotiating position in relation to the supplier can affect the availability of rebates offered by our suppliers. Market conditions and our negotiating position in relation to our suppliers have fluctuated in the recent past, although we expect for such negotiating positions to remain stable in the future. These rebates directly affect our profitability, as they reduce our merchandise and raw materials used. Additionally we also offer rebates to our franchisees, mostly linked to different promotional campaigns, in which case they affect the "supply sales" component of our revenues. For example, during 2015 we have been progressively reducing the rebates to our franchisees in Spain, which has contributed positively to our revenues due to the increase in "supply sales".

Significant increases in the prices of our products would likely increase our gross sales revenue and our results of operations if we are able to maintain our operating margins and higher prices do not reduce the sales volumes of our products. Conversely, significant decreases in the prices of our products would likely reduce our total revenues and our results of operations if we are unable to increase our operating margins and reduced prices do not result in higher sales volumes of our products.

### *Marketing and Advertising Programs' Effectiveness*

In all of the markets where we operate, marketing and advertising programs are a key traffic driver and enable us not only to attract new customers to our brand but also to retain existing customers. In order to reinforce our brand awareness, build on our image and create traffic, we spend annually approximately 5% from own store sales and supply sales in multimedia advertising campaigns at the local and national level to promote our products. Marketing is particularly important for us to communicate about our product innovation and price promotion. We leverage our store locations as another medium of communication with our customers primarily through local advertising and promotion campaigns.

As described in "*Business—Products and Marketing—Marketing*", our franchisees worldwide are required to pay to us a certain percentage of their revenues as a contribution (which we record within "Royalties") to our advertising and marketing campaigns, which we execute centrally, as well as to allocate a certain percentage of their revenue towards direct marketing initiatives. We also monitor closely the

marketing spends and frequency of our competitors' marketing and advertising campaigns and endeavor to maintain a relatively constant investment in order to maintain communication pressure on the market.

***Effects of Foreign Exchange Variations on Our Results of Operations***

Our results of operations and financial condition have been, and will continue to be, affected by changes in the value of the euro (our functional currency) against the U.S. dollar, Polish zloty, Chilean peso or Colombian peso, because a portion of our revenue and costs is linked to these currencies.

When the euro depreciates against other currencies, our revenue and profits from operations that use those functional currencies will be higher when translated into euros. Conversely, when the euro appreciates against these currencies our revenue and profits from operations that use those currencies will be lower. In fact there is a double impact, as not only does the foreign exchange variation affect revenue and profit when converted into euros, but results in local currency may also be impacted given that some costs that are incurred by our operations outside of the Eurozone are denominated in euros, such as the purchase of cheese through the Ornua Supply Agreement, which impacts the profits in local currency and which impact may not be neutral once the local profits are converted back into euros, due to fluctuations in the applicable exchange rate.

For example, the Chilean peso to euro exchange rate has increased over the past three years, from $656.14 Chilean pesos per euro on average in 2013 to $756.55 on average in 2014 and $723.51 on average in 2015. This evolution made revenues and profits earned in Chile smaller when translated into euros. Furthermore, if such a trend were to continue, given that part of the Ornua Supply Agreement requires that we pay Ornua in euros to serve as our supplier worldwide, the price of cheese would be more expensive each year for our stores in Chile, assuming a constant euro price of cheese and, consistent rebates from Ornua.

Our current policy is to hedge the euro value in Chilean pesos of approximately half of the payments made in euros from our Chilean operations expected to be made in the following year. While these hedges may not be effective, they always bear a cost and our hedging policy may change at any time. In our Latin America segment, the Chilean peso is currently the only currency that we hedge.

As of December 31, 2015, had the euro strengthened/weakened by 10% against the Chilean peso, the Colombian peso or the Polish Zloty, with the other variables remaining constant, consolidated post-tax profit would have been €0.5 million higher/lower in 2015 (€0.01 million higher/lower in 2014). The translation differences recognized under other comprehensive income would have increased/decreased by €6.0 million in 2015 (and €5.2 million in 2014), mainly due to translation differences on foreign operations.

***Trends in the Consumption of Pizza and Competition in the QSR Industry***

Sales and margins in the QSR and pizza delivery industries can be affected by general consumption trends, the relative success of new or existing products and competition within the QSR and pizza delivery industries. Our product focus is pizza, and fluctuations in the consumption of pizza in the markets where we operate affect our results of operations. We emphasize product innovation, with the frequent introduction of new pizza offerings, and the consumer reaction to new product launches can affect our sales. For example, our introduction of "Telepizza Nachos" in Spain in July 2015 and our "Telepizza Burger" in Spain in January 2016 both increased our revenues attributable to our Spanish operations. Our average ticket price (defined as chain sales in a period divided by the number of orders in such period) in Spain also increased due to the introduction of those products, by 9% and 9%, respectively, in the best performing week since launch.

Our sales and margins are also affected by our success against our competitors in the QSR and pizza delivery sectors, which is dependent on a variety of factors, including the comparative attractiveness and taste of our products, perceived product and service quality and the availability of comparable products from our competitors. The pricing of our products, and in particular, the timing and terms of specially-priced offers to customers, can have a significant impact on both the volume of our sales and our margins, as well as our market share against competitors. We seek to compete based on the quality of our products, but the pricing strategies of our competitors have in the past had an effect on our results of operations.

### *Growth of Gross Domestic Product and Demand for Our Products*

Our results of operations are affected by global economic conditions as well as specific local economic conditions in the markets and geographic areas in which we operate. Such conditions include levels of employment, commodity inflation, real disposable income, private consumption, the availability of consumer credit, consumer confidence, applicable VAT taxes, and consumer willingness to spend. In an unfavourable economic environment with a decrease in disposable income, our customers may reduce the frequency with which they dine out or order-in or may choose more inexpensive dining options. Positive economic conditions, in contrast, tend to increase consumer demand for our products. Changes in general economic conditions therefore affect customer traffic and our ability to pass through cost increases to customers.

We expect that an important part of our operations will continue to be located in Europe and Latin America in the future, and accordingly we are significantly affected by economic conditions in Spain, Portugal and Latin America. Our sales and margins have been, and will continue to be, affected by the rate of GDP growth, consumer confidence and in particular changes in employment levels in the country.

## Results of Operations

The following discussion of our results of operations is based on our Financial Statements. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

### *Principal Components of Our Results of Operations*

The principal components of our income statements discussed in this prospectus are as follows:

*Total Revenues*

Total revenues is derived from four sources: own store sales, supply sales, royalties and other revenues.

- Own store sales

Own store sales is total income from sales at own company stores.

- Supply sales

Supply sales is total income from our wholesale production facility sales of products and supplies to franchisees and master franchisees. It includes sales of all ingredients and products except for beverages, salads and ice creams, which are supplied directly from the suppliers to the franchisees and master franchisees. These sales can be affected by the rebates that we extend to our franchisees.

- Royalties

Royalties are comprised of royalties, which are paid to us by franchisees and master franchisees based on a percentage of franchise store sales, and marketing franchise fees which our franchises are required to pay us based on a certain percentage of franchise store sales, which we use in advertising and marketing campaigns.

- Other revenues

Other revenues consists of (i) the fee payable to us by franchisees when we transfer own stores to franchisees, known as the store transfer fee, (ii) franchise and master franchise fees, which are paid upon the opening of a new franchised or master franchised store, the granting of a master franchise agreement, or the renewal of an existing franchise agreement and (iii) income from other services that we provide to our franchisees and master franchisees, such as IT or payroll services, revenue recorded through supply agreements affecting the Company or receivable rental income.

*Merchandise and raw materials used*

Merchandise and raw materials used includes the direct costs and expenses associated with food, beverage and packaging of our menu items at our own stores, as well as merchandise and materials that we

sell to our franchises, such as pizza dough. Prices for merchandise and raw materials are variable in nature, change with sales volume, are affected by our product mix and are subject to fluctuations in commodity costs and the rebates obtained from our suppliers.

*Personnel expenses*

Personnel expenses includes the costs and expenses related to the maintenance and proper functioning of our work force, including the payment of salaries and wages, social security, termination benefits and other employee benefits for employees of our own stores. In 2015, our personnel expenses were approximately 60% fixed costs and 40% variable costs.

*Amortization and depreciation*

Amortization and depreciation primarily consists of the depreciation of property, plant and equipment and amortization of intangible assets. For each of 2015, 2014 and 2013, amortization and depreciation has included €6 million in amortization in connection with the purchase price allocation to contractual and other rights related to the 2006 acquisition of Telepizza Sub.

*Other expenses*

Other expenses consists of expenses related to our operating leases, transporting of our materials and products, our advertising and marketing initiatives, information technology expenses, utilities and other expenses.

*Finance costs*

Finance costs consists of the costs, interest and other charges involved in financings or hedging instruments.

*Finance income*

Finance income consists of the income gained through financings or hedging instruments.

*Settlement of financial liabilities through the issue of equity instruments*

Settlement of financial liabilities through the issue of equity instruments represents the gain or loss realized and expressed on the consolidated income statement resulting from the settlement of financial liabilities through the issue of equity instruments.

*Other losses*

Other losses consists of losses incurred in connection with the sales of property, plants and equipment, the losses related to goodwill and the impairment losses as well as reversals on such losses.

*Income tax income/(expense)*

Income tax income/(expense) consists of both current and deferred tax. Current tax is the amount of the income tax payable or recoverable in respect of the pre-tax profit/loss for the period. Deferred tax liabilities are the amounts payable in future periods while deferred tax assets are the amount recoverable in future periods.

***Year Ended December 31, 2015 Compared with Year Ended December 31, 2014***

The following table sets forth consolidated financial information for the years ended December 31, 2015 and 2014.

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **% Change** |
| | *(in millions of €)* | | |
| Own store sales | 200.1 | 202.3 | (1.1) |
| Supply sales | 90.6 | 85.3 | 6.2 |
| Royalties | 20.3 | 17.9 | 13.4 |
| Other revenues | 17.9 | 21.1 | (15.2) |
| Total revenues | 328.9 | 326.5 | 0.7 |
| *Spain* | 211.5 | 218.1 | (3.0) |
| *Rest of Europe* | 49.4 | 45.9 | 7.6 |
| *Latin America* | 65.9 | 61.5 | 7.2 |
| *Master Franchises and Others* | 2.2 | 1.1 | 100.0 |
| Merchandise and raw materials used | (91.3) | (90.5) | 0.9 |
| Personnel expenses | (91.1) | (98.6) | (7.6) |
| Amortization and depreciation | (16.6) | (17.4) | (4.6) |
| *Spain* | (11.1) | (11.5) | (3.5) |
| *Rest of Europe* | (1.4) | (2.2) | (36.4) |
| *Latin America* | (4.1) | (3.7) | 10.8 |
| *Master Franchises and Others* | - | - | - |
| Other expenses | (88.8) | (98.1) | (9.5) |
| Operating profit | 41.1 | 21.9 | 87.7 |
| *Spain* | 27.0 | 14.1 | 91.5 |
| *Rest of Europe* | 7.1 | 4.3 | 65.1 |
| *Latin America* | 5.3 | 2.7 | 96.3 |
| *Master Franchises and Others* | 1.7 | 0.8 | 112.5 |
| Finance income | 1.5 | 4.2 | (64.3) |
| Settlement of financial liabilities through the issue of equity | - | 128.6 | n.m. |
| Finance costs | (36.9) | (72.5) | (49.1) |
| Other losses | (4.0) | (8.8) | (54.5) |
| Profit/(loss) before tax from continuing operations | 1.7 | 73.3 | (97.7) |
| Income tax income/(expense) | (2.8) | 17.5 | n.m. |
| Profit/(loss) for the year from continuing operations | (1.1) | 90.8 | n.m. |
| Post-tax loss on discontinued operations | - | (0.1) | n.m. |
| Profit/(loss) for the year | (1.1) | 90.7 | n.m. |
| Profit/(loss) for the year attributable to equity holders of the | | | |
| Continuing operations | (1.1) | 90.8 | n.m. |
| Discontinued operations | - | (0.1) | n.m. |
| Profit/(loss) for the year | (1.1) | 90.7 | n.m. |

*Total Revenues*

Total revenues increased by €2.4 million, or 0.7%, to €328.9 million in 2015 from €326.5 million in 2014 as a result of the factors below.

- Own store sales

Own store sales decreased by €2.2 million, or 1.1%, to €200.1 million in 2015 from €202.3 million in 2014, primarily as a result of the decrease in the number of our own stores, mostly transferred to the franchised stores but also those that were closed, which offset those that were opened. Our number of own stores decreased, from 464 as of December 31, 2014 to 461 as of December 31, 2015. Including both the number of own stores transferred to franchisees as well as the number of buybacks of franchised stores during the year, we had a net transfer of nine of our own stores to franchised stores in 2015, in line with our strategy to transfer own stores to the franchise system as part of our network improvement strategy for our consolidated markets, as described in "*Business—Own Stores, Franchises and Master Franchises*". This effect was partially offset by an increase in both our average ticket price and our number of orders.

- Supply sales

Supply sales increased by €5.3 million, or 6.2%, to €90.6 million in 2015 from €85.3 million in 2014, primarily as a result of the increase in the number of our franchised and master franchised stores, from 804 as of December 31, 2014 to 850 franchised and master franchised stores as of December 31, 2015, due to the openings of franchised stores mainly in Spain and the Rest of Europe as well as the net transfer of nine of our own stores to franchisees in 2015. Our supply sales during 2015 also increased when compared to during 2014 given that we have been progressively reducing the rebates to our franchisees.

- Royalties

Royalties increased by €2.4 million, or 13.4%, to €20.3 million in 2015 from €17.9 million in 2014, primarily as a result of an increase in the number of our franchised and master franchised stores and our increased marketing efforts.

- Other revenues

Other revenues decreased by €3.2 million, or 15.2%, to €17.9 million in 2015 from €21.1 million in 2014. This €3.2 million difference is explained by the fact that while in 2014 we recorded income of €3.3 million as a result of our entry into the Ornua Supply Agreement, in 2015 we did not recognize such revenue.

Total revenues by segment

Our total revenues from our Spain segment decreased by €6.6 million, or 3.0%, to €211.5 million in 2015 from €218.1 million in 2014, primarily as a result of (i) the decrease in own store sales attributable to our operations in Spain, resulting from the reduction in the number of our own stores, mostly transferred to the franchisee system, from 191 as of December 31, 2014 to 183 as of December 31, 2015, as well as (ii) the decrease in other revenues attributable to our operations in Spain, resulting from the entry into the Ornua Supply Agreement in 2014, as mentioned above. These effects were partly offset by the increase in both supply sales and royalties attributable to our Spanish operations, resulting from the increase in the number of our franchised stores, from 439 as of December 31, 2014 to 461 franchised stores as of December 31, 2015.

Our total revenues from our Rest of Europe segment increased by €3.5 million, or 7.6%, to €49.4 million in 2015 from €45.9 million in 2014, primarily as a result of both the increase in own store sales, resulting from increased performance in those markets, as well as the increase in supply sales, resulting from the increase in the number of our franchised stores, from 149 as of December 31, 2014 to 153 as of December 31, 2015.

Our total revenues from our Latin America segment increased by €4.4 million, or 7.2%, to €65.9 million in 2015 from €61.5 million in 2014, primarily as a result of (i) the increase in own store sales, resulting from

the increase in the number of our own stores, from 199 as of December 31, 2014 to 205 as of December 31, 2015, (ii) the increase in supply sales, resulting from the increase in our franchised stores, from 75 as of December 31, 2014 to 79 as of December 31, 2015, and (iii) the operational turnaround in Colombia in 2015, which contributed to our increased revenues there.

Our total revenues from our Master Franchises and Others segment increased by €1.1 million, to €2.2 million in 2015 from €1.1 million in 2014, primarily as a result of both an increase in other revenues resulting from initial payments received as part of our agreements in certain new countries, as well as the increase in in supply sales, royalties and other revenues resulting from the increase in the number of master franchised stores, from 141 as of December 31, 2014 to 157 as of December 31, 2015.

*Merchandise and raw materials used*

Merchandise and raw materials used increased by €0.8 million, or 0.9%, to €91.3 million in 2015 from €90.5 million in 2014, primarily resulting from a 4.5% increase in purchases, mainly as a result of the upgrade in our raw materials, partially offset by a 22.6% increase in discounts from our suppliers, primarily represented by rebates for large volume purchases, reflecting our comparatively higher negotiating leverage in the period after the 2014 Refinancing, as suppliers were more comfortable with our debt profile.

*Personnel expenses*

Personnel expenses decreased by €7.5 million, or 7.6%, to €91.1 million in 2015 from €98.6 million in 2014, primarily as a result of:

- a 6.3% decrease in salaries and other personnel expenses to €90.6 million in 2015 from €96.7 million in 2014, principally due to a reduction in the number of our full time employees in Spain as a result of (i) a decrease in the number of own stores in 2015, (ii) the personnel restructuring plan finalized during 2014 and (iii) the transfer of certain personnel to Ornua resulting from the transfer of certain of our assets associated with our Luxtor cheese production facility in Spain to Ornua as part of the Ornua Supply Agreement, partially offset by an increase in employees in Latina America; and
- a 78.9% decrease in termination benefits to €0.4 million in 2015 from €1.9 million in 2014, principally due to the personnel restructuring plan in 2014.

*Amortization and depreciation*

Consolidated amortization and depreciation decreased by €0.8 million, or 4.6%, to €16.6 million in 2015 from €17.4 million in 2014, primarily as a result of the decrease in the number of our own stores resulting primarily from the transfer of certain of our own stores to the franchise system, as well as the sale in the third quarter of 2014 of certain of our assets associated with our Luxtor cheese production facility pursuant to our Ornua Supply Agreement, with these effects being partially offset by our opening of own stores in 2015. For each of 2015 and 2014, amortization and depreciation has included €6 million in amortization in connection with the purchase price allocation to contractual and other rights related to the 2006 acquisition of Telepizza Sub.

*Other expenses*

Details of other expenses are as follows:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2015** | **2014** |
| | *(in thousands of €)* | |
| Operating leases | 26.0 | 27.9 |
| Transport | 11.9 | 9.5 |
| Advertising and publicity | 15.5 | 13.8 |
| Utilities | 12.0 | 12.6 |

| | For the year ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| | *(in thousands of €)* | |
| Other expenses | 23.4 | 34.2 |
| **Total Other Expenses** | 88.8 | 98.1 |

Other expenses decreased by €9.3 million, or 9.5%, to €88.8 million in 2015 from €98.1 million in 2014, primarily as a result of (i) a decrease in expenses relating to external professional services, especially one-off expenses for external professional services incurred in connection with our 2014 Refinancing, (ii) a decrease of €1.9 million in expenses relating to operating leases in 2015 resulting from the decrease in the number of our own stores in 2015 as well as an initiative to renegotiate our leases, and (iii) a reduction of €0.6 million in utilities expenses, as a result of the decrease in the number of our own stores in 2015; which was partially offset by an increase in other expenses resulting from the €1.7 million increase in advertising and publicity expenditures incurred in 2015 as part of our strategy to reinforce our brand in certain markets.

*Operating profit*

Consolidated operating profit

As a result of the foregoing, our consolidated operating profit increased by 87.7% to €41.1 million in 2015 from €21.9 million in 2014. As a percentage of total revenues, our operating profit increased to 12.5% in 2015 from 6.7% in 2014.

One-off expenses incurred in connection with our 2014 Refinancing cost €14.1 million in 2014. These €14.1 million were operating costs, of which €4.7 million were personnel expenses and €9.4 million were "other expenses" and included mainly fees paid for external professional services. Excluding the effect of these one-off costs, our operating profit would have increased by €5.1 million, or 14.2%, to €41.1 million in 2015 from €36.0 million in 2014. Furthermore, the operating profit as a percentage of revenues would have increased to 12.5% in 2015 from 11.0% in 2014.

Operating profit by segment

Our operating profit from our Spain segment increased by €12.9 million, or 91.5%, to €27.0 million in 2015 from €14.1 million in 2014. As a percentage of total revenues, our operating profit from our Spain segment increased to 12.8% in 2015 from 6.5% in 2014. Excluding the one-off expenses incurred in connection with our 2014 Refinancing, which were all realized in Spain, our operating profit in Spain would have decreased by €1.2 million, or 4.3%, to €27.0 million in 2015 from €28.2 million in 2014. Furthermore, the operating profit as a percentage of revenues derived from our operations in Spain would have decreased to 12.8% in 2015 from 12.9% in 2014.

Our operating profit from our Rest of Europe segment increased by €2.8 million, to €7.1 million in 2015 from €4.3 million in 2014. As a percentage of revenues, our operating profit from our Rest of Europe segment increased to 14.4% in 2015 from 9.4% in 2014.

Our operating profit from our Latin America segment increased by €2.6 million, or 96.3%, to €5.3 million in 2015 from €2.7 million in 2014. As a percentage of total revenues, our operating profit from our Latin America segment increased to 8.0% in 2015 from 4.4% in 2014.

Our operating profit from our Master Franchises and Others segment increased by €0.9 million, or 112.5%, to €1.7 million in 2015 from €0.8 million in 2014. As a percentage of total revenues, our operating profit from our Master Franchises and Others segment increased to 77.3% in 2015 from 72.7% in 2014.

*Finance costs*

Our finance costs decreased by €35.6 million, or 49.1%, to €36.9 million in 2015 from €72.5 million in 2014, primarily due to our capitalization of the shareholders participating loan and our reduced gross financial debt amount that were both a result of our 2014 Refinancing.

*Finance income*

Finance income, decreased by €2.7 million, or 64.3%, to €1.5 million in 2015 from €4.2 million in 2014, primarily due to the higher exchange difference in 2014 than in 2015.

*Settlement of financial liabilities through the issue of equity instruments*

Settlement of financial liabilities through the issue of equity instruments were €213.4 million in 2014 (with no corresponding amount in 2015). As a result of the issuance of equity instruments to settle our shareholders participating loan and subordinated loan with Telefood S.à r.l ("Telefood"), we recognized income in 2014 totaling €128.6 million (out of the €213.4 million settled) to reflect the difference between the fair value of our liability and its carrying amount.

*Other losses*

Our other losses decreased by €4.8 million, or 54.5%, to €4.0 million in 2015 from €8.8 million in 2014, primarily due to the decrease in goodwill impairment losses from €6.2 million in 2014 to only €0.4 million in 2015.

*Income tax income/(expense)*

Our income tax expense increased by €20.3 million, to €2.8 million in 2015 from an income tax income of €17.5 million in 2014, primarily due to the adjustment of assets and liabilities related to deferred tax carried out in 2014 related to the change in our deferred tax rate, from 30% to 28% and 25%, according to the new Spanish corporate income tax law that took effect in 2014.

*Post-tax loss on discontinued operations*

Our post-tax loss on discontinued operations decreased by €0.1 million, to 0 in 2015 from a post-tax loss on discontinued operations of €0.1 million in 2014.

*Profit/(loss) for the year*

Profit for the year decreased to a loss of €1.1 million, in 2015 from a profit of €90.7 million, or 27.8% of total revenues, in 2014.

***Year Ended December 31, 2014 Compared with Year Ended December 31, 2013***

The following table sets forth consolidated financial information for the years ended December 31, 2014 and 2013.

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **% Change** |
| | *(in millions of €)* | | |
| Own store sales | 202.3 | 229.3 | (11.8) |
| Supply sales | 85.3 | 73.7 | 15.7 |
| Royalties | 17.9 | 15.8 | 13.3 |
| Other revenues | 21.1 | 18.0 | 17.2 |
| Total revenues | 326.5 | 336.8 | (3.1) |
| *Spain* | 218.1 | 225.9 | (3.2) |
| *Rest of Europe* | 45.9 | 45.7 | 0.4 |
| *Latin America* | 61.5 | 64.8 | (5.1) |
| *Master Franchises and Others* | 1.1 | 0.7 | 57.1 |
| Merchandise and raw materials used | (90.5) | (74.3) | (21.8) |
| Personnel expenses | (98.6) | (104.9) | 6.0 |
| Amortization and depreciation | (17.4) | (17.5) | 0.6 |
| *Spain* | (11.5) | (12.6) | (8.7) |
| *Rest of Europe* | (2.2) | (1.8) | 22.2 |
| *Latin America* | (3.7) | (3.0) | 23.3 |
| *Master Franchises and Others* | - | - | n.m |
| Other expenses | (98.1) | (99.0) | 0.9 |
| Operating profit | 21.9 | 41.2 | (46.8) |
| *Spain* | 14.1 | 26.7 | (47.2) |
| *Rest of Europe* | 4.3 | 4.6 | (6.5) |
| *Latin America* | 2.7 | 9.2 | (70.7) |
| *Master Franchises and Others* | 0.8 | 0.7 | 14.3 |
| Finance income | 4.2 | 5.5 | (23.6) |
| Settlement of financial liabilities through the issue of equity | 128.6 | - | n.m. |
| Finance costs | (72.5) | (62.0) | 16.9 |
| Other losses | (8.8) | (44.4) | 80.2 |
| Profit/(loss) before tax from continuing operations | 73.3 | (59.7) | n.m. |
| Income tax income/(expense) | 17.5 | (23.9) | n.m. |
| Profit/(loss) for the year from continuing operations | 90.8 | (83.6) | n.m. |
| Post-tax loss on discontinued operations | (0.1) | (1.2) | (91.7) |
| Profit/(loss) for the year | 90.7 | (84.8) | n.m. |
| Profit/(loss) for the year attributable to equity holders of the | | | |
| Continuing operations | 90.8 | (83.6) | n.m. |
| Discontinued operations | (0.1) | (1.2) | 91.7 |
| Profit/(loss) for the year | 90.7 | (84.8) | n.m. |

*Total Revenues*

Total revenues decreased by €10.3 million, or 3.1%, to €326.5 million in 2014 from €336.8 million in 2013, primarily as a result of the factors below.

- Own store sales

Own store sales decreased by €27.0 million, or 11.8%, to €202.3 million in 2014 from €229.3 million in 2013, principally due to a decrease in the number of our own stores, from 501 as of December 31, 2013 to 464 as of December 31, 2014. Taking the number of own stores we transferred to franchisees and the number of buybacks of franchised stores during the year, we had a net transfer of 58 of our own stores to franchised stores in 2014, in line with our strategy to transfer own stores to the franchise system as part of our network improvement strategy for our consolidated markets, as described in "*Business—Own Stores, Franchises and Master Franchises*".

- Supply sales

Supply sales increased by €11.6 million, or 15.7%, to €85.3 million in 2014 from €73.7 million in 2013, resulting from the increase in the number of our franchised and master franchised stores from 729 stores as of December 31, 2013 to 804 stores as of December 31, 2014, resulting primarily from the net transfer of 58 of our own stores to franchisees in 2014, as well as the openings of franchised stores mainly in Spain and the Rest of Europe.

- Royalties

Royalties increased by €2.1 million, or 13.3%, to €17.9 million in 2014 from €15.8 million in 2013, resulting from the increase in the number of franchises, from 729 as of December 31, 2013 to 804 as of December 31, 2014.

- Other revenues

Other revenues increased by €3.1 million, or 17.2%, to €21.1 million in 2014 from €18.0 million in 2013, primarily as a result of our entry into the Ornua Supply Agreement for the long term supply of the different kinds of cheese and other similar dairy products, and in exchange for granting exclusivity (in Spain) or minimum purchase requirements (in Chile and Poland) from Ornua we recorded income of €3.3 million.

Total revenues by segment

Our total revenues from our Spain segment decreased by €7.6 million, or 3.4%, to €218.1 million in 2014 from €225.7 million in 2013, primarily as a result of the decrease in the number of our own stores, from 235 as of December 31, 2013 to 191 as of December 31, 2014, as offset by both the increase in supply sales and royalties resulting from the increase in the number of our franchised stores, from 386 as of December 31, 2013 to 439 franchised stores as of December 31, 2014, as well as the increase in other revenues given the entry into of the Ornua Supply Agreement mentioned above.

Our total revenues from our Rest of Europe segment increased by €0.2 million, or 0.4%, to €45.9 million in 2014 from €45.7 million in 2013, primarily as a result of the increase in supply sales and royalties resulting from the increase in the number of our franchised stores, from 146 as of December 31, 2013 to 149 as of December 31, 2014, as offset by the decrease in own store sales resulting from the decrease in the number of our own stores, from 79 as of December 31, 2013 to 74 as of December 31, 2014.

Our total revenues from our Latin America segment decreased by €3.3 million, or 5.1%, to €61.5 million in 2014 from €64.8 million in 2013, primarily as a result of a significant negative exchange rate effect associated with the Chilean peso and the underperformance of our operations in Colombia.

Our total revenues from our Master Franchises and Others segment increased by €0.4 million, or 57.1%, to €1.1 million in 2014 from €0.7 million in 2013, primarily as a result of an increase in supply sales and royalties resulting from the increase in the number of our master franchised stores, from 131 as of December

31, 2013 to 141 as of December 31, 2014.

*Merchandise and raw materials used*

Merchandise and raw materials used increased by €16.2 million, or 21.8% to €90.5 million in 2014 from €74.3 million in 2013. This was primarily a result of a 9.8% increase in purchases, mainly due to an increase in the prices of raw materials that we use, in 2014 compared with 2013, as well as a 25.7% decrease in discounts from our suppliers, primarily represented by rebates for large volume purchases, reflecting the comparatively lower company purchasing power in the period before the 2014 Refinancing. In addition, our merchandise and raw materials costs also increased due to the Ornua Supply Agreement, as we began buying cheese which we had formerly manufactured internally, although certain other costs associated with personnel expenses and amortization and depreciation decreased concurrently as a result of the Ornua Supply Agreement.

*Personnel expenses*

Personnel expenses decreased by €6.3 million, or 6.0%, to €98.6 million in 2014 from €104.9 million in 2013, primarily as a result of:

- a 5.6% decrease in salaries and other personnel expenses to €96.7 million in 2014 from €102.4 million in 2013, principally due to a reduction in the number of our full time employees as a result of (i) a decrease in the number of own stores in 2014, (ii) the personnel restructuring plan executed at the end of 2013 and beginning of 2014, and (iii) the transfer of certain personnel to Ornua resulting from the transfer of certain of our assets associated with our Luxtor cheese production facility in Spain to Ornua as part of the Ornua Supply Agreement; and
- a 24.0% decrease in termination benefits to €1.9 million in 2014 from €2.5 million in 2013, principally due to the significant restructuring plan that we executed in 2013.

*Amortization and depreciation*

Consolidated amortization and depreciation decreased by €0.1 million, or 0.6%, to €17.4 million in 2014 from €17.5 million in 2013. A decrease in the number of our own stores in 2014 and the sale of certain of our assets associated with our Luxtor cheese production facility pursuant to our Ornua Supply Agreement, which altered this line item, were partially offset by our opening of new own stores in 2014. For each of 2014 and 2013, amortization and depreciation has included €6 million in amortization in connection with the purchase price allocation to contractual and other rights related to the 2006 acquisition of Telepizza Sub.

*Other expenses*

Details of other expenses are as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2014** | **2013** |
| | *(in thousands of €)* | |
| Operating leases | 27.9 | 30.2 |
| Transport | 9.5 | 13.1 |
| Advertising and publicity | 13.8 | 15.9 |
| Utilities | 12.6 | 16.0 |
| Other expenses | 34.2 | 23.8 |
| **Total Other Expenses** | 98.1 | 99.0 |

Other expenses decreased by €0.9 million, or 0.9%, to €98.1 million in 2014 from €99.0 million in 2013, primarily as a result of (i) a decrease in expenses relating to operating leases in 2014 resulting from a decrease in the number of our own stores in 2014 as well as an initiative to renegotiate our leases; (ii) a decrease in transport expenses in 2014 resulting from better terms in our agreements with our transport

providers; a decrease in advertising and marketing expenses in 2014; and (iii) a decrease in utilities expenses in 2014 resulting from a decrease in our number of own stores as well as effects from our efficiency plan, which were partially offset by an increase in other expenses, particularly due to the one-off expenses for external professional services in connection with our 2014 Refinancing.

*Operating profit*

Consolidated operating profit

As a result of the foregoing, our consolidated operating profit decreased by 46.8% to €21.9 million in 2014 from €41.2 million in 2013. As a percentage of revenues, our operating profit decreased to 6.7% in 2014 from 12.2% in the corresponding period in 2013.

One-off costs and expenses linked to 2014 Refinancing cost €14.1 million in 2014. Excluding the effect of these one-off costs, our operating profit would have decreased by €5.2 million, or 12.6%, to €36.0 million in 2014 from €41.2 million in 2013. Furthermore, the operating profit as a percentage of revenues would increase to 11.0% in 2014, compared to the 12.2% in 2013.

Operating profit by segment

Our operating profit from our Spain segment decreased by €12.6 million, or 47.2%, to €14.1 million in 2014 from €26.7 million in 2013. As a percentage of total revenues, our operating profit from our Spain segment decreased to 6.5% in 2014 from 11.8% in 2013. Excluding the one-off €14.1 million costs and expenses linked to our 2014 Refinancing, which were all realized in Spain, our operating profit in Spain would have increased by €1.5 million, or 5.6%, to €28.2 million in 2014 from €26.7 million in 2013. Furthermore, the operating profit as a percentage of revenues derived from our operations in Spain would have increased to 12.9% in 2014 from 11.8% in 2013.

Our operating profit from our Rest of Europe segment decreased by €0.3 million, or 6.5%, to €4.3 million in 2014 from €4.6 million in 2013. As a percentage of total revenues, our operating profit from our Rest of Europe segment decreased to 9.4% in 2014 from 10.1% in 2013.

Our operating profit from our Latin America segment decreased by €6.5 million, or 70.7%, to €2.7 million in 2014 from €9.2 million in 2013. As a percentage of total revenues, our operating profit from our Latin America segment decreased to 4.4% in 2014 from 14.2% in 2013.

Our operating profit from our Master Franchises and Others segment increased by €0.1 million, or 14.3%, to €0.8 million in 2014 from €0.7 million in 2013. As a percentage of total revenues, our operating profit from our Master Franchises and Others segment decreased to 72.7% in 2014 from 100.0% in 2013.

*Finance costs*

Our finance costs increased by €10.5 million, or 16.9%, to €72.5 million in 2014 from €62.0 million in 2013, primarily due to costs associated with the settlement of our 2014 Refinancing.

*Finance income*

Finance income decreased by €1.3 million, or 23.6%, to €4.2 million in 2014 from €5.5 million in 2013, primarily due to a decrease in the valuation of our interest hedging instruments in 2014 when compared with 2013.

*Settlement of financial liabilities through the issue of equity instruments*

Settlement of financial liabilities through the issue of equity instruments were €213.4 million in 2014 (with no corresponding amount in 2013). As a result of the insurance equity instruments to settle our shareholders participating loan, we recognized income totaling €128.6 million (out of the €213.4 million settled) to reflect the difference between the fair value of our liability and its carrying amount under gains/losses on settlement of financial liabilities.

*Other losses*

Our other losses decreased by €35.6 million, or 80.2%, to €8.8 million in 2014 from €44.4 million in 2013, primarily due to a decrease in goodwill impairment from €38.9 million in 2013 to €6.2 million in 2014. The goodwill impairment of €38.9 million in 2013 resulted in a negative consolidated net equity of €17.8 million as of December 31, 2013 (the individual net equity of the Company amounted to €47.0 million as of such date). The capitalization of the profit participating loan and subordinated loan of Telefood and additional shareholders' contributions increased our consolidated net equity to €359.9 million as of December 31, 2014.

*Income tax income/(expense)*

Our income tax income was €17.5 million in 2014 compared to an income tax expense of €23.9 million in 2013, primarily due to the differences in the adjustment of assets and liabilities related to deferred tax in 2014 when compared to 2013. In 2013, the adjustment was in connection with carry forwards of tax loss from 2007 to 2011, according to the criteria of the Spanish tax authorities. In 2014, the adjustment was in connection with the change in our deferred tax rate, from 30% to 28% and 25%, according to the new Spanish corporate income tax law that took effect in 2014.

*Post-tax loss on discontinued operations*

Our post-tax loss on discontinued operations was €0.1 million in 2014 and €1.2 million in 2013 mainly related to discontinued operations of certain stores in Chile and Colombia.

*Profit/(loss) for the year*

Our profit increased to €90.7 million, or 27.8% of total revenues in 2014 from a loss of €84.8 million, or 25.2% of total revenues, in 2013.

***Results and Other Information by Segment***

The following tables show the results of operations by each of our segments for the years ended December 31, 2015 and 2014. The results of operations by each of our segments for the year ended December 31, 2013 are not shown herein as they are not directly comparable with those corresponding to the year ended December 31, 2015 due to the change in our geographical segmentation in our 2015 Financial Statements (with comparable 2014 information), but they can be reviewed in note 5 to our 2013 Financial Statements.

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Spain** | **Rest of Europe** | **Latin America** | **Master Franchises and Others** | **Eliminations** | **Total** |
| | | | *(in millions of €)* | | | |
| Revenues: | | | | | | |
| Own store sales……………………… | 116.4 | 32.6 | 51.2 | - | - | 200.1 |
| Supply sales…………………………. | 69.2 | 13.0 | 7.7 | 0.7 | - | 90.6 |
| Royalties…………………………….. | 15.9 | 1.7 | 1.8 | 0.9 | - | 20.3 |
| Other Revenues……………………… | 10.1 | 2.0 | 5.2 | 0.6 | - | 17.9 |
| To other segments…………………… | 9.5 | - | - | - | (9.5) | - |
| **Total Revenues**………………………….. | **220.9** | **49.4** | **65.9** | **2.2** | **(9.5)** | **328.9** |
| Gross margin[(1)]……………………………. | 154.1 | 33.8 | 48.1 | 1.7 | - | 237.6 |
| Amortization and depreciation………….. | (11.1) | (1.4) | (4.1) | - | - | (16.6) |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Spain** | **Rest of Europe** | **Latin America** | **Master Franchises and Others** | **Eliminations** | **Total** |
| | *(in millions of €)* | | | | | |
| Segment operating profit/(loss)…………. | 27.0 | 7.1 | 5.3 | 1.7 | - | 41.1 |
| Net finance income/(loss)……….......... | (33.7) | (0.2) | (1.5) | - | - | (35.4) |
| Other gains……………………………… | - | 0.1 | - | - | - | 0.1 |
| Other losses……………………………… | (3.4) | (0.4) | (0.3) | - | - | (4.1) |
| Income Tax…………………………….. | (1.9) | 0.5 | (1.3) | - | - | (2.8) |
| Profit/(loss) from continuing operations…………………………….. | (12.0) | 7.0 | 2.3 | 1.6 | - | (1.1) |
| Profit/(loss) from discontinuing operations……………………………. | - | - | - | - | - | - |
| Profit/(loss) for the year attributable to the Parent………………………………… | (12.1) | 7.0 | 2.3 | 1.6 | - | (1.1) |
| Segment Assets………………………….. | 754.5 | 39.9 | 92.0 | - | - | 886.4 |
| Assets held for sale or from discontinued operations………..………………….. | 0.1 | - | - | - | - | 0.1 |
| Group assets……………………………. | 754.6 | 39.9 | 92.0 | - | - | 886.5 |
| Segment liabilities……………….......... | 44.8 | 6.7 | 5.7 | - | - | 57.1 |
| Liabilities held for sale or from discontinued operations……........... | 0.1 | - | - | - | - | 0.1 |
| Unassigned liabilities……….................... | - | - | - | - | - | 829.3 |
| Liabilities and equity……….................. | 44.9 | 6.7 | 5.7 | - | - | 886.5 |
| Investments in property, plant and equipment and intangible assets………. | 18.5 | 2.5 | 9.2 | - | - | 30.2 |

*Note*:—

(1) Gross margin is calculated as our total revenues less merchandise and raw materials used. Such calculation does not include personnel expenses.

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | **Spain** | **Rest of Europe** | **Latin America** | **Master Franchises and Others** | **Eliminations** | **Total** |
| | *(in millions of €)* | | | | | |
| Revenues: | | | | | | |
| Own store sales…………………. | 123.5 | 31.0 | 47.9 | - | - | 202.3 |
| Supply sales…………………….. | 66.1 | 11.8 | 7.0 | 0.4 | - | 85.3 |
| Royalties………………………... | 14.4 | 1.5 | 1.5 | 0.5 | - | 17.9 |

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Spain | Rest of Europe | Latin America | Master Franchises and Others | Eliminations | Total |
| | *(in millions of €)* | | | | | |
| Other Revenues…………………. | 14.2 | 1.6 | 5.1 | 0.2 | - | 21.1 |
| To other segments………………. | 10.2 | - | - | - | (10.2) | - |
| **Total Revenues**……………………. | **228.3** | **45.9** | **61.5** | **1.1** | **(10.2)** | **326.5** |
| Gross margin(1)……………………… | 159.1 | 31.7 | 44.5 | 0.8 | - | 236.1 |
| Amortization and depreciation……. | (11.5) | (2.2) | (3.7) | - | - | (17.4) |
| Segment operating profit/(loss) … | 14.1 | 4.3 | 2.7 | 0.8 | - | 21.9 |
| Net finance income/(loss)………… | 60.3 | (0.5) | 0.4 | - | - | 60.2 |
| Other gains………………………... | - | - | - | - | - | 0.1 |
| Other losses……………………….. | (7.9) | (0.5) | (0.5) | - | - | (8.9) |
| Income Tax……………………….. | 20.0 | 0.2 | (2.6) | - | - | 17.5 |
| Profit/(loss) from continuing operations……………………….. | 86.5 | 3.6 | (0.1) | 0.8 | - | 90.8 |
| Profit/(loss) from discontinuing operations……………………….. | (0.1) | - | - | - | - | (0.1) |
| Profit/(loss) for the year attributable to the Parent……………………. | 86.5 | 3.6 | (0.1) | 0.8 | - | 90.7 |
| Segment Assets…………………… | 755.3 | 35.2 | 96.0 | - | - | 886.5 |
| Assets held for sale or from discontinued operations………… | 0.1 | - | - | - | - | 0.1 |
| Group assets………………………. | 755.4 | 35.2 | 96.0 | - | - | 886.6 |
| Segment liabilities………………… | 46.7 | 6.6 | 12.7 | - | - | 65.9 |
| Liabilities held for sale or from discontinued operations………… | 0.1 | - | - | - | - | 0.1 |
| Unassigned liabilities………………. | - | - | - | - | - | 820.6 |
| Liabilities and equity……………… | 46.8 | 6.6 | 12.7 | - | - | 886.6 |
| Investments in property, plant and equipment and intangible assets | 11.0 | 1.3 | 6.8 | - | - | 19.1 |

*Note*:—

(1) Gross margin is calculated as our total revenues less merchandise and raw materials used. Such calculation does not include personnel expenses.

*Spain Segment*

During the period from 2013 to 2015, our Spain segment saw a marked increase in franchised stores (which numbered 386, 439 and 461 as of December 31, 2013, 2014 and 2015, respectively) and a corresponding decrease in own stores (which numbered 235, 191 and 183 as of December 31, 2013, 2014

and 2015, respectively). This evolution was in line with our strategy to transfer own stores to the franchise system in our consolidated markets such as Spain.

The increasing proportion of franchised stores compared to own stores in Spain affected our results of operations. While our Spain segment saw an increase during the period in supply sales and royalties resulting from the increase in franchised stores, it also saw a corresponding decrease in own store sales, total revenues and amortization and depreciation, resulting from the decrease in own stores. Our net finance income is concentrated in the Spain segment and its evolution is explained in the discussion of our consolidated results of operations.

Our segment liabilities decreased while our segment assets increased at the end of 2014, reflecting the debt reduction impact of our 2014 Refinancing. Liabilities and assets in Spain remained broadly stable at the end of 2015.

*Rest of Europe Segment*

During the period from 2013 to 2015, in Portugal and Poland, which are both consolidated markets for us, we followed the same strategy as in Spain of transferring own stores to the franchise system. Our Rest of Europe segment saw a slight increase in franchised stores (which numbered 146, 149 and 153 as of December 31, 2013, 2014 and 2015, respectively) and a corresponding slight decrease in own stores, which numbered 79, 74 and 73 as of December 31, 2013, 2014 and 2015, respectively.

Our Rest of Europe segment saw a slight increase during the period in supply sales and royalties resulting primarily from the slight increase in franchised stores. However, unlike our Spain segment, it also saw a slight increase in own store sales and total revenues, despite having a decrease in own stores over the period. This can be explained by our 14.6% increase in average store sales in our Rest of Europe segment over the period, compared to a 4.3% increase in average store sales in our Spain segment over the same period. However, as in Spain, the decrease in own stores also resulted in a decrease in amortization and depreciation.

*Latin America Segment*

During the period from 2013 to 2015 we carried out our strategy for expansion in our Latin America segment, which includes both the consolidated market of Chile and also comparatively unconsolidated markets of Colombia, Peru and Ecuador. Our Latin America segment saw an increase in both franchised stores (which numbered 66, 75 and 79 as of December 31, 2013, 2014 and 2015, respectively), as well in own stores, (which numbered 187, 199 and 205 as of December 31, 2013, 2014 and 2015, respectively).

These increases in franchised stores and own stores for our Latin America segment during the period resulted in increases in own store sales, supply sales, royalties, other revenues and amortization and depreciation.

Our Latin America segment operating profit and assets decreased in 2014 given the significant negative exchange rate effect associated with the Chilean peso versus the euro and the underperformance of operations in Colombia. However, in 2015 segment operating profit increased significantly, resulting from positive economic growth in Colombia and the new strategy put in place by the new management team.

*Master Franchises and Others Segment*

In line with our strategy for expansion in our Master Franchises and Others segment, we saw a marked increase in franchised and master franchised stores, which numbered 131, 141 and 157 as of December 31, 2013, 2014 and 2015, respectively.

These increases in our Master Franchises and Others segment during the period resulted in increases in supply sales, royalties and other revenues. A 75.6% increase in average store sales over the period also contributed to an increase in segment operating profit.

### Liquidity and Capital Resources

Our principal cash requirements consist of the following:

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

Our principal sources of liquidity consist of the following:

- cash flows from our operating activities;
- short-term and long-term loans and financings; and
- capital contributions and shareholder contributions.

In 2015, we used our cash flow generated by operations primarily for investing activities and to service our outstanding debt obligations.

We believe, based on our current business plan, that our cash and cash equivalents, our cash generated by operations and our leverage capacity will be adequate to meet all of our capital expenditure requirements and liquidity needs in the next 12 months. We may require additional capital to meet our longer term liquidity and future growth requirements.

#### *Cash Flows*

The following table sets forth our consolidated statements of cash flows for the years presented:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| Cash flows from (used in) in operating activities | 54.6 | 36.4 | 42.2 |
| Cash flows from (used in) investing activities | (30.0) | (14.5) | (10.6) |
| Cash flows from (used in) financing activities | (26.5) | 12.5 | (47.7) |
| Cash flows from (used in) discontinued operations | (0.1) | 1.8 | - |
| **Increase (decrease) in cash and cash equivalents** | **(2.1)** | **36.2** | **(16.0)** |
| Cash and cash equivalents | 42.8 | 45.0 | 8.8 |
| **Foreign exchange gains/losses on cash and cash equivalents** | **(2.9)** | **(0.1)** | **-** |
| **Cash and cash equivalents as of December 31,**[1] | **39.9** | **44.9** | **8.8** |

*Note:—*

(1) For the years ended December 31, 2015 and 2014, we isolated the effect of foreign exchange gains/losses on cash and cash equivalents and presented this effect on a separate line; we did not isolate this effect for the year ended December 31, 2013.

#### *Cash Flows Provided by Operating Activities*

For purposes of our consolidated statements of cash flows, operating activities include our principal revenue-producing activities and other activities that are not investing or financing activities.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| **Profit (loss) for the year before tax:** | **1.7** | **73.3** | **(59.7)** |

| | | | |
|---|---|---|---|
| **Adjustments for**: | | | |
| Amortization and depreciation | 16.6 | 17.4 | 17.5 |
| (Reversal of) impairment losses | 0.9 | (1.4) | 2.1 |
| Finance income | (1.5) | (132.7) | (5.5) |
| Finance costs | 38.9 | 72.5 | 62.0 |
| Losses on disposal of property, plant and equipment and other losses | 3.1 | 10.2 | 42.3 |
| Deferred capital grants | (0.5) | (0.4) | (0.5) |
| Change in fair value of financial assets | (2.0) | (0.1) | - |
| | 57.3 | 38.7 | 58.1 |
| **Change in working capital**: | | | |
| (Increase)/decrease in inventories | (1.5) | 3.6 | (0.3) |
| (Increase)/decrease in trade and other receivables | 9.5 | (6.1) | 1.4 |
| (Increase)/decrease in financial assets | (4.3) | 0.1 | (0.2) |
| (Increase)/decrease in other current assets | (0.3) | (0.2) | (3.5) |
| Assets held for sale and discontinued operations | - | - | 0.4 |
| Increase/(decrease) in trade and other payables | 0.6 | (0.8) | (7.4) |
| Increase/(decrease) in trade provisions | (1.5) | 0.6 | (0.1) |
| Increase/(decrease) in other non-current liabilities | 0.3 | 0.7 | - |
| Increase/(decrease) in other current liabilities | (0.4) | 3.1 | (1.6) |
| | 2.4 | 1.0 | (11.1) |
| **Cash from operations**: | | | |
| Income tax paid | (5.0) | (3.3) | (3.6) |
| Post-tax loss on discontinued operations | - | - | (1.2) |
| **Cash flows provided by operating activities** | **54.6** | **36.4** | **42.2** |

Our cash flows from operating activities decreased from €42.2 million in 2013 to €36.4 million in 2014 and increased in 2015 to €54.6 million.

In 2013, we recorded a loss for the year before tax from continuing operations of €59.7 million, which was offset principally by adjustments of €62.0 million in finance costs (reflecting capitalized interest expense and interest paid), losses on disposal of property, plant and equipment and other losses of €42.3 million (reflecting mainly the impairment in goodwill) and amortization and depreciation of €17.5 million. Our change in working capital in 2013 saw a decrease in trade and other payables of €7.4 million mostly due to expenses related to the amendment and extension of the Existing Facilities that were registered in 2012 but paid in 2013 and a decrease in current assets of €3.5 million mainly due to exchange rates variation.

In 2014, we recorded a profit for the year before tax of €73.3 million, which was offset by financial income that amounts to €132.7 million. This amount includes €128.6 million of non-cash finance income that was linked to the valuation of the liabilities in connection with the shareholders loans at fair value linked to the equity injection to reduce debt. The impact of this large adjustment was, in turn, partially offset by adjustments of €72.5 million in finance costs (reflecting capitalized interest expense and interest paid), losses on disposal of property, plant and equipment and other losses of €10.2 million mainly due to goodwill impairment and amortization and depreciation of €17.4 million. Our change in working capital in 2014 saw a notable increase in trade and other receivables of €6.1 million. Certain non-current trade assets reached their maturity in 2015 and were therefore reclassified into short-term assets, which was offset by a decrease in inventories of €3.6 million and in other current liabilities of €3.1 million.

In 2015, we recorded a profit for the year before tax of €1.7 million, to which was added principally adjustments of €38.9 million in finance costs (reflecting mainly interest paid and capitalized interest expense) and amortization and depreciation of €16.6 million. Our change in working capital in 2015 saw a notable decrease in trade and other receivables of €9.5 million due to (i) a reclassification of certain assets previously recorded under trade and other receivables to short-term financial assets, (ii) the buyback of stores from franchisees, reducing the trade receivables linked to those bought back stores and (iii) a reduction in our collection period, partly offset by an increase in financial assets of €4.3 million due to the aforementioned reclassification from trade and other receivables.

*Cash Flows (Used in) Investing Activities*

For purposes of our consolidated statements of cash flows, investing activities include the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €)* | | |
| Increase/(decrease) in other non-current financial assets | (2.7) | 2.9 | - |
| Proceeds from sale of property, plant and equipment and intangible assets | 3.5 | 9.5 | 4.5 |
| Acquisition of property, plant and equipment | (19.1) | (15.6) | (12.5) |
| Acquisition of intangible assets | (2.1) | (1.8) | (1.3) |
| Acquisition of business, net of cash acquired | (9.7) | (9.4) | (1.4) |
| **Cash flows provided by (used in) investing activities** | **(30.0)** | **(14.5)** | **(10.6)** |

Our cash flows used in investing activities increased from €10.6 million in 2013 to €14.5 million in 2014 to €30.0 million in 2015. Our cash flows used for the acquisition of property, plant and equipment have similarly increased from €12.5 million in 2013 to €15.6 million in 2014 to €19.1 million in 2015 as we have gradually increased store buybacks, in Spain, Portugal and Chile, with the goal of increasing our profitability and efficiency across our network.

Proceeds from sale of property, plant and equipment increased to €9.5 million in 2014 as a result of the transfer of assets associated with our Avila production facility, our Polish production facility assets and certain income from the transfer of own stores to the franchise system.

Acquisition of business, net of cash acquired relates primarily to the purchase of stores and increased from €1.4 million in 2013 to €9.4 million in 2014 and €9.7 million in 2015 as a result of a higher number of stores purchased in 2014 and 2015.

*Cash Flows Provided by Financing Activities*

For purposes of our consolidated statements of cash flows, financing activities include activities that result in changes in size and composition of our equity and borrowings.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €)* | | |
| Increase/decrease in other non-current financial assets | - | - | (9.7) |
| Increase/decrease in other non-current liabilities | - | - | 1.5 |
| Increase/decrease in financial debt | - | (166.1) | (15.4) |
| Interest received | 1.5 | 4.2 | 0.8 |
| Interest paid | (28.1) | (28.4) | (25.1) |
| Changes in reserves | - | - | 0.6 |
| Contributions | - | 202.8 | - |
| **Cash flows provided by (used in) financing activities** | **(26.5)** | **12.5** | **(47.7)** |

Our cash flows used in financing activities were €47.7 million 2013, compared to cash flows provided by financing activities of €12.5 million in 2014 and cash flows used in financing activities of €26.5 million in 2015. A capital contribution in 2014 provided cash flows of €202.8 million, which was used to reduce our financial debt by €166.1 million.

***Working Capital***

The following table shows our working capital as of December 31, 2015, 2014 and 2013:

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in millions of €) | | |
| Current assets[(1)] | 94.1 | 102.4 | 65.6 |
| Current liabilities | 59.2 | 62.5 | 67.3 |
| **Working capital** | **34.9** | **39.9** | **(1.7)** |

*Note:—*

(1) The current assets include cash and cash equivalents of €39.9 million, €44.9 million and €8.8 million in 2015, 2014 and 2013, respectively.

In the ordinary course of our business, the average collection period is lower than the average payment period to suppliers. Consequently, the amount of trade and other receivables is usually lower than the amount of trade and other payables and therefore, we usually record a negative working capital in our statement of financial position, which explains the negative working capital in 2013.

In 2014 and 2015, the increase of cash derived from the 2014 Refinancing explains the positive working capital, but if we isolate the effect of the increased cash, our working capital in 2014 and 2015 would have been negative, in line with 2013.

The following table shows details of our average payment period to suppliers by the Spanish consolidated companies for the year ended December 31, 2015:

| | For the year ended December 31, 2015 |
|---|---|
| Average payment period to suppliers | 107 days |
| Average period for transactions settled | 119 days |
| Average period for outstanding transactions | 55 days |
| Total payments made | €121.4 million |
| Total payments outstanding | €30.3 million |

### *Capital Expenditures*

We have incurred capital expenditures in the last three years primarily for store buybacks and for maintenance and expansion purposes, including refurbishment of own stores. We have incurred capital expenditures for store openings, investments in information technology, industrial expansion efficiency investments and other investments.

The following table shows our capital expenditures in the last three years for the maintenance of existing assets and for investment in expanded capacity:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in millions of €) | | |
| **Maintenance** | **5.6** | **4.2** | **5.3** |
| **New Investment** | **24.6** | **14.8** | **9.9** |
| *Store buybacks* | 11.1 | 9.4 | 1.6 |
| *Store openings and relocations* | 4.4 | 2.4 | 2.3 |
| *Other new capex[(1)]* | 9.1 | 3.0 | 5.9 |
| **Total capital expenditures** | **30.2** | **19.1** | **15.1** |

*Note:—*

(1) Other new capex primarily includes investments in industrial efficiency, store refurbishments and information technology.

Although our capital expenditure in 2015 was higher than in 2014 given the increased capital expenditures related to new investments in 2015, in 2016 we expect our capital expenditure needs derived from the countries in which we currently operate to be in line with 2014 (in total absolute terms).

In 2015 we launched a refurbishment plan to renew our entire store network by 2019. In 2016, we plan to refurbish 92 own stores, with expected capital expenditures associated with this investment of €3.9 million. Our store openings and relocations planned for 2016 are expected to require capital expenditures of €4.1 million. We also have in place a project for industrial efficiency that we expect will require capital expenditures of approximately €2.0 million in 2016.

We expect to finance our future capital expenditures through either cash from operations, and if necessary, from bank loans or issuances of debt or equity in the capital markets.

***Contractual Obligations***

The table below sets forth the outstanding balance of our financial liabilities by remaining contractual maturity as of December 31, 2015 as well as future payments of principal and interest based on contractual interest rates at year end.

| | Maturity by period | | | | | |
|---|---|---|---|---|---|---|
| | **Balance as of December 31, 2015** | **Less than three months** | **Between three months and one year** | **Between one year and five years** | **More than five years** | **Total** |
| | *(in millions of €)* | | | | | |
| **Loans and financings** | | | | | | |
| Principal[1] | 287.1 | - | 0.9 | 286.2 | - | 287.1 |
| Interest[2] | 4.1 | 5.2 | 15.6 | 66.1 | - | 87.0 |
| **Loans and financings from related parties[3]** | | | | | | |
| Principal | 96.5 | - | - | - | 96.5 | 96.5 |
| Interest | 2.2 | - | - | - | 119.1 | 119.1 |
| **Derivatives** | 0.2 | - | - | 0.2 | - | 0.2 |
| **Trade creditors and other payables** | 41.3 | 41.3 | - | - | - | 41.3 |
| Total contractual obligations | 431.3 | 46.5 | 16.5 | 352.5 | 215.6 | 631.1 |

*Notes:—*

(1) Corresponds with items "Senior debt" and "Leases" in the table in section "—*Indebtedness*" below.

(2) Corresponds with item "Interest (senior)" in the table in section "—*Indebtedness*" below.

(3) Corresponds with item "Subordinated Loan" in the table in section "—*Indebtedness*" below.

See "*Business—Properties and Leases*" for a description of the costs of our operating leases.

***Indebtedness***

Our indebtedness profile and finance income and costs as of a for the years ended December 31, 2015, 2014 and 2013 were as follows:

| | As of and for the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(in millions of €)* | | |
| **Total financial liabilities** | **389.8** | **379.0** | **718.0** |
| Senior debt | 285.0 | 285.0 | 342.0 |
| Revolving facility | - | - | 18.4 |

| | As of and for the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Mezzanine debt | - | - | 151.7 |
| Leases | 2.1 | 2.5 | 2.7 |
| Other indebtedness | - | 0.1 | 0.7 |
| Interest (senior) | 4.1 | 4.1 | 0.7 |
| Capex loan | - | - | 5.8 |
| Subordinated Loan | 98.7 | 87.3 | 96.3 |
| Profit participating loan | - | - | 99.7 |
| **Finance income** | 1.5 | 4.2 | 5.5 |
| **Finance costs** | (36.9) | (72.5) | (62.0) |

The following table shows our debt ratio (calculated as net debt divided by Underlying EBITDA) as of December 31, 2015, 2014 and 2013:

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €, except as otherwise indicated)* | | |
| **Total financial liabilities** | **389.8** | **379.0** | **718.0** |
| **Cash and cash equivalents** | **(39.9)** | **(44.9)** | **(8.8)** |
| **Debt buyback**[(2)] | - | - | **(40.7)** |
| (÷) Underlying EBITDA[(1)] | 57.7 | 53.4 | 58.6 |
| **Debt ratio** | **6.1x** | **6.3x** | **11.4x** |

*Note:—*

(1) The calculation of the Underlying EBITDA for the purposes of this debt ratio differs from the consolidated EBITDA used for the purposes of the financial covenants under the Existing Facilities Agreement and the New Facilities Agreement.

(2) The debt buyback reflects the effects of the capitalization of the €40.7 million principal of the Existing Facilities Agreement acquired by our indirect parent company Foodco Debt S.à r.l. This debt was acquired on June 22, 2012, and in the context of the 2014 Refinancing was converted into equity of Telepizza Sub for an amount of €45.2 million (principal plus interest accrued) by means of a share capital increase.

Our current senior debt is comprised of the outstanding amounts under the existing senior facilities (the "Existing Facilities") which were originally made available by means of the senior facilities agreement entered into on December 22, 2006 (as amended on June 22, 2012 and October 16, 2014 in the context of the 2014 Refinancing) originally entered into between, amongst others, the Company and Telepizza Sub as borrowers, ING Bank N.V. London Branch and The Royal Bank of Scotland plc as mandated lead arrangers and bookrunners and ING Bank N.V. London Branch as agent and security agent (the "Existing Facilities Agreement"). Telepizza Sub entered into a hedging agreement on December 19, 2006 with ING Bank N.V., London Branch in order to hedge the interest rate risk arising from the Existing Facilities Agreement (the "Existing Hedging Agreement").

It is intended that on the Settlement Date the Existing Facilities will be repaid in full (together with the close out amounts under the Existing Hedging Agreement) with the net proceeds of the Offering and the amounts to be drawn under the new senior facilities (the "New Facilities") which were made available by means of the €215 million new senior facilities agreement entered into on April 8, 2016 between Telepizza Sub as borrower, the Company together with some of our subsidiaries as obligors, certain financial institutions (including the Joint Bookrunners) as lenders, Banco Santander, S.A. as facility agent and GLAS Trust Corporation Limited as security agent (the "New Facilities Agreement"). The New Facilities are comprised of a €200 million term loan facility, which will be drawn in full on the Settlement Date of the Offering and a €15 million revolving facility. The availability of the New Facilities is conditional on Admission.

On October 20, 2014, we entered into a subordinated loan with our Selling Shareholder for an initial principal amount of €84.8 million (the "Subordinated Loan"). The Selling Shareholder, conditional upon pricing of the Offering, will convert into equity as soon as possible after Admission, the outstanding principal amount and accrued interest as of the pricing date of the Offering of the Subordinated Loan (expected to be €105.2 million), except for €1.2 million which will be repaid in cash (with €104.1 million expected to be converted into equity), and the Selling Shareholder will subscribe such number of New Capitalization Shares as is required at the Offering Price to effect the equity conversion, which is defined in this prospectus as the Subordinated Loan Capitalization.

We set out below brief descriptions of the refinancing of our capital structure and debt carried out in 2014 (the "2014 Refinancing"), the Existing Facilities, the New Facilities and the Subordinated Loan. The aggregate interest rate applicable in 2013 under the Existing Facilities Agreement amounted to 5.75% excluding derivative costs or 6.79% including derivative costs.

*2014 Refinancing*

As of December 31, 2013 (prior to the 2014 Refinancing), our total outstanding indebtedness amounted to €718.0 million, comprising the different types of debt outlined in the table above.

In the context of the 2014 Refinancing:

- €45.2 million in senior debt held by our indirect parent company FoodCo Debt S.à r.l was converted into equity of Telepizza Sub by means of a share capital increase. The capital increase in Telepizza Sub was then rolled down as contributions first to its fully owned subsidiary Telefood and subsequently by Telefood to the Company (which at that point was fully owned by Telefood);
- the Company increased its share capital by €213.4 million through the total capitalization of a profit participating loan in the amount of €107.1 million and the partial capitalization of a subordinated loan in the amount of €106.3 million owed to Telefood;
- the Selling Shareholder was granted a €265.8 million subordinated PIK loan (the "2014 PIK Loan to the Selling Shareholder") by (i) certain funds and accounts managed or advised by KKR Credit, Oak Hill and Cyrus, which provided €250.0 million in cash and received class B shares representing 36% of the voting rights in our indirect parent company Foodco Invest S.à r.l ("Foodco Invest"); and (ii) certain funds managed by Alcentra, Cyrus, Babson and 3i, which exchanged their rights under an existing €105.6 million subordinated PIK loan to Telefood for €15.8 million in the 2014 PIK Loan to the Selling Shareholder and class C shares representing 13% of the voting rights in Foodco Invest. As a result of this transaction, funds managed by KKR, Oak Hill, Cyrus, Alcentra, Cyrus, Babson and 3i became our indirect shareholders and certain funds managed by Permira and Carbal, S.A. reduced their combined indirect stake in us from 100% to a number of class A shares representing 51% of the voting rights in Foodco Invest (see "*Principal Shareholders and Selling Shareholder*");
- the cash proceeds of the 2014 PIK Loan to the Selling Shareholder were pushed down to the Company (after deducting certain expenses in connection with the 2014 Refinancing) via the Subordinated Loan granted by the Selling Shareholder to the Company for an initial principal amount of €84.8 million and a contribution to reserves of €157.5 million. Such proceeds where then contributed by the Company to Telepizza Sub in full by a monetary contribution to reserves;
- Telepizza Sub amended the Existing Facilities Agreement and used the proceeds contributed by new lenders amounting to approximately €226.9 million, together with the rolled amounts from existing lenders, as well as the equity contributions described above made by the Company to Telepizza Sub to repay €325.9 million in senior debt and €160.9 million in mezzanine debt. Morgan Stanley Bank International Limited and KKR Capital Markets Limited (an entity of the KKR group, one of our indirect shareholders) acted as joint coordinators, co-bookrunners and arrangers of the amended Existing Facilities Agreement.

Following the completion of the 2014 Refinancing, our total outstanding indebtedness decreased significantly, from €718.0 million as of December 31, 2013 to €379.0 million (€289.1 under the Existing Facilities and €87.3 million under the Subordinated Loan) and as of December 31, 2014.

*Existing Facilities*

The Existing Facilities (as amended and restated pursuant to the 2014 Refinancing) are comprised of a senior facility of €285 million and a revolving facility of €10 million (the latter is currently not drawn). The Existing Facilities mature six years after the date of its amendment on October 16, 2014. The Existing Facilities bear interest for each of the periods set out in the Existing Facilities Agreement at a percentage rate per annum in the aggregate of the applicable margin and EURIBOR. The aggregate interest rate applicable in 2015 under the Existing Facilities Agreement amounted to 7% excluding derivative costs or 7.04% including derivative costs.

The Existing Facilities Agreement requires that we comply with the following covenants: (i) a consolidated EBITDA to consolidated net interest expense (as of December 31, 2015 and March 31, 2016 the consolidated EBITDA to consolidated net interest expense ratio, measured quarterly on a rolling 12 month basis, had to be or exceed 1.95: 1.00) and (ii) a consolidated total net debt to consolidated EBITDA (as of December 31, 2015 and March 31, 2016 the consolidated total net debt to consolidated EBITDA ratio, measured quarterly on the basis of the total net debt on the measurement date and rolling 12 months consolidated EBITDA, had to be not more than 5.34: 1.00 and 5.08: 1.00, respectively). The calculation of the consolidated EBITDA according to the Existing Facilities Agreement differs from how we calculate our EBITDA and Underlying EBITDA in this prospectus.

Under the Existing Facilities Agreement, other than certain specific exceptions, Telepizza Sub may only make a payment of a dividend, a payment of interest on or a repayment of principal of subordinated loans made to the Company (or by the Company to Telepizza Sub) or reduce its share capital (i) after the Existing Facilities Agreement debt cover ratio (consolidated total net debt to consolidated EBITDA as explained above) is equal to or less than 2.75:1.0; and (ii) to the extent funded from retained cash. In addition, the Existing Facilities Agreement permits a payment of a dividend by the Company, payment of interest on or repayment of principal of subordinated loans or a reduction of our share capital funded from net listing proceeds which are not required to be prepaid.

The Existing Facilities Agreement also contains other covenants that restrict, among other things, the ability of the obligors to incur certain indebtedness, make certain payments, grant security and guarantees relating to assets, enter into mergers, consolidations, corporate restructurings or sell assets, undertake certain asset purchases, engage in certain transactions with affiliates, amend certain transaction documents and engage in any business other than the general nature of the business in which such subsidiaries are currently engaged.

As of December 31, 2015 and March 31, 2016, we were in compliance with the financial and other covenants under the Existing Facilities Agreement.

The obligations arising from the Existing Facilities Agreement and the Existing Hedging Agreement are guaranteed by the Company and certain of our subsidiaries (Luxtor S.A., Telepizza Chile, S.A., Telepizza Poland sp Z.O.O., Bazigual Unipessoal SGPS Lda, Cozicharme – Comércio de Produtos Alimentares Lda. and TelePizza Portugal – Comércio de Produtos Alimentares, S.A.).

As of December 31, 2015, the obligations arising from the Existing Facilities Agreement and the Hedging Agreement were secured by first ranking pledges and promissory pledges over the shares representing 100% of our share capital and certain of our subsidiaries (Telepizza Sub, Luxtor S.A., TelePizza Portugal – Comércio de Produtos Alimentares, S.A., Telepizza Chile, S.A., Telepizza Poland sp Z.O.O., Bazigual –Unipessoal SGPS Lda and Cozicharme – Comércio de Produtos Alimentares Lda.) and over the credit rights arising from certain bank accounts and agreements.

As of the date of this prospectus the pledge over the Shares of the Company has been cancelled and released in respect of all Shares of the Company. The New Offer Shares and the New Capitalization Shares

will be issued free of any liens and encumbrances and will not be pledged as security for the obligations arising from the Existing Facilities Agreement and the Hedging Agreement.

*New Facilities*

The New Facilities consist of a €200.0 million term loan facility, which will be drawn down on the Settlement Date of the Offering, and a €15.0 million revolving facility, which we do not intend to draw immediately. The New Facilities mature five years after the first date of utilisation, and shall be repaid according to the following calendar:

| | **Repayment instalment (in % over outstanding amounts)** | |
|---|---|---|
| **Repayment Date** | **Term loan facility** | **Revolving facility** |
| The date falling 48 months after the first utilisation | 15.0 | - |
| The date falling 54 months after the first utilisation | 20.0 | - |
| Maturity date (60 months after the first utilisation) | 65.0 | 100.0 |

The original lenders under the New Facilities and their total commitments thereunder will be as follows:

| **Name of Original Lender** | **Total Commitment** |
|---|---|
| | *(in €)* |
| Banca IMI S.p.A., London Branch | 30,000,000.0 |
| Merrill Lynch International | 27,250,000.0 |
| UBS Limited | 27,250,000.0 |
| Banco Bilbao Vizcaya Argentaria, S.A. | 20,166,666.7 |
| Nomura International plc | 20,166,666.7 |
| Barclays Bank PLC | 20,166,666.6 |
| Banco Santander, S.A. | 20,000,000.0 |
| ING Bank N.V., Sucursal en España | 20,000,000.0 |
| IKB Deutsche Industriebank AG, Sucursal en España | 15,000,000.0 |
| Raiffeisen Bank Polska S.A. | 15,000,000.0 |
| **Total** | **215,000,000.0** |

The New Facilities will bear interest for each of the periods set out in the New Facilities Agreement at a percentage rate per annum in the aggregate of the applicable margin and EURIBOR. The aggregate margin applicable in 2016 under the New Facilities is anticipated to be 2.75% per annum (based on an opening leverage of between 2.50:1 and 3.00:1). As of the date of this prospectus we do not foresee to hedge our exposure to the EURIBOR although ultimately we may decide to enter into an interest rate hedging depending on the evolution and prospects of the markets.

The New Facilities Agreement requires that we comply with a net leverage covenant, measured semi-annually on the basis of consolidated total net debt on the test date and rolling 12 months consolidated EBITDA, as described in the New Facilities Agreement. This must not be more than 4.00:1.00 as at the test date of December 31, 2016 and thereafter decreasing ratios at each semi-annual date, until reaching 3.00:1.00 for the test date of December 31, 2020 and each relevant date thereafter.

The calculation of consolidated EBITDA used for the purposes of these financial covenants is neither the EBITDA nor the Underlying EBITDA that is disclosed and reconciled in "*—Alternative Performance Measures*", but rather a calculation of consolidated EBITDA specifically used for financial covenants that consists of Underlying EBITDA plus certain pro forma adjustments, as described in the New Facilities Agreement.

We believe that we will be able to comply with this financial covenant for the foreseeable future. In addition, we believe that our compliance with this financial covenant will not adversely affect our ability to implement our financing plans.

The New Facilities Agreement contains covenants that restrict, among other things, the ability of the obligors to incur certain indebtedness, grant security over assets, enter into mergers, consolidations, corporate restructurings, make disposals, and change the general nature of the business of the Group as a whole. There are no contractual restrictions on the distribution of dividends by the Company and its subsidiaries under the New Facilities Agreement.

The New Facilities Agreement sets out customary events of default including, amongst others, non-payment on the due date, failure to comply with the financial covenant, misrepresentation, cross default with any financial indebtedness described in the New Facilities Agreement over a specified threshold, insolvency of or insolvency proceedings in relation to any of the obligors and occurrence of a material adverse change.

The New Facilities Agreement will be secured by first ranking pledge over the shares representing 100% of the share capital of Telepizza Sub, expected to be granted on the Settlement Date of the Offering.

In addition, the New Facilities Agreement contains an obligation for Telepizza Sub to ensure that Luxtor S.A., Telepizza Chile, S.A., Bazigual Unipessoal SGPS Lda, Cozicharme–Comércio de Produtos Alimentares Lda and TelePizza Portugal Comércio de Produtos Alimentares, S.A. accede to the New Facilities Agreement as an additional obligor in their capacity as an additional borrower and/or additional guarantor, as applicable, within 15 business days of the date of first utilisation. As part of the accession, each additional obligor will be required to provide security in accordance with the security principles as set out in the New Facilities Agreement (the "Security Principles"). Following such accessions, the obligations arising from the New Facilities Agreement will be secured by first ranking pledges over the shares representing 100% of the share capital in Telepizza Sub and in our Spanish subsidiary Luxtor S.A., Spanish law pledges or Portuguese law promissory pledges over the shares, or quotas as applicable, representing 100% of the share capital of our Portuguese subsidiaries (Bazigual Unipessoal SGPS Lda, Cozicharme–Comércio de Produtos Alimentares Lda and TelePizza Portugal Comércio de Produtos Alimentares, S.A.) and a security interest and prohibition on charging and alienation over the shares representing 100% of the share capital of Telepizza Chile, S.A.

Thereafter, the New Facilities Agreement also contains an obligation for Telepizza Sub to ensure that any new material subsidiary (being a subsidiary of ours the gross assets or EBITDA of which, on an unconsolidated basis, account for 5% or more of the consolidated gross assets or EBITDA of the group) to accede to the New Facilities Agreement within 60 days of us becoming aware that a member of the Group has become a material subsidiary. As part of such accession, the parent of such acceding company will grant share security, in accordance with the Security Principles.

Under the provisions of the Security Principles, the security will not be enforceable until the occurrence of a declared default (being an event of default that is continuing and in respect of which an acceleration notice has been delivered to the Agent in accordance with the acceleration notice provisions set out in the New Facilities Agreement). Each of the relevant events of default are set out in the New Facilities Agreement and include the following key events: (i) payment default; (ii) breach of financial covenant, subject to equity cure; (iii) breach of other obligations; (iv) misrepresentation; (v) cross default (€20 million threshold); (vi) unlawfulness/repudiation; (vii) insolvency/insolvency proceedings and creditors' processes; and (viii) material adverse change.

In the event that the leverage ratio is equal to or less than 2.25:1 or the long-term corporate credit rating of Telepizza Sub (or, as the case may be, any affiliate of Telepizza Sub given such a rating) is equal to or better than Baa3 or BBB- (as applicable) according to at least two of Moody's, Standard & Poor's and Fitch, the obligations set out in the New Facilities Agreement in relation to the accession of additional obligors and the granting of new security will cease to apply thereafter notwithstanding that any prior accession of any additional obligor or any security granted prior to such event will remain in place.

The total costs associated with the arrangements of the New Facilities are expected to amount to approximately €6.1 million.

For detail of the expected amount of the Group's indebtedness post-Offering, see "*Capitalization and Indebtedness*".

*Subordinated Loan*

The Subordinated Loan was granted by the Selling Shareholder in favour of the Company for an initial principal amount of €84.4 million . This loan accrues interest at 14.5% plus a spread of 0.273% and reaches maturity in 2021. To the extent that the interest is paid in cash, a reduced rate of 13.5% applies. Interest is payable half-yearly and accrued but unpaid interest is capitalized by increasing the loan principal.

Pursuant to the Subordinated Loan Capitalization, the Subordinated Loan will be converted into equity, at the Offering Price, upon pricing of the Offering, except for €1.2 million which will be repaid in cash, and the Selling Shareholder will subscribe such number of New Capitalization Shares as is required at the Offering Price to effect the equity conversion, partially on behalf of certain current indirect shareholders of the Company that will become direct shareholders of the Company after the Shareholders Reorganization (as defined in "*Principal Shareholders and Selling Shareholder*") to be carried out on the settlement date of the Offering or as soon as possible thereafter. The €1.2 million cash repayment will subsequently be used by the Selling Shareholder to pay certain monitoring fees to Toro S.à r.l. and Torisa S.à r.l. (affiliates of the Permira Funds), such payment to be made in compliance with the terms of the 2014 PIK Loan to the Selling Shareholder.

## Off-Balance Sheet Arrangements

With the exception of certain bank and other guarantees made in the ordinary course of business and amounting to €3.5 million as of December 31, 2015, we do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as special purpose entities, which include special purposes entities and other structured finance entities.

## Tax Credits and Other Tax Deductions

### *Tax Credits (shown in the Financial Statements as a tax asset of the Group)*

The Group carries forward significant deferred tax assets that can be offset against taxable income obtained in the future. In particular, the Group has recognised €41.1 million of deferred tax assets corresponding to net operating losses carried forward (in tax base), out of which €38.5 million correspond to the net operating losses registered by our Spanish tax group (for an accounting value of €9.4 million) and are deductible up to 60% of the CIT base in 2016 and up to 70% thereafter and €2.6m correspond to the net operating losses registered in Portugal (for an accounting value of €0.6 million).

### *Other Tax Deductions (described in the Financial Statements, but not recognised as a tax asset of the Group)*

According to the Financial Statements, the Group has unrecognised deferred tax assets corresponding to net operating losses carried forward amounting to approximately €19.6 million (in tax base).

Likewise, our Spanish tax group has not recognised as a deferred tax asset €155.6 million of net financial expenses (in tax base) which have not been deducted in previous years. Carry forward net financial expenses can be used in future years subject to the general limitations set out in the Spanish regulations (i.e. net financial expenses can be deducted up to 30% of the Group's annual operating profit for tax purposes, including dividend income from non-tax group companies).

Finally, the Spanish tax group is entitled to deduct 5% of its €24 million goodwill generated in the context of the acquisition of stores, which represents a tax deductible expense of €1.2 million annually.

## Intangible Assets and Goodwill

The following table shows details of the remaining useful life, amortization for the year, accumulated amortization and the carrying amount of individually significant intangible assets as of December 31, 2015 and 2014:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Remaining useful life | Amortization of the year | Accumulated amortization | Carrying amount |
| | *(in millions of €)* | | | |
| "Jeno's pizza" brand………………………… | Indefinite | - | - | 6.5 |
| "Telepizza" brand…………………………… | Indefinite | - | 18.5 | 228.5 |
| Contractual rights…………………………….. | 21 | 4.3 | 46.3 | 90.2 |
| **Total**………………………………………….. | | **4.3** | **64.8** | **325.2** |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Remaining useful life | Amortization of the year | Accumulated amortization | Carrying amount |
| | *(in millions of €)* | | | |
| "Jeno's pizza" brand………………………… | Indefinite | - | - | 6.5 |
| "Telepizza" brand…………………………… | Indefinite | - | 18.5 | 228.5 |
| Contractual rights…………………………….. | 22 | 4.3 | 42.0 | 94.5 |
| **Total**………………………………………….. | | **4.3** | **60.5** | **329.5** |

The following table shows our goodwill by country as of December 31, 2015, 2014 and 2013:

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €)* | | |
| Spain | 267.6 | 262.7 | 264.5 |
| Portugal | 61.3 | 61.5 | 61.9 |
| Chile | 40.7 | 39.0 | 36.6 |
| Colombia | 8.1 | 8.1 | 8.1 |
| Poland | 4.6 | 4.6 | 4.6 |
| Other | 0.3 | 0.3 | 0.3 |
| **Group** | **382.7** | **376.2** | **376.0** |

If a sensitivity analysis of goodwill impairment per group of cash generating units were performed, the result for the year ended December 31, 2015, in thousands of euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate (WACC), between 50 and 25 basis points in the growth rate of income in perpetuity (g) or between 50 and 25 basis points in the business operating assumptions, would be as follows:

| | WACC | | g | | Business operating Assumptions | |
|---|---|---|---|---|---|---|
| | >0.5% | >0.25% | <0.5% | <0.25% | +/- 0.50% | +/- 0.25% |
| Poland | 250 | - | 112 | - | 733 | 200 |
| Chile | 4,097 | 1,968 | 3,287 | 1,545 | 5,989 | 2,813 |
| Portugal | - | - | - | - | - | - |
| Colombia | - | - | - | - | 1,190 | 812 |
| Spain | - | - | - | - | - | - |
| Impairment | 4,347 | 1,968 | 3,399 | 1,545 | 6,722 | 3,013 |

If a sensitivity analysis of impairment of intangible assets with an indefinite useful life were performed, the result for the year ended December 31, 2015, in thousands of euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate (WACC), between 50 and 25 basis points in the growth rate of income in perpetuity (g) or between 50 and 25 basis points in the business operating assumptions, would be as follows:

| | **WACC** | | **g** | | **Business operating Assumptions** | |
|---|---|---|---|---|---|---|
| | **>0.5%** | **>0.25%** | **<0.5%** | **<0.25%** | **+/- 0.50%** | **+/- 0.25%** |
| Impairment | 10,597 | - | 473 | - | 1,938 | - |

## Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Our global risk management focuses on uncertainty in the financial markets and aims to minimize potential adverse effects on our profits. We also use derivatives to mitigate certain risks.

Risks are managed by our finance department in accordance with policies approved by our board of directors. The finance department identifies, evaluates and mitigates financial risks in close collaboration with our operational units. Our board of directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments and investments of cash surpluses. For a description of our market risks see "*Risk Factors—Fluctuations in exchange rates can affect our results of operations*", "*Risk Factors—We are subject to interest rate risk in connection with our indebtedness*" and note 35 to our 2015 Financial Statements.

## Alternative Performance Measures

In addition to the financial information presented herein and prepared under IFRS-EU, we have included below APMs as defined in the guidelines issued by the European Securities and Markets Authority ("ESMA") on October 5, 2015 on alternative performance measures (the "ESMA Guidelines"). We present these APMs as supplemental information because we believe they may contribute to a fuller understanding of our cash generation capacity (in the case of EBITDA measures) and the growth of our business and brand in a way that takes into account our mixed model that uses both own and franchised and master franchised stores (in the case of chain store measures).

We believe that the presentation of the APMs included herein comply with the ESMA Guidelines.

However, these measures are not defined under IFRS-EU, should not be considered in isolation, do not represent our revenues, margins, results of operations or cash flow for the periods indicated and should not be regarded as alternatives to revenues, cash flow or net income as an indicator of operational performance or liquidity. A certain growth in these measures does not involve the same growth in revenues or other line items in the income statement. See "*Presentation of Financial and Other Information*" for a discussion of these measures.

The APMs included herein have not been reviewed or audited by our auditors nor by any independent expert.

The following table shows our chain sales, LfL chain sales growth, EBITDA, Underlying EBITDA, cash conversion rate and cash conversion rate before new capex for each of the years ended December 31, 2015, 2014 and 2013.

| | **For the year ended December 31,** | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |

| | For the year ended December 31, | | |
|---|---|---|---|
| | (in millions of €, except as otherwise indicated) | | |
| Chain sales | 491.8 | 451.0 | 445.3[(1)] |
| LfL chain sales growth | 5.5% | 1.2% | - |
| EBITDA | 57.7 | 39.3 | 58.6 |
| Underlying EBITDA | 57.7 | 53.4 | 58.6 |
| Cash conversion rate | 47.7% | 64.4% | 74.2% |
| Cash conversion rate before new capex | 90.3% | 92.1% | 91.1% |

*Note*:—

(1) To enhance comparability, chain sales for 2013 exclude own store sales of €4.2 million coming from discontinued operations; these sales are included as losses from discontinued operations in our 2013 Financial Statements.

### *EBITDA and Underlying EBITDA*

**EBITDA** is operating profit plus asset depreciation and amortization.

**Underlying EBITDA** is EBITDA excluding the operating costs associated with our 2014 Refinancing.

The following table provides a reconciliation of EBITDA and Underlying EBITDA to "operating profit" on our income statement for the years shown.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | (in millions of €, except as otherwise indicated) | | |
| Operating profit | 41.1 | 21.9 | 41.2 |
| Amortization and depreciation | 16.6 | 17.4 | 17.5 |
| **EBITDA** | **57.7** | **39.3** | **58.6** |
| (+) 2014 Refinancing[(1)] | - | 14.1 | - |
| **Underlying EBITDA** | **57.7** | **53.4** | **58.6** |

*Note*:—

(1) 2014 Refinancing refers to the operating costs and expenses linked to our debt refinancing process in 2014, of which €4.7 million were personnel expenses and €9.4 million were "other expenses" and included mainly fees paid for external professional services.

#### *Underlying EBITDA by Segment*

The following table shows both our total Underlying EBITDA and our Underlying EBITDA for each of our segments in 2015, 2014 and 2013.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | (in millions of €) | | |
| **Underlying EBITDA** | **57.7** | **53.4** | **58.6** |
| Spain | 38.1 | 39.7 | 39.3 |
| Rest of Europe | 8.5 | 6.6 | 6.5 |
| Latin America | 9.5 | 6.4 | 12.2 |
| Master Franchises and Others | 1.7 | 0.8 | 0.7 |

Please see the tables under "—*Results of Operations—Results and Other Information by Segment*" for the data on operating profit and amortization and depreciation by segment.

Our Underlying EBITDA in 2015 increased by €4.3 million, or 8.1%, to €57.7 million in 2015 from €53.4 million in 2014, principally due to (i) a 48.4% increase in our EBITDA attributable to our operations in Latin America, which benefitted from positive economic growth in Colombia, (ii) our international operations generally benefiting from our increased operating leverage and (iii) continued development of master franchises. These effects were partially offset by incremental investment in advertising and products in Spain.

Our Underlying EBITDA in 2014 decreased by €5.2 million, or 8.9%, to €53.4 million from €58.6 million in 2013, principally due to (i) a 47.5% decrease in our EBITDA attributable to our operations in Latin America, which was affected negatively by the underperformance of our operations in Colombia and the exchange rate effect associated with the Chilean peso, as well as (ii) an increase in our merchandise and raw materials used in 2014, which limited our EBITDA growth in other regions.

***Operating Free Cash Flow, Cash Conversion Rate and Cash Conversion Rate before New Capex***

In evaluating the cash flow generation in our business, we also analyze our **operating free cash flow** (defined as Underlying EBITDA less capital expenditures), which allows us to analyze the cash generation of the Company once the amounts used for new and maintenance capex have been deducted. Our operating free cash flow was €43.5 million in 2013, €34.4 million in 2014 and €27.5 million in 2015 (74.2%, 64.4% and 47.7%, respectively, as a percentage of Underlying EBITDA). This decrease was due to additional new investments and in particular to a significant additional investment in store buybacks in 2015 driven by what we saw as a good economic environment which would allow for an increase in sales from our own stores. If we exclude the impact of new investment capex, our operating free cash flow was €53.4 million in 2013, €49.1 million in 2014 and €52.1 million in 2015 (91.1%, 92.1% and 90.3%, respectively, as a percentage of Underlying EBITDA).

**Cash conversion rate** is operating free cash flow divided by Underlying EBITDA. The following table provides a calculation of our operating free cash flow and cash conversion rate for the years shown.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €, except as otherwise indicated)* | | |
| **Underlying EBITDA** | **57.7** | **53.4** | **58.6** |
| (-) Capital expenditures[1] | 30.2 | 19.1 | 15.1 |
| Operating free cash flow | **27.5** | **34.4** | **43.5** |
| (÷) Underlying EBITDA | 57.7 | 53.4 | 58.6 |
| **Cash Conversion Rate** | **47.7%** | **64.4%** | **74.2%** |

*Note*:—

(1) Capital expenditures is the amount incurred in a given period for maintenance, store buybacks, store openings, investments in information technology, industrial expansion efficiency investments and other investments. For a discussion of our capital expenditures, see "—*Liquidity and Capital Resources—Capital Expenditures*".

Given that the Company in recent years has made more investments than those only necessary for the maintenance of its assets, we believe that it is useful to show the cash conversion rate not only taking into account all the capital expenditures incurred (maintenance capex and new capex) but also taking into account only the maintenance capex, in order to show the investment needs which are recurrent for the Company.

**Cash conversion rate before new capex** is Underlying EBITDA less maintenance capex (which results in operating free cash flow before new capex) divided by Underlying EBITDA. The following table

provides a calculation of operating free cash flow before new capex and cash conversion rate before new capex for the years shown.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €, except as otherwise indicated)* | | |
| **Underlying EBITDA** | **57.7** | **53.4** | **58.6** |
| (-) Maintenance capital expenditures[1] | 5.6 | 4.2 | 5.3 |
| Operating free cash flow before new capex | **52.1** | **49.2** | **53.4** |
| (÷) Underlying EBITDA | 57.7 | 53.4 | 58.6 |
| **Cash Conversion Rate before New Capex** | **90.3%** | **92.1%** | **91.1%** |

*Note*:—

(1) Maintenance capital expenditures is the amount of capital expenditures in a given period incurred only on maintenance items, or excluding expenditures incurred in a given period for store buybacks, store openings, investments in information technology, industrial expansion efficiency investments and other new investments. For a discussion of our capital expenditures, see "*—Liquidity and Capital Resources—Capital Expenditures*".

### *Chain Sales*

**Chain sales** are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees.

**Chain sales growth** is the percentage variation in chain sales between two periods (years) on an historical basis. Given that chain sales includes both own and franchised and master franchised stores, the calculation of chain sales growth mutes the effect of own store transfers to franchisees or buybacks of franchised and master franchised stores in its calculations.

**LfL chain sales growth** is chain sales growth after adjustment for the effects of changes in scope and the effects of changes in the euro exchange rate as explained below.

(i) Scope adjustment. If a store has been open for the full month, we consider that an "operating month" for the store in question; if not, that month is not an "operating month" for that store. LfL chain sales growth takes into account only variation in a store's sales for a given month if that month was an "operating month" for the store in both of the periods being compared. The scope adjustment is the percentage variation between two periods (years) resulting from dividing (i) the variation between the chain sales excluded in each of such periods ("excluded chain sales") because they were obtained in operating months that were not operating months in the comparable period, by (ii) the prior period's chain sales as adjusted to deduct the excluded chain sales of such period (the "adjusted chain sales"). In this way, we can see the actual changes in chain sales between operating stores, removing the impact of changes between the periods that are due to store openings and closures; and

(ii) Euro exchange rate adjustment. We calculate LfL chain sales growth on a constant currency basis in order to remove the impact of changes between the euro and the currencies in certain countries where the Group operates. To make this adjustment, we apply the monthly average euro exchange rate of the operating month in the most recent period to the comparable operating month of the prior period.

We believe chain sales, chain sales growth and LfL chain sales growth are important indicators of the overall direction and trends of sales and operating income on a company and brand-wide basis, and the effectiveness of our advertising and marketing initiatives.

Changes in revenues is a combination of changes in LfL chain sales growth in our existing stores and the effect of our opening and closing of stores during the two periods, as well as the transfer of own stores to our franchisees and buybacks of stores from franchisees. We present chain sales on a LfL basis in order to eliminate changes from the scope of consolidation and isolate organic variations in our underlying business. New restaurants typically have lower operating margins during the first several months after opening, as a

result of start-up expenses and lower initial sales. Similarly, many franchise stores that we acquire are under-performing and continue to have lower margins before we make operational improvements.

Franchised and master franchised store sales are not obtained from our audited Financial Statements. Franchisees and some master franchisee sales are recorded directly in SAGA (our operations management system). Certain other master franchisees sales are reported separately to the Company by the master franchisees. Digital orders in respect of own and franchised stores are automatically recorded in SAGA when the orders are placed by our customers.

The following table shows the reconciliation of chain sales, chain sales growth and LfL chain sales growth to "own store sales" shown in the notes to our Financial Statements, for the years shown.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(in millions of €, except as otherwise indicated)* | | |
| Own store sales | 200.1 | 202.4 | 228.9 |
| Franchised and master franchised store sales[1] | 291.6 | 248.6 | 216.3 |
| **Chain sales** | **491.8** | **451.0** | **445.3**[2] |
| **Chain sales growth** | **9.1%** | **1.3%** | **-** |
| Scope adjustments | (2.7)%[3] | (2.0)%[4] | - |
| Euro exchange rate adjustments | (0.9)% | 1.9% | - |
| **LfL chain sales growth** | **5.5%** | **1.2%** | **-** |

*Notes*:—

(1) Franchised and master franchised store sales are not obtained from our audited Financial Statements. Some franchised and some master franchised store sales are recorded directly in SAGA. However, other master franchised store sales are reported to the Company, except for the digital orders which are automatically recorded in SAGA when the orders are placed by customers.

(2) To enhance comparability, chain sales for 2013 exclude own store sales of €4.2 million coming from discontinued operations; these sales are included as losses from discontinued operations in our 2013 Financial Statements.

(3) The following table shows the calculation of the scope adjustment applied to calculate the LfL chain sales growth between the years 2014 and 2015:

| | For the year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| | *(in millions of €, except as otherwise* | |
| Chain sales | 491.8 | 451.0 |
| (-) Excluded chain sales due to openings in 2014 and 2015 (a) | 18.9 | N/A |
| (-) Excluded chain sales due to closures in 2014 and 2015 (b) | N/A | 6.7 |
| Adjusted chain sales | 472.9 | 444.3 |
| Variation between excluded chain sales in 2015 and 2014 (a) – (b) | 12.2 | |
| (÷) Adjusted chain sales in 2014 | - | 444.3 |
| **Scope adjustment** | **2.7%** | |

(4) The following table shows the calculation of the scope adjustment applied to calculate the LfL chain sales growth between the years 2013 and 2014:

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of €, except as otherwise* | |
| Chain sales | 451.0 | 445.3 |
| (-) Excluded chain sales due to openings in 2013 and 2014 (a) | 16.1 | N/A |

| | For the year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in millions of €, except as otherwise | |
| (-) Excluded chain sales due to closures in 2013 and 2014 (b) | N/A | 7.5 |
| Adjusted chain sales | 434.8 | 437.8 |
| Variation between excluded chain sales in 2014 and 2013 (a) – (b) | 8.6 | |
| (÷) Adjusted chain sales in 2013 | - | 437.8 |
| **Scope adjustment** | **2.0%** | |

*Chain Sales by Segment*

The following table shows our own, franchised and master franchised and total store sales (i.e., chain sales) for each segment for the year shown.

| | For the year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2013 | | |
| | Own Stores Sales | Franchised and Master Franchised Stores Sales | Chain Sales | Own Stores Sales | Franchised and Master Franchised Stores Sales | Chain Sales | Own Stores Sales | Franchised and Master Franchised Stores Sales | Chain Sales |
| | (in millions of €) | | | | | | | | |
| Spain | 116.4 | 202.1 | 318.5 | 123.5 | 177.4 | 300.9 | 148.6 | 152.7 | 301.3 |
| Rest of Europe | 32.6 | 33.4 | 66.0 | 31.0 | 30.0 | 60.9 | 32.2 | 26.3 | 58.5 |
| Latin America | 51.3 | 24.0 | 75.3 | 48.0 | 21.4 | 69.3 | 48.2 | 22.1 | 70.2 |
| Master Franchises and Others[1] | 0 | 32.1 | 32.1 | 0 | 19.8 | 19.8 | 0 | 15.3 | 15.3 |

*Note*:—

(1) In the Master Franchises and Others segment, franchised and master franchised stores include the number of stores directly operated by the master franchisee, and the sub-franchised stores under the relevant master franchise agreement.

*Chain Sales Growth and LfL Chain Sales Growth by Segment*

The following table shows our chain sales growth and our LfL chain sales growth for each of our segments and for the Group in 2015 and 2014.

| | For the year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **Spain** | | |
| **Chain sales growth** | **5.8%** | **(0.1)%** |
| Scope adjustments | (1.2)% | (0.4)% |
| Euro exchange rate adjustments | 0.0% | 0.0% |
| **LfL chain sales growth** | **4.6%** | **(0.5)%** |
| **International** | | |
| **Chain sales growth** | **15.5%** | **4.2%** |
| Scope adjustments | (5.5)% | (5.3)% |
| Euro exchange rate adjustments | (2.9)% | 6.1% |
| **LfL chain sales growth** | **7.2%** | **5.0%** |

| | For the year ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| ***Rest of Europe*** | | |
| **Chain sales growth** | **8.3%** | **4.2%** |
| Scope adjustments | (0.4)% | (0.3)% |
| Euro exchange rate adjustments | 0.0% | (0.1)% |
| **LfL chain sales growth** | **7.9%** | **3.7%** |
| ***Latin America*** | | |
| **Chain sales growth** | **8.6%** | **(1.3)%** |
| Scope adjustments | (2.5)% | (8.3)% |
| Euro exchange rate adjustments | (0.4)% | 12.4% |
| **LfL chain sales growth** | **5.7%** | **2.8%** |
| ***Master Franchises and Others*** | | |
| **Chain sales growth** | **61.9%** | **29.6%** |
| Scope adjustments | (27.7)% | (8.0)% |
| Euro exchange rate adjustments | (24.5)% | (2.2)% |
| **LfL chain sales growth** | **9.6%** | **19.4%** |
| **Group** | | |
| **Chain sales growth** | **9.1%** | **1.3%** |
| Scope adjustments | (2.7)% | (2.0)% |
| Euro exchange rate adjustments | (0.9)% | 1.9% |
| **LfL chain sales growth** | **5.5%** | **1.2%** |

The limited chain sales growth in 2014 reflected the ongoing gradual macroeconomic recovery in Spain as well as a negative exchange rate impact in Latin America, partially offset by modest growth in our operations located in the Rest of Europe and significant growth in our Master Franchises and Others segment.

The increase in chain sales in 2015 primarily reflected strong LfL chain sales growth in all regions (see below), supported by network expansion through sales at 92 new own and franchised and master franchised stores opened during that year, which were partially offset by the closing of 49 under-performing own and franchised stores. In 2015, our Master Franchises and Others segment featured even greater chain sales growth than in 2014, and this segment's contribution to chain sales doubled between 2013 and 2015. High growth in international sales in 2015 also reduced our Spanish segment's contribution to our total chain sales, from 67% of total chain sales in 2014 to 65% in 2015. We expect store closures will decline given the improvement of the macroeconomic environment and that store openings will gradually accelerate along with net transfers of own stores to franchisees. The increase in LfL chain sales growth in 2015 was driven primarily by the recovery of the Spanish market and investments in products and marketing.

*Digital Delivery Chain Sales*

**Digital delivery chain sales** are the delivery chain sales made through digital channels (PC, web responsive and Telepizza application), expressed in percentage terms. Digital delivery chain sales (both own and franchised) are recorded automatically in the Company's SAGA store information system when the online order is placed by the customer.

The following table shows the calculation of our total digital delivery chain sales for Spain in 2015, 2014 and 2013.

**For the year ended December 31,**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| | *(in millions of €, except as otherwise indicated)* | | |
| Own store digital delivery sales in Spain | 12.1 | 9.8 | 8.8 |
| Franchised store digital delivery sales in Spain | 45.2 | 36.4 | 30.4 |
| **Digital delivery chain sales in Spain** | 57.3 | 46.2 | 39.2 |
| (÷) Delivery chain sales in Spain | 178.1 | 162.5 | 155.7 |
| **Digital delivery chain sales (%)** | 32.2% | 28.4% | 25.2% |

The digital platform is on track to becoming our prime source of consumer orders, with significant growth in digital sales over total delivery sales. In Spain, our digital delivery chain sales over total delivery sales were 32.2%, 28.4% and 25.2% for the years ended December 31, 2015, 2014 and 2013, respectively.

According to Ecommerce Europe, e-commerce penetration in 2015 was 37% in Spain, 31% in Portugal and 33% in Poland.

In Spain, digital ordering is experiencing a higher average annual expenditure growth and frequency compared to traditional phone ordering, with an average annual expenditure 35% higher and an average frequency 40% higher for customers who place two or more orders. In addition, the digital sales average ticket price (defined as digital delivery chain sales in a period divided by the number of digital orders of such period) has increased by 3.15% from December 2013 to December 2015. Our product innovation also benefits from our digitalization. Seven weeks after the launch of the "Telepizza Nachos" and the "Telepizza Burger", digital delivery orders that include these products were 45% and 37% higher than telephone delivery orders including such products, respectively.

Within the digital channel, the mobile-based platforms are gaining share over web PC platforms. Our digital delivery chain sales through PC platforms decreased from 59.4% of our total delivery sales in December 2014 to 51.4% in December 2015. In contrast, digital delivery chain sales through web responsive platforms increased from 26.1% of our total delivery sales in December 2014 to 31.3% in December 2015 and digital delivery chain sales through the Telepizza application increased from 14.5% in December 2014 to 17.3% in December 2015. In 2015, orders through aggregators represented 0.2% of our delivery chain sales in Spain (*Source: La Nevera Roja*).

## Key Performance Indicators

In addition to the financial information presented herein prepared under IFRS-EU and the APMs as defined in the ESMA Guidelines, we present certain operating and non-financial measures such as the number of stores, the number of franchisees and master franchisees and stores' openings and closures as of and for the years ended December 31, 2015, 2014 and 2013.

### *Number of Stores*

The following table shows the number of own, franchised (including master franchised) and total number of stores as of each of December 31, 2015, 2014 and 2013 by country:

| | As of December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2013 | | |
| | Own Stores | Franchised and Master Franchised Stores | Total Stores | Own Stores | Franchised and Master Franchised Stores | Total Stores | Own Stores | Franchised and Master Franchised Stores | Total Stores |
| **Spain** | 183 | 461 | 644 | 191 | 439 | 630 | 235 | 386 | 621 |
| **Rest of Europe** | | | | | | | | | |

| | As of December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2013 | | |
| Portugal | 44 | 61 | 105 | 44 | 64 | 108 | 45 | 65 | 110 |
| Poland | 29 | 92 | 121 | 30 | 85 | 115 | 34 | 81 | 115 |
| **Latin America** | | | | | | | | | |
| Chile | 89 | 49 | 138 | 85 | 52 | 137 | 67 | 58 | 125 |
| Colombia | 64 | 27 | 91 | 82 | 20 | 102 | 94 | 7 | 101 |
| Peru | 35 | 1 | 36 | 22 | 1 | 23 | 20 | 1 | 21 |
| Ecuador | 17 | 2 | 19 | 10 | 2 | 12 | 6 | 0 | 6 |
| **Master Franchises and Others**[(1)] | | | | | | | | | |
| Guatemala | 0 | 83 | 83 | 0 | 83 | 83 | 0 | 81 | 81 |
| El Salvador | 0 | 47 | 47 | 0 | 49 | 49 | 0 | 46 | 46 |
| Russia | 0 | 14 | 14 | 0 | 2 | 2 | 0 | 0 | 0 |
| Angola | 0 | 5 | 5 | 0 | 1 | 1 | 0 | 0 | 0 |
| Bolivia | 0 | 4 | 4 | 0 | 2 | 2 | 0 | 1 | 1 |
| Panama | 0 | 3 | 3 | 0 | 3 | 3 | 0 | 2 | 2 |
| United Arab Emirates[(2)] | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | 1 |
| Saudi Arabia[(3)] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Venezuela[(4)] | | | | | | | | | |
| **Total Group** | **461** | **850** | **1,311** | **464** | **804** | **1,268** | **501** | **729** | **1,230** |

*Notes*:—

(1) In the Master Franchises and Others segment, franchised and master franchised stores include the number of stores directly operated by the master franchisee, and the sub-franchised stores under the relevant master franchise agreement

(2) We operate through a franchise agreement.

(3) Although there is a master franchise agreements in place, the stores are planned for 2016.

(4) A contractual termination event has occurred in connection with our master franchise agreement in Venezuela, and no stores have been opened or are expected to be opened in the near future.

### *Number of Franchisees and Master Franchisees*

The following table shows the number of franchisees or master franchisees as of December 31, 2015, 2014 and 2013 by country.

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Spain** | **302** | **288** | **272** |
| **Rest of Europe** | **117** | **114** | **108** |
| Portugal | 43 | 42 | 44 |
| Poland | 74 | 72 | 64 |
| **Latin America** | **59** | **53** | **42** |
| Chile | 36 | 35 | 36 |
| Colombia | 20 | 15 | 5 |
| Peru | 1 | 1 | 1 |
| Ecuador | 2 | 2 | 0 |

| | As of December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Master Franchises and Others** | **7** | **6** | **4** |
| Guatemala and El Salvador | 1 | 1 | 1 |
| Russia | 1 | 1 | 0 |
| Angola | 1 | 1 | 0 |
| Bolivia | 1 | 1 | 1 |
| Panama | 1 | 1 | 1 |
| United Arab Emirates | 1 | 1 | 1 |
| Saudi Arabia | 1 | 0 | 0 |
| **Total Group** | **485** | **461** | **426** |

### *Stores' Openings and Closures*

The following table shows the number of stores, including both own and franchised (including master franchised), opened and closed by country, as well as the annual "net transferred," meaning the annual net number of franchised stores that are transferred to own stores (if a positive number), or the annual net number of own stores that are transferred to franchised stores (if a negative number):

| | For the year ended December 31, | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | 2014 | | | | | 2013 | | | | |
| | Own | | Franchised | | Net | Own | | Franchised | | Net | Own | | Franchised | | Net |
| | Opened | Closed | Opened | Closed | Transfer | Opened | Closed | Opened | Closed | Transfer | Opened | Closed | Opened | Closed | Transfer |
| **Spain** | **3** | **4** | **23** | **8** | **(7)** | **9** | **3** | **16** | **13** | **(50)** | **8** | **8** | **12** | **21** | **(11)** |
| **Rest of Europe** | **2** | **0** | **13** | **12** | **(3)** | **0** | **2** | **13** | **13** | **(3)** | **1** | **4** | **13** | **5** | **(16)** |
| Portugal | 1 | - | 3 | 7 | (1) | - | 2 | 4 | 4 | 1 | 1 | 1 | 4 | 4 | (5) |
| Poland | 1 | - | 10 | 5 | (2) | - | - | 9 | 9 | (4) | - | 3 | 9 | 1 | (11) |
| **Latin America** | **23** | **18** | **6** | **1** | **1** | **39** | **22** | **9** | **5** | **(5)** | **10** | **44** | **8** | **1** | **(4)** |
| Chile | 2 | 4 | 3 | - | 6 | 17 | 1 | 1 | 5 | 2 | 1 | 15 | 3 | 1 | (1) |
| Colombia | 1 | 14 | 3 | 1 | (5) | 13 | 17 | 5 | - | (8) | 6 | 29 | 4 | - | (3) |
| Peru | 13 | - | - | - | - | 5 | 4 | 1 | - | 1 | 3 | - | 1 | - | - |
| Ecuador | 7 | - | - | - | - | 4 | - | 2 | - | - | - | - | - | - | - |
| **Master Franchises and Others**[(2)] | **-** | **-** | **22** | **6** | **-** | **-** | **-** | **12** | **2** | | **-** | **-** | **4** | **4** | **-** |
| Guatemala | **-** | **-** | **1** | **1** | **-** | **-** | **-** | **4** | **2** | | **-** | **-** | **-** | **2** | **-** |
| El Salvador | **-** | **-** | **-** | **2** | **-** | **-** | **-** | **3** | **-** | | **-** | **-** | **1** | **1** | **-** |
| Russia | **-** | **-** | **14** | **2** | **-** | **-** | **-** | **2** | **-** | | **-** | **-** | **-** | **-** | **-** |
| Angola | **-** | **-** | **4** | **-** | **-** | **-** | **-** | **1** | **-** | | **-** | **-** | **-** | **-** | **-** |
| Bolivia | **-** | **-** | **2** | **-** | **-** | **-** | **-** | **1** | **-** | | **-** | **-** | **1** | **-** | **-** |
| Panama | **-** | **-** | **1** | **1** | **-** | **-** | **-** | **1** | **-** | | **-** | **-** | **2** | **-** | **-** |
| United Arab Emirates | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** | **1** | **-** |
| Saudi Arabia[(3)] | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** | **-** | **-** |
| **Total Group** | **28** | **22** | **64** | **27** | **(9)** | **48** | **27** | **50** | **33** | **(58)** | **19** | **56** | **37** | **31** | **(31)** |

*Notes*:—

(1) "(*)" means a net transfer of the relevant number of own stores in favour of a franchisee.

(2) In the Master Franchises and Others segment, franchised and master franchised stores include the number of stores directly operated by the master franchisee, and the sub-franchised stores under the relevant master franchise agreement.

(3) Although there is a master franchise agreement in place, the stores are planned for 2016.

## INDUSTRY AND MARKET OPPORTUNITY

### Global Industry Overview

According to Euromonitor, the global consumer foodservice industry grew to over €2.3 trillion in annual sales in 2015, recording another successful year of strong growth. Year 2015 saw real terms growth increase to over 15%, with a further rise projected for 2016 *(Source: Euromonitor, "A New Era of Growth and Competition: Global Consumer Foodservice in 2015 and Beyond", August 2015)*.

| Region | Consumer Foodservice Market | | | CAGR % | Forecast CAGR % |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013–2015 | 2015–2020 |
| | *(in billions of €)* | | | | |
| Asia Pacific | 796 | 837 | 1,030 | 13.7 | 6.9 |
| Australasia | 41 | 40 | 42 | 0.8 | 3.3 |
| Eastern Europe | 47 | 44 | 42 | (6.3) | 3.0 |
| Latin America | 215 | 206 | 206 | (2.0) | 7.0 |
| Middle East and Africa | 61 | 65 | 81 | 14.9 | 8.1 |
| North America | 409 | 421 | 513 | 12.0 | 3.2 |
| Western Europe | 410 | 414 | 428 | 2.1 | 2.6 |
| **World** | **1,979** | **2,027** | **2,340** | **8.7** | **5.3** |

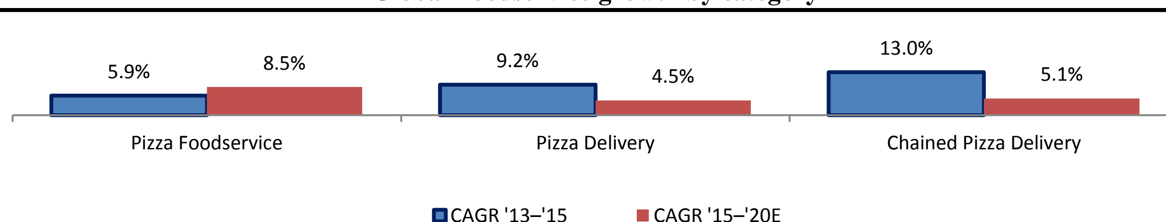
*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in Euros converted at end of year exchange rate as per Euromonitor methodology.

We operate within the pizza foodservice sector of the consumer foodservice market, which includes all outlets that specialize in pizza, and is made up of three sub-sectors: (i) pizza full service restaurants encompass all sit-down establishments where the focus is on the ambiance and a broader product range and are characterized by table service and relatively higher price points compared to quick service units, (ii) pizza delivery, where players operate fixed units which provide limited facilities for consumption on the premises and offer food to either be picked up by the consumer or delivered and (iii) fast food pizza consists of outlets that offer limited menus that are prepared quickly and ordered and served from a counter.

The global pizza foodservice sector was estimated by Euromonitor to be worth c.€114 billion in 2015 and was forecast to grow to c.€118 billion in 2016. In 2015, the largest pizza foodservice sub-sector by value was pizza full service restaurants, estimated to be worth c.€61 billion in 2015 (c.54% of pizza foodservice). The second pizza foodservice sub-total sector by value was pizza delivery, estimated to be worth c.€43 billion in 2015 (c.38% of pizza foodservice) and within it chains represented c.€26 billion in sales. Fast food pizza was worth c.€9 billion according to Euromonitor in 2015.

**Global Foodservice growth by category**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

| Region | Pizza Foodservice Market | | | CAGR % 2013–2015 | Forecast CAGR % 2015–2020 |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | | |
| | *(in billions of €)* | | | | |
| Asia Pacific | 6.9 | 7.5 | 9.2 | 15.1 | 8.5 |
| Australasia | 1.7 | 1.7 | 1.7 | 0.8 | 2.7 |
| Eastern Europe | 3.3 | 3.1 | 3.0 | (4.0) | 4.3 |
| Latin America | 12.2 | 11.3 | 11.8 | (1.7) | 33.4 |
| Middle East and Africa | 3.2 | 3.3 | 4.1 | 12.8 | 6.3 |
| North America | 32.7 | 34.0 | 41.5 | 12.7 | 3.3 |
| Western Europe | 41.3 | 41.5 | 42.3 | 1.2 | 2.3 |
| **World** | **101.3** | **102.5** | **113.6** | **5.9** | **8.5** |

*Source: Euromonitor, April 2016.*
*Note*: All calculations based on values in Euros converted at end of year exchange rate as per Euromonitor methodology.

| | Pizza Delivery Market | | | CAGR % 2013–2015 | Forecast CAGR % 2015–2020 |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | | |
| | *(in billions of €)* | | | | |
| Asia Pacific | 2.7 | 2.8 | 3.2 | 8.3 | 4.4 |
| Australasia | 1.2 | 1.1 | 1.2 | 1.6 | 2.9 |
| Eastern Europe | 0.2 | 0.2 | 0.2 | 2.5 | 8.5 |
| Latin America | 2.7 | 2.5 | 2.7 | 0.3 | 8.3 |
| Middle East and Africa | 0.5 | 0.5 | 0.7 | 18.1 | 13.4 |
| North America | 15.5 | 16.8 | 21.0 | 16.4 | 4.5 |
| Western Europe | 13.5 | 13.8 | 14.3 | 2.9 | 3.2 |
| **World** | **36.3** | **37.7** | **43.3** | **9.2** | **4.5** |

*Source: Euromonitor, April 2016.*
*Note*: All calculations based on values in Euros converted at end of year exchange rate as per Euromonitor methodology.

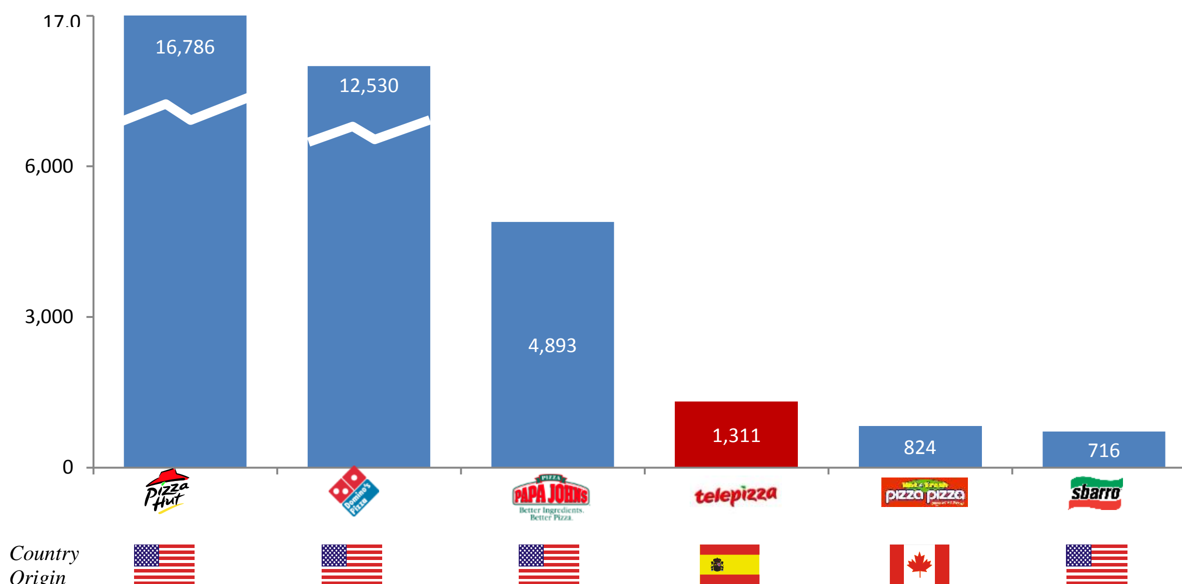
| | Chained Pizza Delivery Market | | | CAGR % 2013–2015 | Forecast CAGR % 2015–2020 |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | | |
| | *(in billions of €)* | | | | |
| Asia Pacific | 2.3 | 2.4 | 2.7 | 8.3 | 4.8 |
| Australasia | 0.9 | 0.9 | 1.0 | 1.0 | 2.8 |
| Eastern Europe | 0.1 | 0.1 | 0.1 | 13.6 | 14.8 |
| Latin America | 1.2 | 1.1 | 1.3 | 4.6 | 9.3 |
| Middle East and Africa | 0.2 | 0.2 | 0.3 | 18.3 | 6.8 |
| North America | 12.2 | 13.3 | 16.6 | 16.8 | 4.8 |
| Western Europe | 3.3 | 3.6 | 3.9 | 7.8 | 5.0 |
| **World** | **20.3** | **21.6** | **25.9** | **13.0** | **5.1** |

*Source: Euromonitor, April 2016.*
*Note*: All calculations based on values in Euros converted at end of year exchange rate as per Euromonitor methodology.

We are the top non-US player in the global pizza delivery foodservice sector and the fourth global player in pizza delivery in terms of number of stores *(Source: Euromonitor, excluding Papa Murphy's, Little Caesars and Pizza School which do not operate a delivery service, April 2016).*

Our key publicly traded peers include: Pizza Hut, a subsidiary of Yum! Brands and Domino's Inc. which are both traded on the New York Stock Exchange. Domino's Pizza Group Plc is a master franchisee of Domino's Pizza Inc. in the UK and is traded on the London Stock Exchange. Domino's Pizza Enterprises Limited is a master franchisee of Domino's Pizza Inc. in Australia and is traded on the Australian Securities Exchange. Papa John's International Inc is traded on the NASDAQ 500.

**Worldwide ranking of Pizza Delivery Companies by number of stores (in 2015)**




*Source: Company information based on Euromonitor data published in April 2016, except for Telepizza which is based on company data. Papa Murphy's, Little Caesars and Pizza School have been excluded given that they do not provide delivery services (only takeaway)*

We believe there are a number of factors which will continue to drive market growth in the pizza delivery market. These include:

- Universal appeal and easy adaptation to local preferences: pizza continues to establish itself as one of the fastest growing foodservice categories globally, benefiting from its versatility, both in terms of the product itself and the formats where it can be found. The potential for customization and localization that pizza offers works well in quick service takeaway concepts as well as in more communal, full-service settings.
- Favourable consumer trends in convenience and delivery: the sector is ideally positioned to benefit from secular consumer trends (led by changing millennial consumption habits), which include a rise in the importance of providing a customized product with the availability of premium ingredients and new taste experiences, local sourcing and simplicity (of positioning and ingredients).
- Amplifying trend of social lives moving to people's homes which is driving a considerable increase in consumers' need for convenience and all-day dining options.
- Relatively resilient throughout economic cycles and well-placed to benefit from general economic recovery/improving consumer confidence. The recent recovery in employment and customer confidence in Spain has driven a significant improvement in foodservice sales and in QSR in particular. The macroeconomic improvement is expected to continue over the medium term according to Economist Intelligence Unit ("EIU") and Euromonitor.
- Significant global white space and further global growth opportunities: several markets globally remain largely underpenetrated by large players such as Domino's Pizza and us, with considerable potential for growth in the pizza foodservice sector. *(Source: Euromonitor)*

- Fragmented market with growing share of chains: pizza foodservice chain sales represent 41% of the total pizza foodservice market globally. In comparison, chains represent 86% of Chicken fast food total sales, and respectively 81%, 76% and 66% of burger, Latin American and bakery fast food, highlighting a potential for further consolidation in pizza foodservice *(Source: Euromonitor).*

- Well-positioned to benefit from digitalization: The delivery/takeaway sector in general is one of the main beneficiaries of a surge in the use of digital technology which is acting as an enabler. Online ordering, irrespective of channel, is growing in popularity. Digital technologies, led by smart phones and tablets, are fueling greater push for immediacy, making it easier to order, improving order accuracy, allowing quick re-ordering of favorites, enabling online prepayment using cards, and saving waiting time on deliveries and pick-ups *(Source: Euromonitor: "Home Delivery / Takeaway in Spain", July 2015).*

- Strong unit economics and high cash conversion: the delivery distribution model by nature yields a high ratio of sales per square foot of retail selling space. In addition capital expenditure is also kept to a minimum thanks to the small size of stores and limited need for extensive store design.

Euromonitor expects the chained pizza delivery market globally to grow by 5.1% annually between 2015 and 2020 in euro terms.

**Overview of the Operating Environment in Spain**

***Size and Competitive Landscape***

According to Euromonitor, the foodservice market in Spain was worth a total of c.€73 billion in 2015, of which pizza foodservice represented c.€3.5 billion (5% of total foodservice). The pizza delivery sector was estimated to be worth c.€714 million in 2015 (c.21% of pizza foodservice). In Spain, food delivery represented 2.7% of the total foodservice market in 2010 and 3.0% in 2015 (*Source: NPD*).

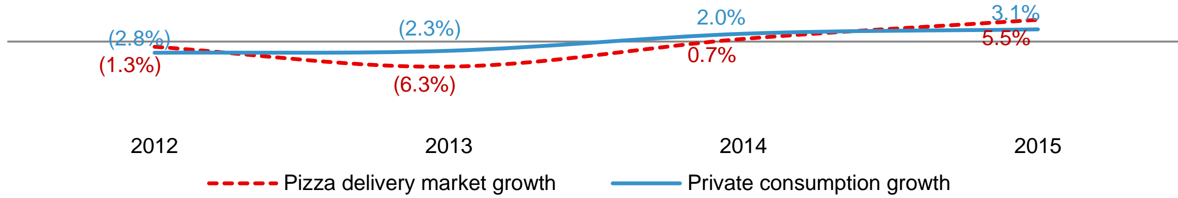
Within pizza foodservice, we operate in the pizza delivery sub-sector which it leads with an NPD estimated c.53% sales market share in 2015, followed by Grupo Zena, the operator of the Domino's Pizza in Spain, as distant number two player with c.15% market share. Pizza Hut (owned by Yum! Brands) has a 2% market share, while smaller chains and independent players make up the rest of the market (*Source: NPD, December 2015*).

***Historical Performance and Recent Developments***

Between 2008 and 2013, Spain suffered a large economic recession with GDP registering continuous negative rates while unemployment rates peaked increased from c.8% in 2007 to c.26% in 2013. The purchasing power of Spanish consumers was deeply undermined, causing Spaniards to drastically reduce their consumption and discretionary spending. Between 2013 and 2015, consumer foodservice increased annually by 0.7% CAGR in value terms. (*Source: Euromonitor, April 2016*)

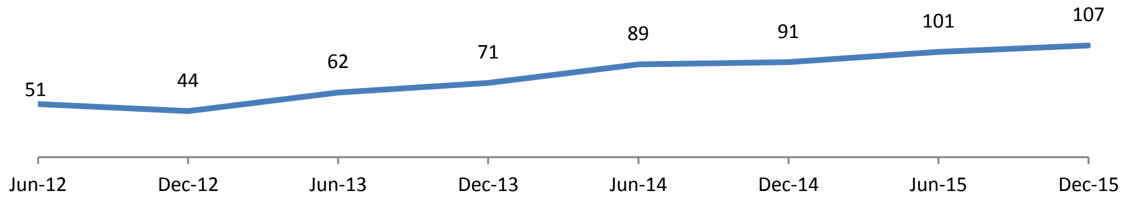
Years 2014 and 2015 have marked the return to positive growth for consumer foodservice in Spain after a long crisis. Spanish consumers are slowly regaining their previous purchasing power and returning to their previous social habits of dining out and ordering meals at home more often. In addition, rising inbound tourism flows are set to give additional impetus to positive growth in consumer foodservice, with the country recording high numbers of arrivals for several years in a row *(Source: Euromonitor, "Foodservice in Spain", July 2015).*

**Correlation between change in private consumption and pizza delivery market growth**



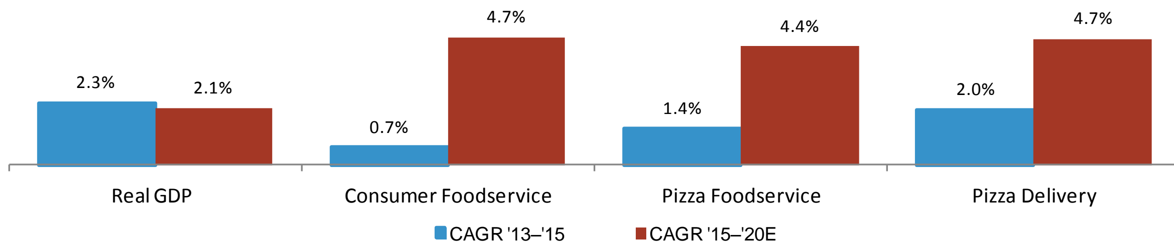

*Source: EIU, NPD (December 2015).*

**Change in Consumer Confidence in Spain (current prices)**



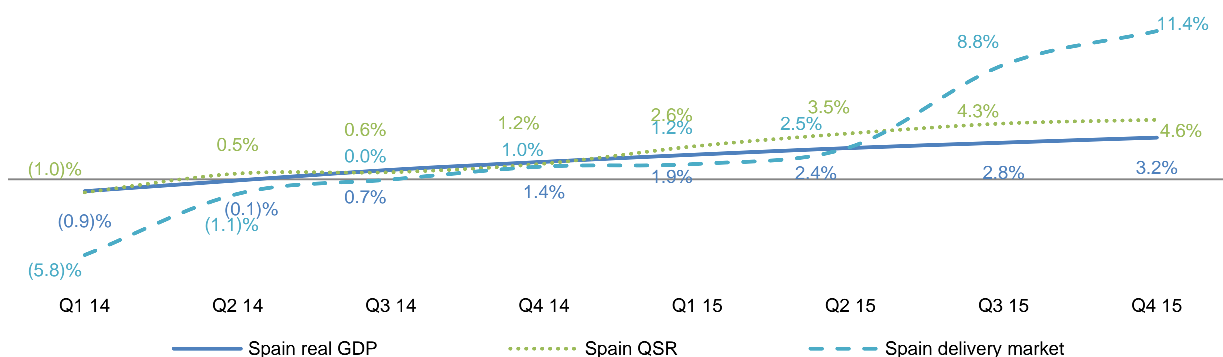

*Source: Consumer Confidence based on CIS data (CIS data published on a monthly basis). Indexes above 100 indicate optimism whereas indexes below indicate pessimism*

**Spanish GDP Consumer Foodservice growth by category**



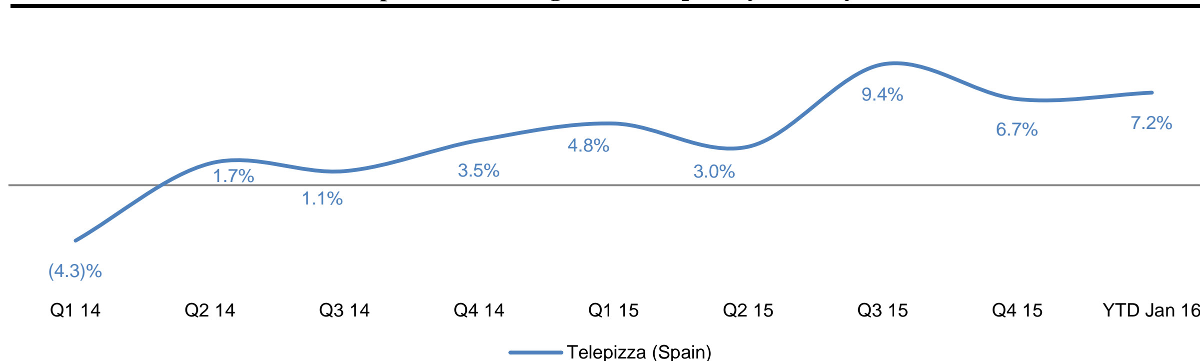

*Source:EIU for Spanish GDP. Euromonitor (April 2016) from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), World Economic Outlook (WEO).*

**Spain GDP growth compared to QSR and delivery markets (expressed on a LTM basis)**



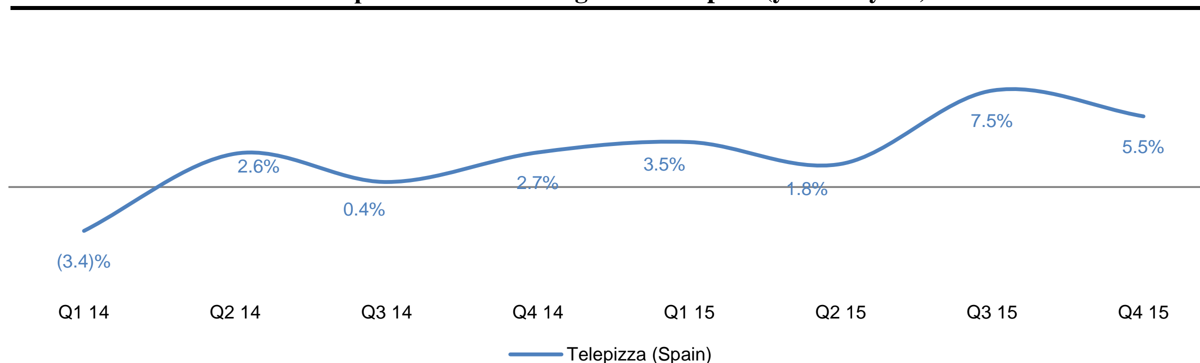

*Source:EIU, NPD (December 2015).*

**Group's chain sales growth in Spain (year-on-year)**




*Source: Quarterly information of the Group's chain sales growth has been extracted directly from NPD's January 2016 data and has not been modified or altered in any way by the Company. This data has been prepared independently on the basis of data collected by NPD and according to its own calculations and the Company has not been involved in any manner.*

**Group's LfL chain sales growth in Spain (year-on-year)**




*Source: Quarterly information of the Group's LfL chain sales growth has been extracted directly from NPD's January 2016 data and has not been modified or altered in any way by the Company. This data has been prepared independently on the basis of data collected by NPD and according to its own calculations and the Company has not been involved in any manner.*

## Overview of the Operating Environment in International Markets

We have a presence in a number of countries outside of Spain, of which Portugal, Poland, Chile, Colombia and Peru are the most important. We believe that these markets will continue to grow at an even faster rate than Spain, driven by following factors:

Young population: the population aged 24 or younger in Chile, Ecuador, Colombia and Peru represent respectively 36%, 44%, 42% and 45% of the total population, compared to 25% in Spain. (*Source: Spain and Portugal: Global Census Data / Chile: INE / Ecuador: INEC Censo 2010 /Colombia: DANE 2005 / Peru: INEI*). Given our product offering is principally targeted to young independents and families with kids (which is a group with higher loyalty, frequency, order size and average ticket price) it is uniquely positioned to benefit significantly from the width of its core target market in Latin America.

Emerging middle classes: significant tranches of the population in the developing Latin American countries cited above are taking advantage of fast growing economies to come out of poverty and enter the middle class, thus increasing the size of our target market and our competitors.

Significant room for growth in per capita expenditure compared to more developed countries: in 2015, annual expenditure per capita on pizza foodservice in the US was €117 per person compared to €16 per person in Portugal, €23 in Poland and €15 in Chile *(Source: Euromonitor, April 2016)*.

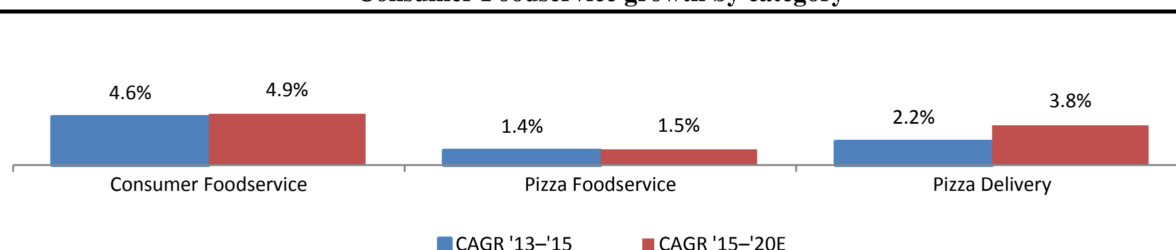
***Overview of the Operating Environment in Portugal***

The Portuguese economy is forecast to grow at a real GDP CAGR of 1.6% between 2015 and 2020. Furthermore, EIU estimate that private consumption will increase at a CAGR of 1.9% over that period. The employment rate is also set to increase to 89% by 2020, up from 87% in 2015. According to the International Labour Organisation ("ILO"), 60% of Portuguese women were part of the workforce in 2015.

According to Euromonitor, the foodservice market in Portugal was worth a total of c.€6.8 billion in 2015, of which pizza foodservice represented c.€163 million (c.2% of total foodservice). The pizza delivery sector was estimated to be worth €54 million in 2015 (c.33% of pizza foodservice) and expected to increase to €55 million in 2016.

We were the largest pizza foodservice chain in the Portuguese market with a c.51% store market share (market share based on number of stores) as of 2015, followed by Pizza Hut (Yum! Brands), the number two player with a c.45% market share *(Source: Euromonitor, where there is a difference between our actual number of stores in 2015 and Euromonitor's figures, actual figures prevail when calculating market share. All market shares calculated based on chained pizza foodservice market*).

**Consumer Foodservice growth by category**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

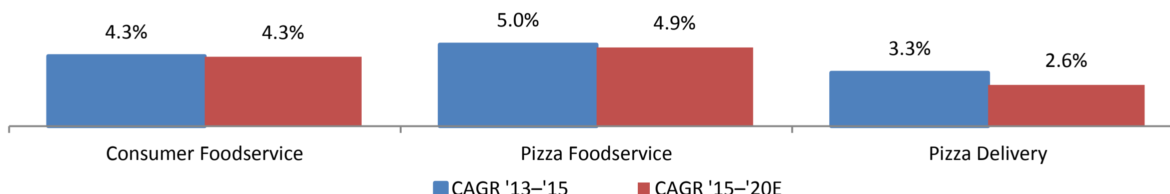
***Overview of the Operating Environment in Poland***

The Polish economy is forecast to grow real GDP at a CAGR of 3.1% between 2015 and 2020. Furthermore, EIU estimate that private consumption will increase at a CAGR of 2.6% over the same period. The employment rate is also set to increase to 93% by 2020, up from 92% in 2015. According to the ILO, 53% of Polish women were part of the workforce in 2015.

According to Euromonitor, the foodservice market in Poland was worth a total of c.€6.7 billion in 2015, of which pizza foodservice represented c.€870 million (c.13% of total Foodservice). We were the second largest pizza foodservice chain in the Polish market with a 16% store market share in 2015, behind Da Grasso (c.23% share) *(Source: Euromonitor, where there is a difference between our actual number of*

*stores in 2015 and Euromonitor's figures, actual figures prevail when calculating market share. All market shares calculated based on chained pizza foodservice market).*

**Poland Consumer Foodservice growth by category**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

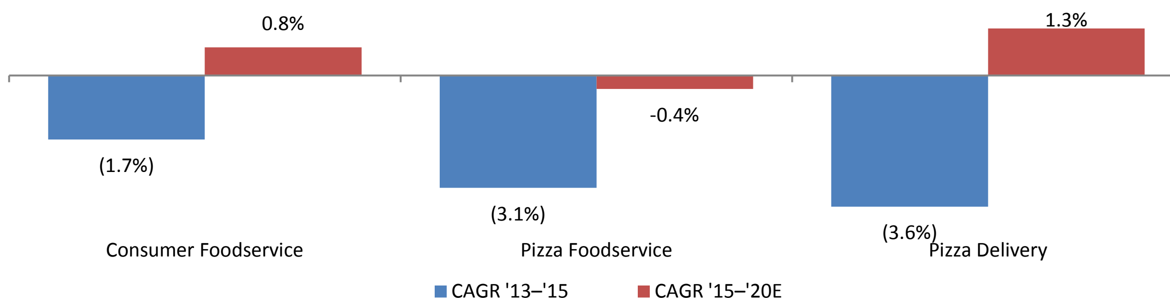
### *Overview of the Operating Environment in Chile*

The Chilean economy is forecast to grow real GDP at a CAGR of 3.0% between 2015 and 2020. Furthermore, EIU estimate that private consumption will increase at a CAGR of 3.0% over the same period. The number of middle class households are also set to increase to 2.0 million by 2020, up from 1.8 million in 2015 (*Source: Euromonitor).* According to the International Telecommunications Union and OECD, the growth in number of internet users will be 3.9% between 2015 and 2020.

According to Euromonitor, the foodservice market in Chile was worth a total of c.€3.1 billion in 2015, of which pizza foodservice represented c.€275 million (c.9% of total foodservice). The pizza delivery sector was estimated to be worth €85 million in 2015 (c.31% of pizza foodservice) and expected to decrease to €84 million in 2016.

We were the largest pizza foodservice chain in the Chilean market with a of c.52% store market share as of 2015, followed by Papa John's International and Pizza Pizza as a distant number two and number three players with a c.14% and 10% market share, respectively. *(Source: Euromonitor, where there is a difference between our actual number of stores in 2015 and Euromonitor's figures, actual figures prevail when calculating market share. All market shares calculated based on chained pizza foodservice market).*

**Chile Consumer Foodservice growth by category**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

***Overview of the Operating Environment in Other Telepizza Key Markets***

*Colombia*

The Colombian economy is forecast to grow real GDP at a CAGR of 3.2% between 2015 and 2020. Furthermore, EIU estimate that private consumption will increase at a CAGR of 3.1% over the same period. The number of middle class households are also set to increase to 3.5m by 2020, up from 3.2m in 2015 *(Source: Euromonitor).* According to the International Telecommunications Union and OECD, the growth in number of internet users will be 3.8% between 2015 and 2020.

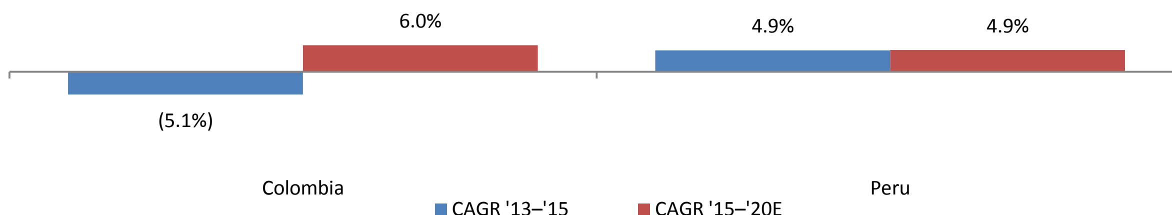
According to Euromonitor, the foodservice market in Colombia was worth a total of c.€10.5 billion in 2015, of which pizza foodservice represented c.€736 million (c.7% of total foodservice). We were the largest pizza foodservice chain in the Colombian market with a 33% store market share in 2015, ahead of Domino's Pizza (21% share), and Archies Colombia (13% share). *(Source: Euromonitor, where there is a difference between our actual number of stores in 2015 and Euromonitor's figures, actual figures prevail when calculating market share. All market shares calculated based on chained pizza foodservice market).*

*Peru*

According to Euromonitor, the foodservice market in Peru was worth a total of c.€6.3 billion in 2015, of which pizza foodservice represented c.€455 million (c.7% of total foodservice). The pizza delivery sector was estimated to be worth €113 million in 2015 (c.25% of pizza foodservice) and expected to increase to €116 million in 2016.

We were the number three player with a Euromonitor estimated store market share of c.13% as of 2015. *(Source: Euromonitor, where there is a difference between our actual number of stores in 2015 and Euromonitor's figures, actual figures prevail when calculating market share. All market shares calculated based on chain pizza foodservice market).*

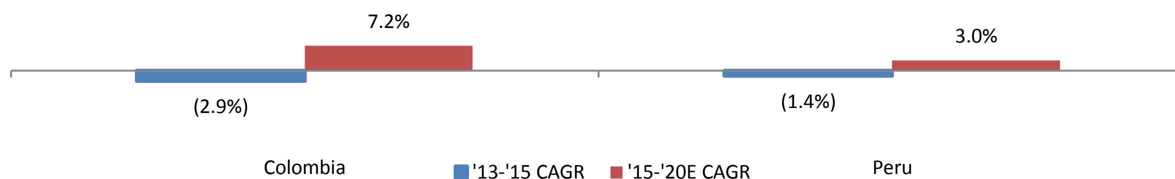
**Pizza Foodservice growth in Colombia and Peru**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

**Pizza Delivery growth in Colombia and Peru**




*Source: Euromonitor, April 2016.*

*Note*: All calculations based on values in euros converted at end of year exchange rate as per Euromonitor methodology.

# BUSINESS

## Overview

We are the largest non-U.S.-based pizza delivery company in the world by number of stores, with 1,311 stores globally, including 461 own stores and 850 franchised and master franchised stores as of December 31, 2015. Including our U.S.-based competitors, we are the fourth largest global player in pizza delivery in terms of number of stores (*Source: Euromonitor, April 2016*). Given our scalable model and international footprint, we believe that we have a strong platform for continued growth and expansion.

We offer a unique and varied line of products that combine consistent flavor across stores with a focus on local adaptation and innovation in the different markets where we operate. We produce our own standardized pizza dough used in all our stores (both own and franchised), which, together with our control over the supply of key ingredients, gives our products a reliable taste across our chain. In addition, we adapt our product offering to the culture and consumption patterns in the different countries where we are present. Pizza products comprise the core portfolio of our products, and offering a wide range of tastes and flavors of pizza allows us to satisfy wide customer demand. However, we also believe that the products from our complementary portfolio, including burgers, pasta, salads, sandwiches, "Spiro Dogs", kebabs and a wide variety of side dishes, help to expand our core portfolio offering and contribute to increase the average ticket price.

We address a wide customer base including all ages, social classes and geographies. Our largest customer segment is families with children, which generally have the strongest emotional attachment to certain products and prioritize quality, with children often acting as decision makers. Our other significant customer groups include young people (whether dependent or independent), who typically prioritize innovation, and adults, who generally prioritize convenience. Our customers' demand is typically higher at dinner time and generally on Fridays and over the weekend.

Our operations can be divided into three primary distribution channels: delivery, takeaway and eat-in, which in 2015 made up for 51.3%, 21.6% and 27.1% of our own store sales, respectively. Delivery is our core distribution channel, with the highest average associated revenues and the greatest customer loyalty. We believe that our experience and infrastructure for delivery present a barrier to entry for potential competitors. Our takeaway distribution channel benefits from our geographically broad network of stores to ensure a high level of proximity to customers. Price is also a key driver in the takeaway distribution channel, as it encourages group consumption. Our eat-in distribution channel, which includes our stores located in shopping malls, has featured aggressive pricing (with discounts and promotions), mainly directed towards group consumption. We have several store formats to better serve our clients, including traditional stores, mini stores, shopping malls, in-store concessions and other store formats.

Developing our digital platform is a very important element of our core strategy, and we believe its importance will only grow in the future as digital penetration continues its progression. Our digital approach is to use a global digital platform in our entire store network (both own and franchised and master franchised stores) in all our markets, which generates efficiencies.

As of December 31, 2015, 35% of our stores globally were own and 65% were franchised (including both franchised and master franchised models). We believe that there are several benefits of owning our stores, including development of knowledge of the local markets and enhanced flexibility, as well as greater control over product quality and delivery. Once we are well-established in a certain market, the franchise model can have certain benefits for us. Our franchise network allows us to expand our network of stores in areas where they would not be as profitable without the local knowledge and skill of the franchisee. In certain markets where the dynamics or business culture differs significantly from our consolidated markets, we team up with a carefully chosen local partner under a master franchise agreement covering an entire market.

The following chart shows our revenues, chain sales, chain sales growth and LfL chain sales growth in 2015, 2014 and 2013:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Total Revenues | €328.9 million | €326.5 million | €336.8 million |
| Chain sales | €491.8 million | €451.0 million | €445.3 million(1) |
| Chain sales growth | 9.1% | 1.3% | - |
| LfL chain sales growth | 5.5% | 1.2% | - |

*Note:—*

(1) To enhance comparability, chain sales for 2013 exclude own store sales of €4.2 million coming from discontinued operations; these sales are included as losses from discontinued operations in our 2013 Financial Statements.

We operate a differentiated business model that is vertically-integrated throughout the entire supply chain. Our primary raw materials include pizza dough and cheese. We gain a competitive advantage through our production of our pizza dough, which takes place in each of our six state-of-the-art production facilities (excluding our production facility in Portugal which is inactive and currently operates only as a logistics center), including the largest pizza dough production facility in Spain. Our cheese is generally produced by our strategic supplier, Ornua (previously known as the Irish Dairy Board), which provides us the cheese through the Ornua Supply Agreement. This combination of manufacturing our pizza dough and having a strategic provider of our cheese provides benefits such as flexibility, product control, product expertise, low stock, just-in-time production and product consistency across all geographies.

We generally manage logistics centers located next to our production facilities, which allows us to centralize the storage and distribution of dough, cheese and other supplies to our own and franchised stores and to reduce inventory costs in stores. Deliveries from the logistics centers to stores, which are generally contracted to integrated third-party logistical operators, are made on demand by the different stores but normally take place twice or three times a week, together with certain ancillary products being provided directly to our stores by the suppliers. Overall we have a complex and sophisticated supply chain that allows for price and rebate negotiation, product and supplier selection and specification as well as product quality control and storage. Benefits of this model include inventory control, transport flexibility and full product traceability.

We are a global brand present in countries throughout Europe, Latin America (Central and South America), Russia, Angola, the United Arab Emirates and Saudi Arabia. Approximately half of our stores are located in Spain, and the other half are located internationally. We have strong brand recognition among our customers in our consolidated markets, which are Spain, Portugal, Poland and Chile, and in all of these markets we are the market leader by number of stores (except for Poland, where we are the second). In addition, we have entered into master franchise agreements in Central America (Guatemala, El Salvador and Panama (which also serves Costa Rica)), Russia, Angola, Bolivia, Venezuela and Saudi Arabia.

## Our Competitive Strengths

### *Highly favourable pizza delivery market*

We believe that the pizza delivery market is one of the most attractive segments within the QSR sector, as a consequence of positive consumer trends and a robust business model. Pizza, as a category, has strong universal appeal while allowing a high degree of versatility in terms of product offerings and formats, which can easily be adapted to local preferences.

Secular changes in consumer trends (led by the millennial generation) are driving growth in the delivery segment. These trends include an increasing emphasis on convenience, entertaining at home, all-day dining and appreciation of a customizable product with premium ingredients.

We foresee significant room for growth in the global pizza delivery market. A common characteristic in many countries is the low degree of penetration by large pizza chains, providing an opportunity for them to expand consistently, particularly in emerging markets.

***Benefiting from improving Spanish macroeconomic fundamentals***

We operate in a market that has proven its relative resilience throughout the economic downturn and we believe is currently well placed to benefit from economic recovery and improving consumer confidence that we expect to increase private consumption.

Recent improvements in employment and consumer confidence levels in Spain have supported an increase in foodservice sales and in QSR in particular. According to EIU, macroeconomic improvement is expected to continue over the medium term in Spain. Moreover, the delivery segment tends to grow faster than overall GDP and the general QSR market during a macroeconomic recovery.

***Major global pizza brand***

According to Euromonitor (report dated April 2016) (for our international operations) and NPD (for Spain) (report dated December 2015), we are the market leaders by number of stores in our consolidated markets and hold number one positions in Spain, Portugal and Chile, while we are second in Poland, enjoying in all of them outstanding brand awareness and image.

We have an unmatched product portfolio that is underpinned by (i) the great variety within our product offering, (ii) tailoring our local products to appeal to cultural and consumption patterns and (iii) our strong product innovation capabilities.

We have a loyal customer base whose main driver of choice is our product rather than price. We foster customer loyalty through our detailed proprietary client database, which provides us information and insight into our customers' consumption patterns, the market and customer segmentation, as well as data regarding product and brand choice.

***Differentiated, vertically integrated and scalable business model***

We operate a differentiated business model oriented towards an outstanding customer experience and supported by operational efficiency.

We maintain a strategic balance between own and franchised stores in order to maximize efficiency, flexibility and profitability. Typically, when we enter a market we choose to have more own stores than franchised stores in order to develop local market knowledge and once we are well established in a market, we aim to pursue a franchise strategy that achieves better financial results through an asset-light model and the release of cash from existing stores. In addition, our franchise network is key to obtain access to areas that the Company is unable to reach and would not be able to make profitable without the local knowledge of the franchisee. In addition we carry out an active policy of network optimization, buying back from franchisees stores that have room to improve their profitability or are underperforming. Once bought, we operate the store with best in class methodologies to recover profitable levels in order to transfer some of them to a new franchisee. On the other hand, we also transfer less profitable or underperforming stores to franchisees who we believe can operate those stores more efficiently.

Our industrial model has four vertical pillars: manufacturing our own dough and having a unique provider of cheese, which gives us a competitive advantage and higher profitability and product quality; global procurement, which ensures quality and consistency of our products and food safety; central warehousing with an efficient network and delivery via an integrated third party logistical operation; and a dedicated logistics operation with a sophisticated supply chain.

We operate a multi-format strategy that allows for more points of contact with our customers and a larger catchment area. We offer five formats: traditional stores, mini stores, shopping malls, in-store concession with Pollo Campero and other formats that are mostly smaller points of sale offered through our partners including stores in cinemas and boats, among others.

### ***Proven digital platform supporting multi-channel strategy***

Digital technologies, led by smart phones and tablets, are fueling a greater push for immediacy, making it easier to order, improving order accuracy and frequency, allowing quick re-ordering of favorites, enabling online prepayment and reducing waiting time on deliveries and pick-ups.

Focusing on digital sales is a key priority for us, so we have developed an integrated and effective digital platform across our geographies that is multi-language, multi-currency and multi-country whereas we believe that our competitors have a different platform for each country.

Our strong presence in digital media (including Twitter, Instagram, and Facebook) allows us to improve our brand visibility and awareness while developing a better consumer database, a better understanding of consumer demands and increasing our consumer engagement.

### ***Well-seasoned management team driving culture of excellence***

We have a stable and tested management team (which is in part at the Company level and in part at the Telepizza Sub level) that has more than 100 years of combined expertise within the industry. In the recent past, our top management has successfully led:

- the implementation of a successful expansion model of own stores, franchise agreements and selective acquisitions;
- the maintenance of our Spanish market share during the Spanish economic crisis, navigating positively through a severe consumption crisis;
- the transformation of our organization with the implementation of a more efficient hub structure to cover the regions where we have a consolidated presence;
- the development of a strong digital platform;
- the creation of an innovation culture; and
- a successful refinancing and restructuring of our capital structure.

One key focus of our management team is to bring new talent into the organization that is aligned with our mission, vision and values.

### ***Compelling financial profile with multiple growth levers***

We operate a business with a strong cash conversion rate before new capex of 90.3% in 2015 (measured as Underlying EBITDA less maintenance capex divided by Underlying EBITDA) given our limited maintenance capex needs.

With the beginnings of a macroeconomic recovery taking place in Spain and our leading presence in the country, we expect to be uniquely situated to increase our revenue and chain sales growth given the high historical correlation with GDP and continue to generate strong free cash flow conversion on the back of limited capex requirements.

## Our Growth Strategy

Our core strategies to drive future growth include:

### ***Existing markets***

#### ***1) Drive LfL chain sales and revenue growth***

We intend to continue to drive our LfL chain sales and revenue growth in both Spain and internationally. In addition to benefiting from expected general macroeconomic recovery, we intend to drive LfL chain sales and revenue growth through our ongoing commitment to enhance the customer experience. We expect that a positive evolution of macroeconomic indicators would allow us to increase average ticket prices and, together with an improved customer experience through these specific initiatives, will continue to

drive our LfL chain sales and revenue growth. Our objective is to retain existing customers and attract new customers through the following strategies:

*Product innovation*

We believe that ongoing product innovations help to differentiate Telepizza from our competitors. New product launches and our adaptation to local cultures and consumption patterns allow us to increase consumption moments and average ticket price, to foster customer loyalty and frequency, and to enhance our brand image. We target four to six new product offerings within our core pizza category every year.

*Increase digital penetration*

We believe that there remains a significant opportunity to increase digital penetration across the markets where we operate (such as our consolidated markets) and, in particularly, in countries where e-commerce penetration remains relatively low.

*Increase midday consumption*

A large portion of our orders are currently focused around dinners and weekends, being as delivery is our largest channel. Given current market tendencies and on the back of our historical market share in middays segment, we believe that there are further opportunities to leverage existing capacity and to increase consumption moments. We have already made significant progress in reinforcing our individual menu as well as other special promotions to drive increased consumption in this segment.

*Store refurbishments*

In 2015 we launched a refurbishment plan to renew our entire store network by 2019 in order to improve our brand image, enable higher midday consumption and to provide a better in-store customer experience, where we plan to invest approximately €3.9 million in 2016.

***2) Organic unit expansion***

We aim to capitalize our strong market positions in existing markets by increasing our coverage where we believe room remains for further Telepizza locations. To accomplish this, we intend to open new stores or relocate certain stores in areas where we lack a strong presence and to further expand our eat-in concept in malls and other new store formats such as mini stores. In Spain, we believe there is significant potential for new openings in shopping malls and in small towns with less than 30,000 inhabitants. Internationally, we consider there is room to open a significant number of stores in our existing markets.

***New markets expansion strategy***

***1) Entering into new master franchise agreements***

In those new markets less familiar to us, we rely on master franchise agreements with local players, mitigating cultural and country risks and limiting our capital investments while reinforcing our brand across the globe. We can serve our master franchises from our existing hubs or we can also consider potential co-investments in new production facilities with our partners in order to create new hubs to accelerate our international expansion.

***2) Selective and complementary acquisitions***

The global pizza market remains fragmented, and we believe there exist further opportunities for consolidation. We intend to pursue strategic and complementary acquisitions of pizza delivery companies from which we expect to be able to extract synergies by implementing best practices and integrating the operations into our networks.

### Corporate History

The Company was incorporated under the laws of Spain on May 11, 2005 as a limited liability company (*sociedad de responsabilidad limitada*) under the name of Bahíaflora Inversiones, S.L. pursuant to a notarized deed of incorporation granted before the public notary of Barcelona Mr. Miquel Tarragona

Coromina under number 2,399 of his records and registered with the Commercial Registry of Madrid under volume 21,430, page 1 and sheet M-381,118. The Company was incorporated as a special purpose vehicle of the Carbal fund, owned by the Ballvé family, in the context of the takeover bid of Telepizza Sub by the Permira funds and the Ballvé family in 2006.

On June 30, 2005, the Company changed its name to Foodco Pastries Spain, S.L. by virtue of a decision of its sole shareholder raised to the status of a public deed before the notary of Madrid Mr. Fernando Molina Stranz under number 1245 of his records.

On March 1, 2016, the Company was transformed into a Spanish public limited liability company (*sociedad anónima*) following registration on the Commercial Registry of Madrid of a public deed granted before the notary of Madrid Mr. Javier Navarro-Rubio Serres on February 5, 2016 under number 104 of his records.

On March 17, 2016, Foodco Pastries Spain, S.A.U. changed its name to Telepizza Group, S.A.U. by virtue of a decision of our sole shareholder raised to the status of public deed before the notary of Madrid Mr. Javier Navarro-Rubio Serres under number 406 of his records.

The Company's corporate purpose includes the performance of the following activities, which can be performed directly or indirectly by the Company through the ownership of shares or quotas in other companies:

(i) the production, distribution, commercialization and sale of foodservice products, especially pizza, and other products intended for human consumption;

(ii) the assignment by the Company to third parties of the operating right to commercialize and sell its products through franchise and master franchise's regime;

(iii) the transport, deposit, storage and supply, either for the Company and its subsidiaries and for third parties, of all kinds of products and commodities;

(iv) the design and execution of advertising campaigns and sales promotions on its own behalf or on behalf of third parties;

(v) the sale of its establishments to third parties and the rental of machinery and equipment to third parties; and

(vi) the acquisition, possession, use, management, administration and transfer of equity securities of Spanish resident and non-resident entities, through the relevant material and personal resources' organization, as well as the direction, coordination, advice and support to such entities.

The Company's main activity is serving as the holding company of its subsidiary Telepizza Sub and the rendering of corporate and strategic management-related services for Telepizza Sub.

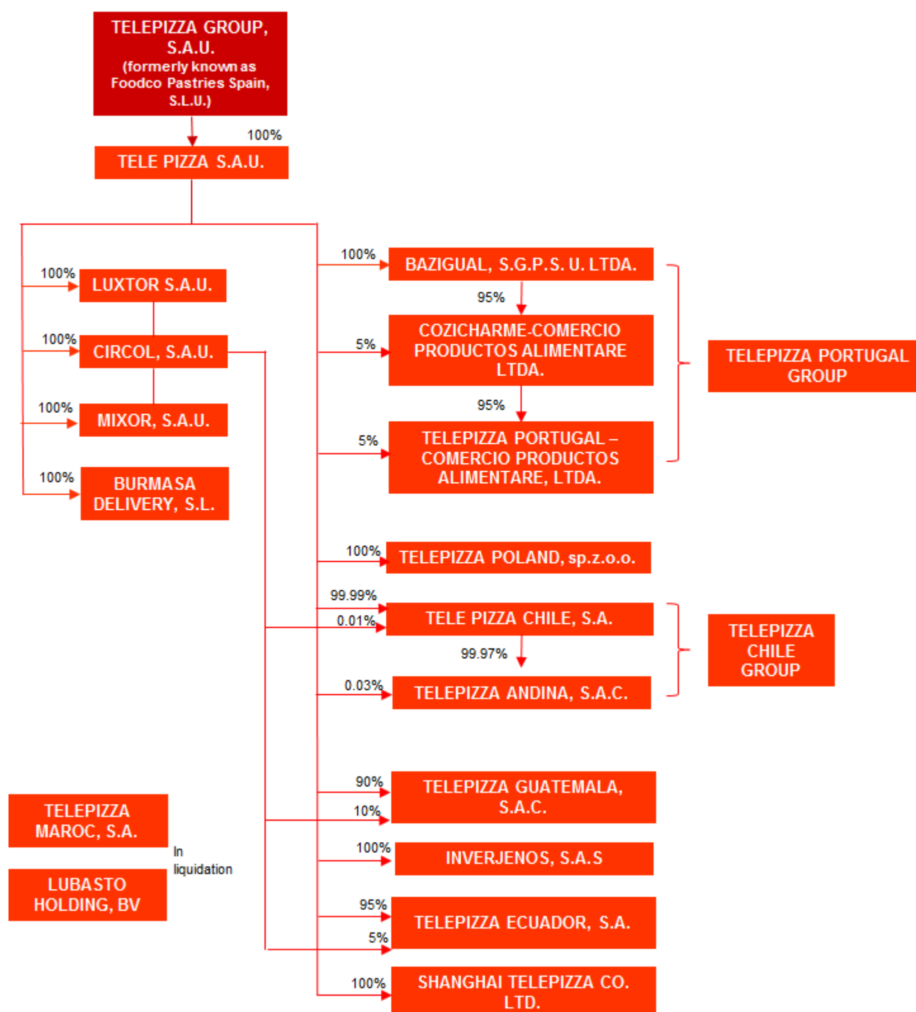
Telepizza Sub was founded in 1987 as a family business. Since the opening of its first store in Madrid (Spain) in 1988, the group has gradually increased its activities and expanded internationally:

- In 1992, the group opens its first production facility for producing pizza dough in Guadalajara (Spain) and opens its first stores in Poland, Portugal and Chile.
- In 1996, Telepizza Sub carries out its initial public offering and begins trading on the Spanish Stock Exchanges.
- In 1997, the group acquires Mixor, S.A.U. and Circol, S.A.U., which owned the brand "Pizza World".
- In 1998, the group acquires the Luxtor cheese production facility, certain assets of which were transferred to Ornua in 2014 pursuant to a sale and purchase agreement.
- In 2000, the Ballvé family acquires a controlling stake in Telepizza Sub.

- In 2002, Pollo Campero starts operating the Telepizza system in Guatemala.
- In 2004, the group begins its online expansion and continues its international expansion entering into master franchise agreements in Guatemala and El Salvador.
- In 2006, the Permira Funds and the Ballvé family acquire 90% of the share capital of Telepizza Sub through a takeover bid and the remaining 10% through a delisting takeover. The takeover bid was made to 265,035,922 shares at a price of €3.21, which valued Telepizza Sub at an approximate value of €850 million. Telepizza Sub delists from the Spanish Stock Exchanges in March 2007. During the following years, the group begins its strategic initiatives towards operational efficiency, including brand positioning and re-engineering of certain processes.
- In 2009, the group enters into a master franchise agreement in the United Arab Emirates, opening its first store in Dubai. Such agreement was terminated in 2013 and currently one store in Abu Dhabi is operated under a franchise agreement executed between Telepizza Sub and a former sub-franchisee.
- In 2010, the group acquires Colombian pizza chain Jeno's Pizza, the largest pizza chain in Colombia with 80 stores. Noting increased reliance on technology by its customer base, the group creates smartphone applications. The group also begins to open stores in towns with fewer than 30,000 inhabitants.
- In 2011, the group opens its first store in Peru. Spanish airline company Air Europa begins using Telepizza products in its on-board food catering.
- In 2012, the group acquires Ecuadorian pizza chain Pizza Express, comprised of six stores.
- In 2013, the group awards master franchise agreements in Panama and Bolivia.
- In 2014, the group continues its master franchise expansion to cover Angola, Russia, and in 2015, Saudi Arabia.

**Corporate Structure**

The following figure illustrates our corporate structure as of December 31, 2015:




The following table shows our main subsidiaries as of December 31, 2015:

| Subsidiary | Country of incorporation | Ownership interest (%) |
|---|---|---|
| Tele Pizza, S.A.U. | Spain | 100 |
| Mixor, S.A.U. | Spain | 100 |
| Circol, S.A.U. | Spain | 100 |
| Tele Pizza Chile, S.A. | Chile | 100 |
| Tele Pizza Portugal – Comércio Productos Alimentare, Ltda. | Portugal | 100 |
| Tele Pizza Poland, sp Z.O.O. | Poland | 100 |
| Telepizza Maroc, S.A. [1] | Maroc | 100 |
| Burmasa Delivery, S.L. | Spain | 100 |
| Lubasto Holding, B.V. [2] | Holand | 100 |
| Tele Pizza Guatemala, S.A.C. | Guatemala | 100 |
| Luxtor, S.A.U. | Spain | 100 |
| Telepizza Ecuador, S.A | Ecuador | 100 |
| Cozicharme-Comércio Produtos Alimentares Ltda. | Portugal | 100 |
| Bazigual, S.G.P.S.U. Ltda. | Portugal | 100 |

| Subsidiary | Country of incorporation | Ownership interest (%) |
|---|---|---|
| Inverjenos, S.A.S. | Colombia | 100 |
| Shanghai Telepizza Co. Ltd. | China | 100 |
| Telepizza Andina, S.A.C. | Peru | 100 |

*Notes:—*

(1) Subject to a winding-up process.

(2) Liquidated in 2016.

As of December 31, 2015, Telepizza Maroc, S.A., Lubasto Holding, B.V., Tele Pizza Poland, sp Z.O.O. and Cozicharme-Comércio Produtos Alimentare Ltda. had negative net equity of €0.7 million, €0.001 million, €0.5 million and €32.0 million, respectively.

We do not intend to make any equity contributions to Telepizza Maroc, S.A., Lubasto Holding, B.V. or Tele Pizza Poland, sp Z.O.O. as of the date of this prospectus. Telepizza Maroc, S.A. is in the process of being liquidated and Lubasto Holding, B.V. has already been liquidated and all liquidation costs have been paid. According to Polish applicable accounting principles Tele Pizza Poland, sp Z.O.O. does not have negative net equity, the consolidated annual accounts of the Company reflect negative net equity due to the differences in the accounting criteria under IFRS-EU of certain loans granted by Telepizza Sub.

The negative net equity of Cozicharme-Comércio Productos Alimentare Ltda. derives from the financial costs associated with the loans granted by its parent company Bazigual, S.G.P.S.U. Ltda. Although the Group is committed to resolve this situation, as of the date of this prospectus the Group is still analyzing various alternatives and has not yet taken any action in this respect.

On September 16, 2015, Telepizza Sub merged by absorption with its subsidiary A Tu Hora, S.A. On December 30, 2015, Telepizza Sub acquired 100% of Burmasa Delivery, S.L. for an aggregate amount of €1.3 million.

On February 13, 2016, we incorporated Foodco Pastries Maroc, S.à. r.l., a company fully owned by Telepizza Sub, with registered office at Tanger (Morocco), which operates an own store in Morocco that was opened in March 2016.

## Our Segments

We are present through own and franchised and master franchised stores in many countries, which we group in four segments: Spain, Rest of Europe, Latin America and Master Franchises and Others. In Spain and the Rest of Europe, which currently comprises Portugal and Poland, and in Chile (within the Latin America segment), we would characterize our stores' development as being consolidated. We entered Colombia and Ecuador through acquisitions of other stores and local restaurant chains and our operations in Peru are relatively new, where we entered the market organically. In the remaining countries, which we group within the Master Franchises and Others segment, we operate mainly through the master franchise model.

As of December 31, 2015, we had the following own and franchised store breakdown by segments and countries:

| | Total Number of Stores | % of Own Stores | % of Franchised and Master Franchised Stores |
|---|---|---|---|
| **Spain** | 644 (49.1%) | 28% | 72% |
| **Rest of Europe** | | | |
| Portugal | 105 (8.0%) | 42% | 58% |
| Poland | 121 (9.2%) | 24% | 76% |

| | Total Number of Stores | % of Own Stores | % of Franchised and Master Franchised Stores |
|---|---|---|---|
| **Latin America** | | | |
| Chile | 138 (10.5%) | 64% | 36% |
| Colombia | 91 (6.9%) | 70% | 30% |
| Peru | 36 (2.7%) | 97% | 3% |
| Ecuador | 19 (1.4%) | 89% | 11% |
| **Master Franchises and Others** | 157 (12.0%) | 0% | 100% |
| **Total Group** | **1,311 (100%)** | **35%** | **65%** |

***Spain***

Our total revenues attributable to our operations in Spain in 2015 were €211.5 million and our EBITDA was €38.1 million. Our capital expenditures in 2015 for Spain amounted to €18.5 million.

*Our Business in Spain*

We entered the Spanish market in 1988 and are currently the leading pizza delivery company in our home market by number of stores (*Source: NPD*), with 644 stores, comprising 49.1% of our total stores and including 183 own stores and 461 franchises as of December 31, 2015.

We had a 53% share of the Spanish pizza delivery market as measured by market value for the year ended December 31, 2015 (*Source: NPD*), which was more than three times larger than the second player. We enjoy a very strong brand awareness in Spain, with 88% of individuals surveyed stating that they are familiar with our brand (*Source: Kantar Worldpanel 2015*) and are supported by a high penetration with families. Our stores in Spain are characterized by a relatively high network density, and we are present in substantially all Spanish cities with a population of more than 40,000 inhabitants. We believe that there remain "horizontal" expansion opportunities in cities with a population of less than 30,000 inhabitants.

In 2015, we opened 26 new stores (3 own stores and 23 franchised stores) and closed 12 stores (4 own stores and 8 franchised), increasing by 14 the number of stores in Spain, and the net transfer of own stores transferred to franchisees less buybacks of transferred stores was 7 stores transferred to franchisees.

***Rest of Europe***

The Rest of Europe segment currently comprises our operations in Portugal and Poland. Our total revenues attributable to our operations in the Rest of Europe segment in 2015 were €49.4 million and our EBITDA was €8.5 million. Our capital expenditures in 2015 for the Rest of Europe segment amounted to €2.5 million.

*Our Business in Portugal*

We entered the Portuguese market in 1992 and are currently the leading pizza delivery company in that market by number of stores (*Source: Euromonitor*), with 105 stores, comprising 8.0% of our total stores and including 44 own stores and 61 franchises as of December 31, 2015.We had a 51% share of the Portuguese pizza delivery market as measured by number of stores for the year ended December 31, 2015 (*Source: Euromonitor*). We enjoy very strong brand awareness in Portugal, with 84% of individuals surveyed stating that they are familiar with our brand (*Source: Toluna 2015*).

In 2015, we opened 4 new stores (1 own store and 3 franchised stores) and closed 7 franchised stores, decreasing by 3 the number of stores in Portugal to lever on the most profitable units. The net transfer of own stores transferred to franchisees less buybacks of transferred stores was 1 store transferred to franchisees.

*Our Business in Poland*

We entered the Polish market in 1992 and are currently the second leading pizza delivery company in that market by number of stores (*Source: Euromonitor*), with 121 stores, comprising 9.2% of our total stores and including 29 own stores and 92 franchises as of December 31, 2015.

We had a 16% share of the Polish pizza delivery market as measured by number of stores for the year ended December 31, 2015 (*Source: Euromonitor*). We enjoy very strong brand awareness in Poland, with 75% of individuals surveyed stating that they are familiar with our brand (*Source: Toluna 2015*).

In 2015, we opened 11 new stores (1 own store and 10 franchised stores) and closed 5 franchised stores, increasing by 6 the number of stores in Poland, and the net transfer of own stores transferred to franchisees less buybacks of transferred stores was 2 stores transferred to franchisees.

***Latin America***

The Latin America segment currently comprises our operations in Chile, Colombia, Peru and Ecuador. Our total revenues attributable to our operations in the Latin America segment in 2015 were €65.9 million and our EBITDA was €9.5. Our capital expenditures in 2015 for the Latin America segment amounted to €9.2 million.

*Our Business in Chile*

We entered the Chilean market in 1992 and are currently the leading pizza delivery company in that market by number of stores (*Source: Euromonitor*), with 138 stores, comprising 10.5% of our total stores and including 89 own stores and 49 franchises as of December 31, 2015.

We had a 52% share of the Chilean pizza delivery market as measured by number of stores for the year ended December 31, 2015 (*Source: Euromonitor*). We enjoy very strong brand awareness in Chile, with 90% of individuals surveyed stating that they are familiar with our brand (*Source: Toluna 2015*).

In 2015, we opened 5 new stores (2 own stores and 3 franchised stores) and closed 4 own stores, increasing by 1 the number of stores in Chile, and the net transfer of own stores transferred to franchisees less buybacks of transferred stores was 6 stores transferred to us.

*Our Business in Colombia*

We entered the Colombian market in 2010 through the acquisition of Jeno's Pizza, the leading pizza chain in Colombia. Today, we operate under the brand "Jeno's Pizza" and are currently the leading pizza delivery company in that market by number of stores (*Source: Euromonitor*), with 91 stores, comprising 6.9% of our total stores and including 64 own stores and 27 franchises as of December 31, 2015.

During 2014, we held negotiations to sell our business in Colombia to a local investor but, due to certain disagreements, the transaction did not take place.

We had a 33% share of the Colombian pizza delivery market as measured by number of stores for the year ended December 31, 2015 (*Source: Euromonitor*). We enjoy very strong brand awareness in Colombia, with 78% of individuals surveyed stating that they are familiar with our brand (*Source: Toluna 2015*).

In 2015, we opened 4 new stores (1 own store and 3 franchised stores) and closed 15 stores (14 own stores and 1 franchised store), decreasing by 11 the number of stores in Colombia, and the net transfer of own stores transferred to franchisees less buybacks of transferred stores was 5 stores transferred to franchisees.

*Our Business in Peru*

We entered the Peruvian market in 2011 and currently have 36 stores, comprising 2.7% of our total stores and including 35 own stores and 1 franchise as of December 31, 2015.

We had an 13% share of the pizza delivery market in Peru as measured by number of stores for the year ended December 31, 2015 (*Source: Euromonitor*).

In 2015, we opened 13 new own stores, increasing by 13 the number of stores in Peru.

*Our Business in Ecuador*

We entered the Ecuadorian market in 2012 and currently have 19 stores, comprising 1.4% of our total stores and including 17 own stores and 2 franchises as of December 31, 2015.

In 2015, we opened 7 new own stores, increasing by 7 the number of stores in Ecuador.

***Master Franchises and Others***

The Master Franchises and Others segment comprises the remaining markets where we currently operate, which are the following: Guatemala, El Salvador, Russia, Angola, Bolivia, Panama, United Arab Emirates and Saudi Arabia. In these markets we have entered into master franchise agreements, except for in the United Arab Emirates, where we have entered into a franchise agreement. Master Franchise agreements grant the master franchisees control over our brand in the relevant market, allowing them to open their own Telepizza stores or sub-franchise the brand.

Our total revenues attributable to the Master Franchises and Others segment in 2015 were €2.2 million and our EBITDA was €1.7 million. We do not incur capital expenditures in the Master Franchises and Others segment because we do not operate own stores.

Our Master Franchises and Others segment covers 157 stores, comprising 12.0% of our total stores as of December 31, 2015. In 2015, we opened 22 new master franchised stores and closed 6 master franchised stores, increasing by 16 the number of stores in the Master Franchises and Others segment.

## Products and Marketing

***Products***

We offer an unmatched product portfolio that combines a globally recognized product and a customized international product offering tailored to the local tastes of the markets where we operate.

Our standardized dough mixture and the control over the supply of key ingredients gives our products a reliable taste across all geographies. However, we adapt our product offering to the culture and consumption patterns in the different countries where we are present. As of December 31, 2015, around 20% of our products were bespoke to satisfy local tastes. Examples include the pizzas “La Ibérica” in Spain, “La Chorrillana” in Chile, “La Peruviana” and “La Arequipeña” in Peru and the “Codfish Pizza” in Portugal. Among our peers internationally, we make special effort to adapt the ingredients to local tastes, which we believe differentiates us from our competitors.

Pizza products comprise the core portfolio of our products, representing 85% of our own store sales. Our pizzas reflect our strong culture of innovation, we offer a wide range of tastes and flavors of pizza which allows us to satisfy wide customer demand across ages and social classes. While we continue to offer a wide variety of conventional pizzas, we are also offering new products within this pizza core product portfolio. We operate two innovation labs (in Spain and Chile) and every year we launch between four and six new pizzas per country. We usually spend between 37 and 50 weeks to launch a new product, a process which starts with the development of the idea and comprises the sample and testing of the product and its launching. In the last three years we have launched, among others, the “Pizza Calzone”, the pizza “Integral”, the “Ciberpizza”, the pizza “Wok” or the pizza “Japo” in 2013; the “Telepizza 3 Pisos Creme” or the “Pizzalada”, which is a salad contained within a crispy crust bowl that resembles a pizza, in 2014; and the “Telepizza Nachos”, comprising a conventional pizza but with an order of nachos and cheese in the middle, the pizza “Primavera” or the “Telepizza Burger” in 2015. Constant innovation of our products enhances our brand awareness, fosters consumer loyalty and consumption frequency and increases the average ticket price. The launch of the “Telepizza Nachos” and the “Telepizza Burger” in Spain each increased the average

ticket price (defined as chain sales in a period divided by the number of orders during such period) by 9%, in the best performing week since launch.

We also believe that the products from our complementary portfolio, which represent 12% of our own store sales in Spain, help to expand our total offering and contribute to increase the average ticket price. Diversity in choice also encourages group consumption, including avoiding any "veto" vote from a non-consumer of pizza products in a group. Within the food and sides subsection of our complementary portfolio, we offer items such as burgers, pasta, salads, sandwiches, "Spiro Dogs", kebabs and a wide variety of side dishes (most of which use the same oven equipment as pizza). Our drinks subsection offers soft drinks, water and beer, including Coca-Cola, Pepsi, Fanta, Nestea, Sprite, Aquarius, Bezoya, Cruzcampo and Sunny-D, among others. Our dessert subsection of our complementary products portfolio features items such as traditional ice cream, ice cream bars and frozen yoghurt.

***Marketing***

We have focused on building a strong brand image through the use of traditional advertising campaigns and promotions and intense activity in social media. Our marketing activity is based on our marketing slogan which is "the secret is in the dough" (*el secreto está en la masa*).

We combine two types of marketing promotions in both our own and franchised stores: constant promotions, which are general promotions offered on a permanent basis (e.g. Crazy Tuesdays, Family Days, Triple) and seasonal promotions carried out on particular dates or seasons (e.g. Halloween, Mother's Day, St. Valentine's Day). We also adapt our pricing strategy to each target consumer. The promotions and the pricing strategy vary between distribution channels, which we select consistently with the relevant channel's strategic roles.

We have a strong position in the QSR and retail food market in social media, being present in most of the principal social networks, such as Facebook, Twitter and Instagram. We have approximately 1.5 million followers globally through the different social networks. Our activity in social media allows us to increase direct sales by offering exclusive offers and promotions to users of social networks, which allows us to turn fans into clients.

Our advertising and publicity expenses in 2015, 2014 and 2013 were €15.5 million, €13.8 million and €15.9 million, respectively. We believe that we are highly efficient in allocating our marketing resources. In Spain we were ranked number 11 in terms of top of mind advertising while we were ranked number 144 in terms of marketing investment in 2015 (*Source: TNS (IOP) & Infoadex 2015)*, which shows our strong marketing investment efficiency.

Our marketing efforts are all organized centrally by us, although franchisees have participated or led certain campaigns in previous years. Master franchisees need our approval prior to carrying out any advertising practice or promotional activity and have to send us the relevant designs, drafts, texts, images or voice before their use. We are not obliged to develop any kind of advertising material on behalf of our master franchisees, but must, at the request of our master franchisees, provide them with materials or productions which have already been developed if these materials are deemed appropriate for the territory.

In 2015, our marketing expenses represented 5.3% of our own store sales and supply sales. Similarly, franchisees are generally required to pay a fee of between 3% to 4% of their monthly net sales as a contribution to general advertising of the franchise network and generally allocate additional resources towards direct marketing initiatives while master franchisees are generally required to allocate 3% of their revenues for their local marketing initiatives. For some stores a lower marketing fee and royalty applies until a certain amount of sales is reached.

## Customers

We address a wide customer base, from the youngest to the oldest and across all social classes and geographies. We have built up a detailed client database providing us with vast information on customer behavior and allowing us to strengthen our close relationships with our customers. We believe that families

remain the core of our customer base and that our customers' experience is focused mainly around dinner and weekends, when delivery demand is higher.

We divide our customers into five distinct groups, each with separate segment characteristics and consumption drivers.

Families generally have the strongest emotional attachment to certain products, and children often act as decision makers. Quality is important for this group and demand is relatively inelastic to prices. Flavor, service and quality are very relevant drivers for families, while price is of lesser importance.

Teens generally live in a family environment and consume our products among family or friends. Group consumption for teens generally has a more aspirational importance, and price is essential in purchase decisions. Flavor and price are very relevant consumption drivers for teens, with service being merely relevant and quality being of lesser importance.

The dependent young, typically of ages 18 to 24, are generally still dependent on their family economically and want to enjoy consumption. Innovation is a key driver for this customer segment, and price is the determining factor in consumption decisions. Flavor and price are very relevant consumption drivers for the dependent young, with service and quality being of lesser importance.

The independent young, typically of ages 25 to 34, generally live alone or in couples. Innovation is an important factor for this group, as new tastes and experiences are valued. Flavor and service are very relevant consumption drivers for the independent young, with quality being merely relevant and price being of lesser importance.

Adults generally prioritize convenience over other factors in their consumption, with service speed and quality the primary consumption drivers, while price is of lesser importance. Consumption peaks generally during lunch time and on workdays with adults.

**Store Formats**

We have a variety of store formats, which we tailor depending on our brand maturity in the market, the preferences of local customers and the location of the store, among other factors.

As of December 31, 2015, 813, or 62%, of our stores globally (both own and franchised and master franchised stores) were traditional stores; 160, or 12%, of our stores were mini stores; 139, or 11%, of our stores were shopping malls; 130, or 10%, of our stores were in-store concessions with Pollo Campero; 69, or 5%, of our stores were other store formats, which include smaller points-of-sale offered through our partners including stores in cinemas and boats, among others.

Our own stores require an average investment that ranges from €15,000 for smaller formats (corners) to €175,000 for traditional stores mainly for the acquisition of machinery and technical installations (including cold storage, table of ingredients, working tables and air conditioning), motorbikes, an oven, furniture and computer systems.

Traditional stores, used for own and franchised and master franchised stores offer delivery, takeaway and eat-in consumption for approximately 40 diners. Mini stores, which are mainly franchised, also offer delivery, takeaway and eat-in. Shopping malls, used for own and franchised and master franchised stores, offer an express service for eat-in. In-store concessions with Pollo Campero are always franchised and offer delivery, takeaway and eat-in. The other store formats usually only offer eat-in service. See "—*Distribution Channels*".

We believe that our multi-format strategy allows more points of contact with our customers and more moments of consumption as well as better adaptation to local market demands and increased penetration of catchment areas, thereby maximizing sales potential and operational efficiency. Furthermore, store formats containing a large delivery and takeaway focus make a prime location unnecessary, thereby reducing rental costs. Smaller formats also require more limited upfront investment. Our experience in this industry has allowed us to build a comprehensive strategy in choosing the store format that best fits the specific circumstances.

Traditional store format necessarily includes a store manager, two store assistants, delivery men and, upon our request, a sales manager.

## Distribution Channels

Our operations can be divided into three primary distribution channels: delivery, takeaway and eat-in. The use of different distribution channels broadens our consumer base and increases catchment areas and moments of consumption.

In 2015, delivery, takeaway and eat-in accounted for 51.3%, 21.6% and 27.1% of our own store sales, respectively, and for 59.3%, 30.9% and 9.8% of our own store sales in Spain, respectively. In 2015, our home consumption distribution channels (which includes delivery and takeaway) were associated with 72.9% of our own store sales.

### *Delivery*

Delivery is our core distribution channel, with the highest average associated revenues when compared with the other channels. The delivery distribution channel is also associated with the highest customer loyalty, as well as presenting the highest barrier for any new entrant. The key drivers of the delivery distribution channel are the quality of the service and product, consumer experience and convenience. Our target delivery time is thirty minutes worldwide. Our delivery distribution channel is also aided by the fact that we own our own network of approximately 2,301 motorbikes in Spain, which improves safety, makes for fewer breakdowns and delays and help us in recruiting good quality delivery personnel.

The delivery orders from our customers are made either through the telephone or a digital channel. With online requests we maximize the benefits of the delivery channel (See "—*Digital Sales Strategy*" below).

The target groups for our delivery distribution channel are families and young independents, with quality of service and product, experience and convenience being their key drivers. The primary consumer proposals are fair price, service (both delivery and digital) and innovation in the product.

### *Takeaway*

Our takeaway distribution channel is dependent on a geographically broad network of stores for its success, in order to ensure a high level of proximity to customers. We have a presence in substantially all Spanish cities above 40,000 inhabitants. Price is also a key driver in the takeaway distribution channel, as it encourages group consumption. The key promotional proposals in the takeaway distribution channel revolve around offering more pizzas or products to our customers.

The target group for our takeaway distribution channel is the dependent young. The primary consumer proposal is volume-driven offers with a lower price point.

### *Eat-in*

Our eat-in distribution channel, which includes the operations of our traditional stores and of our stores located in shopping malls, has featured aggressive pricing, mainly directed towards group consumption.

There can also be operational leverage in the through hours such as midday and afternoon. The key promotional proposal in the eat-in distribution channel is a low entry price.

Our shopping malls stores are mainly located in Chile, where the eat-in distribution channel is more significant to us. Given the success of our malls stores in Chile, we plan to open new stores in shopping malls located in Spain.

The target group for our eat-in distribution channel is adults, with price, time and location being their key drivers.

**Digital Sales Strategy**

Online orders can be made by our customers through our web PC platform and our mobile-based platforms, which include our global application, available for IOS and Android, and the access to our web through mobile devices (which it is generally called "web responsive"). Recent digital innovations include the Click & Pizza button, launched in 2015, that allows our clients to submit an order and pay for it with one click. In addition, customers can also reach our call center, where orders are processed digitally as if they were digital orders.

Our digital platform is very important for our core strategy and will be increasingly important in the future as digital penetration continues its progression. Our digital approach is to use a single global digital platform in our entire store network (both own and franchised and master franchised stores) in all our markets and to consolidate and increase our presence in social media. Convenience is the main driver for digital purchasing, including the speed at which one can make an order as well as the ease of providing payment. Young adults are generally the early adopters of such new digital technologies. Digital ordering is growing quickly, as digital penetration and e-commerce continue to increase.

Consequently, our digital strategy is focused mostly in mobile-based solutions and in particular, the development and improvement of our Telepizza application. The Telepizza application is the same for all the countries and manages different languages and currencies. Although we believe that our Telepizza application has contributed significantly to our current success in the digital segment, we believe that we can improve it by increasing simplicity and speed and offering additional payment options.

Our digital strategy is also focused on active presence in social media which we obtain through a dedicated community manager to increase engagement and targeted social media campaigns and promotions.

Our digital capabilities and platform present a number of tangible benefits, including higher order frequency, higher annual spend per consumer, reduced labor costs in store and increase in consumer loyalty and brand awareness. The consumer information obtained from our global digital platform and from social media allows us to build and develop our consumer database, which results in a better understanding of consumer demands and a better targeted marketing.

There are several measures that we hope to implement in order to achieve the above. We aim to have a renovated image to our application, a new navigation panel, push notification infrastructure, sound and image notification, marketing geofences, smartwatch apple and android capabilities and improvements in general connectivity. We also aim to implement a new, faster and lighter architecture in our application, redesign the user experience, feature google map street maps for our locations and have an e-Takeaway option. We expect that the implementation of these measures will require an investment of approximately €0.2 million.

**Own Stores, Franchises and Master Franchises**

As of December 31, 2015, 35% of our stores globally were own stores, 53% of our stores were franchised stores and 12% were master franchised stores. We believe that there are several benefits of owning our own stores, including development of knowledge of the local markets and enhanced flexibility, quality and delivery control, as well as capacity to test products and promotions. Disadvantages of the own stores model include investment risk and responsibility and costs over brand development. We have an average payback on our investment of less than three years.

The different steps we follow to open a new own store are the following: study and analysis of a new opening by the operations director and approved by the financial area; development of the business plan and payback target; selection of the store site taking into account factors such as visibility, ready accessibility, potential for signage and ease of installation of food preparation equipment; design of the new store; application for the required regulatory authorizations; request for supplies; development of an opening plan setting out the target the market and training programs and opening of the new store.

Once we are well-established in a certain market, the franchise model can be pursued. Our franchise network allows us to expand our network of stores in areas where they would not be as profitable without the

local knowledge and skill of the franchisee. In Spain, Portugal, Poland and Chile, where we would characterize our business as being consolidated, our franchised stores made up 72%, 58%, 76% and 36%, respectively, of our total store numbers in such markets as of December 31, 2015, while in Colombia, Peru and Ecuador, where our business is still relatively new compared with our well-established markets, our franchised stores made up 30%, 3% and 11%, respectively, of our total store numbers as of December 31, 2015.

In certain markets where the dynamics or business culture differ significantly from our consolidated markets, we team up with a carefully chosen local partner under a master franchise agreement covering an entire market. While franchise agreements allow a franchisee the right to operate one Telepizza store, with a license granted on a store-by-store basis, master franchise agreements allow a master franchisee control over 100% of the franchising activity in a specified territory, with the possibility of sub-franchising.

***Franchises and Franchise Agreements***

We have several strategies and processes to help make our franchises successful and maximize their economics. For example, we have a dedicated team in charge of monitoring and providing service to our franchisees, including providing them everything from main ingredients to cleaning products. We also help them in setting up our IT information technology management software and provide continuous training in order to ensure consistency and quality across our network. In situations where certain franchisees in our network have found themselves in financially stressed situations, we have also increased the relevant collection days.

The profile of our franchisees also contributes to the success of our franchises. In Spain, 75% of our franchisees are former employees of the Group and have extensive knowledge of us and operations, having typically worked their way up from delivery personnel. In Spain, all of the franchise agreements that expired in 2015 were renewed, which demonstrates their strong ties and loyalty with the Group as well as the success of our franchisee business model. Our franchisees are also mainly self-employed, promoting full involvement in the business, especially given that they are contractually prohibited under our franchise agreements from operating other brands.

We have a low concentration of franchisees, which reduces the risk of losing key franchisees. As of December 31, 2015, we had 302 franchisees in Spain who operated an average of 1.5 franchises. In Spain, 86% of our franchisees operate between one and three franchises and our top three largest franchisees operate 11, 11 and 9 franchises, respectively. In Portugal, Poland and Chile, our franchisees operate an average number of 1.4, 1.2 and 1.4 franchises, respectively.

We follow a strict procedure for granting new store franchises, which starts with the reception and analysis of an application. We have a specific division that assesses the suitability of potential franchisees. The selection process involves both an interview process and the submission of information concerning the experience and financial resources of the potential franchisee. In selecting potential franchisees, we take into account our views as to the areas and regions in which we consider there to be significant demand for a new store operation. Once the potential franchisee has obtained our final approval, we sign the franchise agreement. The franchisee then follows the same process to open a new store under our supervision and with our collaboration, which includes: elaborating a business plan, selecting a store location, designing the new store, obtaining the regulatory authorizations, requesting supplies, developing an opening plan and opening the new franchised store. Agreements typically contain a provision requiring the franchisee to open a store within 120 days of the date of execution of the franchise agreement.

We use standard form franchise agreements which are governed by the law of the country where the franchise operates. Franchise agreements typically provide for an "exclusivity" zone in which we may neither open own stores nor grant another franchise. This is contrasted with the "tolerance" zone, which is the larger area where the franchisee can serve delivery orders but where we may have another franchisee or operate ourselves. Franchisees cannot serve delivery orders outside the tolerance zone. Agreements stipulate that if a store has a turnover in excess of a designated amount within a defined period then the franchisee operating such store may be obliged at our request to open a new store within the assigned area.

Franchisees generally pay an opening fee of €20,000 on average, a 5% royalty over monthly gross sales (VAT excluded) and a marketing fee of between 3% to 4% over monthly gross sales (VAT excluded) as a contribution for general advertising of our franchised network. Franchisees operating mini-stores only pay the monthly royalty when their monthly sales (plus VAT) exceed a certain minimum amount. If the relevant threshold is exceeded, monthly royalties increase gradually depending on the amount of monthly sales, from 2% to 5% of their monthly sales. Franchisees also generally devote additional resources to direct marketing initiatives. For the purposes of calculating the applicable royalties, the franchisees communicate through our IT systems their daily gross sales on a daily basis and a summary of the monthly gross sales. Royalties are payable monthly. For some stores a lower marketing fee and royalty applies until a certain amount of sales is reached.

Franchisees are obliged to use our proprietary management software by entering into a software license agreement with us. Up-front and annual fees are payable in respect of the use of the software. See "—*Information Technology*". We also offer our franchisees payroll services and in consideration receive additional fees.

Franchise agreements oblige franchisees to exclusively purchase their requirements for pizza dough, pizza topping ingredients and ancillary items from us or exceptionally from suppliers approved by us. We negotiate with suppliers and establish the price at which franchisees purchase supplies from us. The cost of the supplies is billed to the franchisees on a monthly basis. Franchise agreements do not impose minimum supply orders on franchisees but they must maintain levels of stock set by us.

Franchisees are obliged to offer the whole range of Telepizza products (including all the pizzas, beverages and other products). In terms of the pricing strategy for the sale of pizza and other products, the franchisee may freely decide the prices of the products taking into account our recommended indicative prices.

Properties for franchised stores are generally leased by us and sub-leased by our Group companies to franchisees. We sub-lease approximately 49.3% of our franchised stores. Franchisees bear the cost of refurbishing the stores according to the image of our standard store and to the instructions we provide. Under our standard sub-lease agreement utilities are paid by the franchisee, as sub-lessor, together with certain minimum insurance coverage (against fire, flood and civil liability). The machinery and equipment of the franchised stores are owned by the franchisee.

The franchisees are responsible for recruiting the staff for their stores, which in the case of the traditional store format necessarily includes a store manager, two store assistants and, upon our request, a sales manager. The recruitment of these key store personnel is conditional upon approval from our human resources team and completing the relevant training programs. The recruitment by the franchisees of other store personnel including pizza makers, delivery men, cleaners or leaflet distributors does not require our approval.

We employ a team of regional supervisors who inspect all stores, including franchised stores, twice per month. These regional supervisors check that there has been compliance with the operating procedures that we have laid down and give advice on the operation of the individual stores. Franchise agreements generally permit us to require that the franchisee allow auditors designated by us to audit the accounts of a franchised store.

Typically, the term of franchise agreements in Spain is ten years but certain franchise agreements specify terms ranging between ten and 12 years and are generally renewable through a new agreement for two additional five-year periods with a renewal fee. As of December 31, 2015, the average residual life of franchise agreements in Spain was 6 years.

Upon expiry of a franchise agreement we have the option to buy back the franchise at our sole discretion. Also, if the franchisee does not want to renew the franchise, it must offer us the option to buy back the franchise within 12 months prior to the expiration of the franchise agreement. In addition, in case of underperformance of a specific franchisee, we may negotiate with the franchisee the buyback of that franchise. The price at which we buy back the franchise is negotiated on a case-by-case basis based on

certain parameters such as the value of the store assets or the average annual store sales. Once we buy back the franchise, we normally operate it ourselves for a certain period and then grant it to a new franchisee. The buyback typically includes the transfer of the employees of the franchised store. In certain cases we also transfer operating own stores to franchisees for a store transfer fee.

***Master Franchises and Master Franchise Agreements***

In certain markets, we enter into master franchise agreements with a master franchisee that grant the master franchisee control over the franchising activity in a specific territory, which can be either a country or a large region within a country. The master franchisee controls our brand in that specific market on an exclusive basis, and is able to open its own Telepizza stores or sub-franchise the brand. Master franchise models are advantageous in that we can execute quick brand dissemination with high potential profitability and without investment risk. Negatives of the master franchise model, however, include the larger scale that is required to generate significant profitability.

We typically use master franchises in markets where the dynamics or business culture differ significantly from our consolidated markets. We currently have eight master franchise agreements in place with seven master franchisees in Guatemala and El Salvador (served by the same master franchisee), Russia, Angola, Bolivia, Panama (which also serves Costa Rica), Venezuela and Saudi Arabia and one franchise agreement in the United Arab Emirates. A contractual termination event has occurred in connection with our master franchise agreement in Venezuela, which we executed in October 2013, and no stores have been opened or are expected to be opened in the near future. Our main franchisee is the Pollo Campero group, which operated 130 stores in Guatemala and El Salvador as of December 31, 2015, representing 27.7% of the revenues in the Master Franchises and Others segment. We have been operating in Guatemala and El Salvador since 2002 through Telepizza corners in Pollo Campero outlets. Our master franchise agreements in Guatemala and El Salvador both expire in 2017, but may be renewed for additional periods of seven and ten years, respectively.

We use a standard form master franchise agreement although terms vary between markets, including the possibility for sub-franchising, depending on the negotiations with the master franchisee and local regulations. In principle, we do not have any obligations or responsibilities with respect to the sub-franchisees. However, in certain circumstances upon expiry or termination of our master franchise agreements, we may subrogate in the position of our master franchisee vis a vis their sub-franchisees.

Master franchisees pay a store opening fee generally of up to €20,000 and a royalty on the monthly net sales of the stores directly operated by them of between 2.5% and 5%. If the master franchisee has sub-franchised stores, he also generally pays a 2.5% royalty on the monthly net sales of their sub-franchised stores. All royalty payments are paid by the master franchisees to us. In addition, master franchisees sometimes pay an initial master franchise fee, which varies considerably among countries (from €20,000 up to €500,000). Fees and royalties are payable on a monthly basis, although usually royalties are not paid for the first year provided that the opening plan is fully complied with. Master franchisees also devote 3% of the monthly net sales of all of their stores for local direct marketing initiatives.

Generally, the master franchisee is obliged to acquire certain supplies that we consider to be essential for our business (dough, cheese, tomato sauce and barbecue sauce) directly from us or from suppliers determined by us, but may contract with local suppliers for the rest of ingredients and products (subject to our approval). Master franchise agreements do not impose minimum supply orders on master franchisees. The master franchisee may also build and operate its own production facilities and develop its logistics network. We drive the main decisions regarding product offering and innovation and any variation in the product offering and the launching of new products. Any promotional activity is subject to our prior approval.

In terms of pricing strategy for the sale of pizza and other products, we may recommend prices for the products, although the master franchisee is always able to decide the final price of the products.

The more recent master franchise agreements (Angola, Panama and Costa Rica, Russia or Saudi Arabia) include a very demanding opening plan in the relevant territory and grant us rights of first refusal to

acquire the master franchisee's business in certain cases (offer from a third party, termination or expiration of the agreement) and investment options.

The master franchisee may decide the store locations subject to our inspection and approval, as long as the design and decoration of the stores comply with our corporate image and standard store.

The average life of master franchise agreements is generally ten years, renewable for an additional ten-year period at the request of the master franchisee. If upon expiry the master franchise agreement is not renewed, generally we will have the option to take over the position of the master franchisee in connection with the master franchised stores and will enter into a franchise agreement for all stores operated by the sub franchisee. Under certain circumstances, upon expiry or termination of a master franchise agreement, we have the option to purchase the assets and rights of our master franchises. As of December 31, 2015, the average residual life of our master franchise agreements was 8.85 years.

## Supplies, Manufacturing and Distribution

### *Supplies*

Our principal supplies can be divided into four categories: the dough for pizza bases, pizza topping ingredients, complementary products (such as beverages) and ancillary items (such as cardboard pizza delivery boxes and napkins). In 2015, 2014 and 2013, we spent €92.8 million, €86.9 million and €74.6 million on supplies. Of our total gross purchases, cheese represents approximately 32%, meat-based products represent approximately 21%, packaging represents approximately 8%, the dough ingredients represent approximately 5% and sauces 4%.

Our policy is to centralize dough manufacturing and the selection and purchase of pizza topping ingredients and complementary products for our own and franchised stores. Approximately 80% of procurement to our franchisees is done centrally. This centralizing policy allows us to ensure the quality and consistency of our products and provides us with additional purchasing power, as well as helping us to leverage on economies of scale, enhancing our ability to lower our cost of goods by obtaining volume discounts from suppliers.

The pizza dough is manufactured in our production facilities, which supply our standardized mixture to our own, franchised and master franchised stores. Some of our master franchisees operate their own production facilities, which produce dough under our product specifications and control. The main ingredients of our pizza dough are flour, water, oil and yeast, which we obtain from different suppliers globally.

Regarding pizza toppings, the most important ingredient is cheese. Except in certain countries where we use local suppliers due to import duties or other strategic reasons, our cheese is supplied by our strategic supplier, Ornua. We have four suppliers of cheese and dairy products globally (two in Europe and two Latin America). Under the terms of the Ornua Supply Agreement executed on August 18, 2014, Ornua supplies cheese, mozzarella, cream and other dairy products on an exclusive basis in Spain, Portugal, Chile and Poland. In the case of Chile and Poland the exclusivity is for 75% and 65% of the supply of these products, respectively. Supply orders are managed by our subsidiary Luxtor, S.A.U. and Ornua delivers the products to us in four delivery points located in Spain, Portugal, Chile and Poland. The Ornua Supply Agreement has a duration of 12 years (commencing in 2014), provides for minimum purchase amounts of ten million kilograms of cheese and other dairy products per year and sets forth variable prices which are reviewed quarterly depending on the fluctuations of raw materials (e.g. milk, casein and caseinate) and other factors.

The rest of the pizza topping ingredients (e.g. sauces, meat, poultry) and complementary products are produced by global or local suppliers, depending on the country, which need to comply with our product specifications and quality standards. In the case of meat-based products, Industrias Cárnicas Tello is our global supplier for Spain, Portugal, Poland and Chile. The terms of the supply are fixed every six months based on a standard template pre-agreed laying down, among other items, the quantities, prices and rebates, the payment and delivery terms and the supply assessment. In Peru, Colombia and Ecuador, we contract with

local suppliers to cover our meat needs. Master franchisees may contract with local suppliers, although they must be approved by us.

Regarding complementary products, we have different suppliers which provide us with products such as soft drinks, beer, water, juices and desserts. Our main suppliers of beverages are Coca-Cola in Spain and PepsiCo in other countries. On January 1, 2015 we signed an agreement with Coca-Cola Iberian Partners, S.A. for the supply on a non-exclusive basis of soft drinks such as Coca-Cola, Fanta, Sprite, Aquarius and Nestea. The agreement has an initial duration of five years and does not include an automatic right of renewal. Supplies are billed on the basis of the prices, discounts and updates contained in the agreement. We enter into local supply agreements with PepsiCo for the supply of certain beverage products.

We are not dependent on our suppliers and have alternative supply arrangements and emergency plans would be available should any of our independent contractors currently engaged by us be unable to provide the materials, supplies or service on the terms that we require. For example, an interruption in the operation of our facilities could have an impact on our supply of the dough used to make our products. Alternative dough supply include operating a dough production facility located in Portugal as well as shipping dough from Poland as a partial replacement. Cheese, on the other hand, is easier to replace, as we always have at least one week's stock and believe we could arrange to get it from alternative suppliers in a quick and efficient manner.

We have strict control over the whole food chain to guarantee product safety, regulatory compliance and assure the quality standards of our Group. For these purposes, we have supplier controls, production controls (raw materials analysis, production process control and final product control), self-checking systems in stores and production facilities, food handling training systems, food safety system verification, including external and internal audits and product analyses. We are able to trace the distribution of the raw materials from our production facilities or suppliers, as the case may be, to our stores.

***Manufacturing and Distribution***

Our business is characterized by a differentiated business model, with a vertically-integrated system made possible through our operation of our production facilities and logistics centers.

We currently operate seven dough production facilities located in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador. Our production facility in Portugal is inactive and currently operates only as a logistics center but may be used as a production backup for the Spanish production facility. Our production facilities have enough free capacity to serve as a backup of the neighboring countries and to potentially increase our pizza dough production.

We manage six logistics centers located in Spain, Portugal, Chile, Colombia, Ecuador and Peru (and outsource our logistics center in Poland), which are located next to our production facilities, and allow us to centralize the distribution of dough and other supplies to our own and franchised stores and to reduce inventory costs in stores.

Deliveries from the logistics centers to stores are generally contracted to integrated third-party logistical operators. In Spain and Portugal, Omega Delivery, S.L. manages the transport of supplies and products from our logistic centers to our store network (both own and franchised stores), under a transport services agreement that runs until December 2018. Transport prices under this agreement are based on a rate per kilogram transported which is annually updated depending on fuel prices and the consumer price index. The vehicles are owned by Omega Delivery, S.L. or subcontractors, but they are only permitted to display Telepizza advertising. The headquarters of Omega Delivery, S.L. are located in our production facility in Spain, which allows them to manage the logistic operations more directly and efficiently. In other geographies, we have in place similar transport agreements with local logistical operators. As of December 31, 2005, we had seven logistical operators globally, one in each of the markets where we are present. We believe that alternative logistical arrangements would be available should any of the independent contractors currently engaged by us be unable to provide service on the terms that we require.

Supply deliveries are made on demand by the different stores but normally take place twice or three times a week. Beverages, salads and ice creams are delivered directly to the stores by the suppliers.

Our transport expenses in 2015, 2014 and 2013 were €11.9 million, €9.5 million and €13.1 million, respectively.

Our master franchisees operate four production facilities globally, located in Guatemala, Russia, Angola and Bolivia, as well as their own logistics facilities. The rest of our master franchisees have their own suppliers which are homologated by us.

## Information Technology

Our proprietary information technology software SAGA enables our business to closely monitor our operations. All of our Group operations, including our franchises and most of our master franchises (Angola, Bolivia and Panama) use our SAGA software, which is an operations management system tailor-made for us that has a unique capability in fitting the pizza delivery business and a full integration with customer relationship management (CRM) and back-office capabilities. SAGA is the application owned by Telepizza Sub that enables Stores with Applications (store systems) and with the functionality of the commercial back-office (central systems) to operate in countries where we run our business.

SAGA is a two level system which manages both: our operations at a country level and those of our stores, with reporting, budget and sales monitoring capabilities. We use an onboard package approach, which shorten time-to-market, reduces implementation costs, and provides timely and effective business solution for pizza delivery to our franchisees and master franchisees. We provide assistance to help them to set up this information technology infrastructure in their business.

Our proprietary information technology software SAGA creates a substantial competitive advantage for us which is not available to our competitors who incur higher costs to use software comparable to SAGA.

Our investments in information technology equipment for the years ended December 31, 2015, 2014 and 2013 were €1.3 million, €0.6 million and €1.0 million, respectively.

Our information technology infrastructure has set up a disaster recovery planning, which includes having our mission-critical applications running in two active data centers, like SAGA CENTRAL, in case of failure our back office operations easily recovered in a secondary location. Each SAGA store information system at each STORE is fault-tolerant to communication issues.

## Human Resources

### *Employees*

As of December 31, 2015, we had approximately 10,837 employees across all our Group subsidiaries, divisions and geographies. As franchisees and master franchisees are independent business owners, they and their employees are not included in our employee count.

The following table sets out the distribution of the employees of the Group by function as of December 31, 2015, 2014 and 2013:

| | **Year ended December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | **%** | **2014** | **%** | **2013** | **%** |
| Stores | 9,917 | 91.51 | 9,875 | 91.69 | 10,973 | 91.76 |
| Headquarters | 572 | 5.28 | 561 | 5.21 | 567 | 4.76 |
| Production facilities | 348 | 3.21 | 334 | 3.10 | 413 | 3.48 |
| **Total** | **10,837** | **100.00** | **10,770** | **100.00** | **11,953** | **100.00** |

As of December 31, 2015 the average number of employees per own store was 21.5 employees per own store, calculated as the total number of employees working in the stores divided by the total number of own stores.

The following table sets out the distribution of our employees by geographic location as of December 31, 2015, 2014 and 2013:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | % | 2014 | % | 2013 | % |
| **Spain** | 6,175 | 57.0 | 6,424 | 59.7 | 7,546 | 63.1 |
| **Rest of Europe** | | | | | | |
| Portugal | 1,488 | 13.7 | 1,358 | 12.6 | 1,153 | 9.7 |
| Poland | 209 | 1.9 | 218 | 2.0 | 270 | 2.3 |
| **Latin America** | | | | | | |
| Chile | 1,752 | 16.2 | 1,634 | 15.2 | 1,580 | 13.2 |
| Colombia | 675 | 6.2 | 730 | 6.8 | 1,071 | 9.0 |
| Peru | 339 | 3.1 | 269 | 2.5 | 265 | 2.2 |
| Ecuador | 199 | 1.8 | 137 | 1.3 | 68 | 0.6 |
| **Master Franchises and Others** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Group** | **10,837** | **100.00** | **10,770** | **100.00** | **11,953** | **100.00** |

We believe that one of the major challenges in the management of our business is the nature of our workforce, which has relatively high levels of turnover, particularly among the pizza makers and pizza deliverers. As of December 31, 2015, 5,984 of our employees in Spain, representing 98.24% of our total employees in Spain, were permanent employees, while 191 employees, representing 1.76% of our total employees in Spain, were temporary employees. The following table sets forth the number of total permanent and temporary employees in Spain as of December 31, 2015, 2014 and 2013:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Permanent (Spain) | 5,984 | 6,074 | 7,326 |
| Temporary (Spain) | 191 | 350 | 220 |
| **Total (Spain)** | **6,175** | **6,424** | **7,546** |

We also employ both full-time and part-time employees. Most of the part-time employees of the Group are store assistants and pizza deliverers. The following table sets forth the number of full-time and part-time employees of the Group as of December 31, 2015, 2014 and 2013:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Full-time | 2,662 | 2,666 | 3,082 |
| Part-time | 8,175 | 8,104 | 8,871 |
| **Total** | **10,837** | **10,770** | **11,953** |

The following table sets forth the number of full-time employees of the Group by category as of December 31, 2015, 2014 and 2013:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Management | 36 | 34 | 40 |
| Store managers | 409 | 407 | 468 |
| Other Personnel | 2,217 | 2,225 | 2,574 |
| **Total Full-time employees** | **2,662** | **2,666** | **3,082** |

The employee figures contained in this section of the prospectus and those contained in the Financial Statements differ significantly, given that the figures contained in this prospectus reflect the total number of employees while the Financial Statements reflect the full-time equivalent employees. While the total number of employees is the headcount of all employees hired by any company of the Group, irrespective of the number of working hours of their contracts, the reference to full-time equivalent employees refers to the number of full-time employees that the Group would employ if all of its employees were employed under contracts requiring 40-hour work weeks. Accordingly, the number of full-time equivalent employees is calculated by multiplying the headcount of employees by their respective weekly working hours and dividing by 40 weekly hours.

In 2013 we started a personnel restructuring plan finalized in 2014 which affected 158 employees.

***Collective Bargaining Agreements***

Our relations with our employees in Spain are regulated by the National Bargaining Agreement for Preparers of Cooked Products for Home Delivery (*Convenio Colectivo Estatal de Elaboradores de Productos Cocinados para su Venta a Domicilio*) (the "Collective Bargaining Agreement") entered into between the Spanish Cooked Products for Home Delivery Association (*Asociación Española de Comidas Preparadas para su Venta a Domicilio*) (*PRODELIVERY*), of which the Company and Telepizza Sub are members and the trade unions (*Unión General de Trabajadores* and *Comisiones Obreras*), on behalf of the employees. The Collective Bargaining Agreement took effect from January 1, 2012 and is automatically extended each year provided that no notice of termination is filed by either of the parties at least two months prior to its termination date. The Collective Bargaining Agreement applies to all of our employees in Spain (both permanent and temporary and full-time and part-time employees). As of the date of this prospectus, the Collective Bargaining Agreement is in force.

The Collective Bargaining Agreement includes a salaries table (*tabla salarial*) with the minimum salaries for the sector, broken down into the different categories of employees, which is subject to revision each year. Under the Collective Bargaining Agreement, employees are entitled to 31 days of paid holidays.

In Portugal, our relationships with our employees are regulated under the collective bargaining agreement entered into between the Portuguese Hotels, Restaurants and Others Association (*Associaçao da Hoteleria, Restauraçao e Similares de Porugal (AHRESP))* and the Services Workers Syndicates Federation (FETESE). In Chile, the workers of the production facility are covered by a collective bargaining agreement. As of the date of this prospectus, the collective bargaining agreements in Portugal and Chile are in force.

We do not have a significant level of trade union membership in Spain or in any of the countries where we have employees. We believe we have a good relationship with our employees, and have not experienced significant conflicts with our labor force or the unions in the past.

***Training Programs***

As a matter of our policy and strategy, we place significant emphasis on staff training, including for franchisees and master franchisees, in order to ensure consistency of standards and productivity.

The main objectives of our global training and development plan are aligned with the current market situation and our strategy:

- To promote client orientation and satisfaction in all its aspects and from every group in our organization, in order to integrate the clients' expectations and needs in the design, development and manufacturing, as well as in the customer service and sale processes, ensuring a higher client satisfaction;
- To increase and improve the commercial management, making more professional the figure of the commercial supervisor in each business unit, to strengthen our marketing strategies;
- To ensure and improve quality, work safety and health standards, in accordance with labor law and food industry regulations and to comply with the risk prevention plan in force;
- To promote the development of senior management skills and capacities in order to make easier the chain of command and internal communication; and
- To achieve the development of the employees and their adaptation to the technical skills of their post.

***Employee Benefits***

In addition to salaries and commissions, the remuneration policies of our central services employees in Spain include a collective insurance policy for death or total disability during working hours. There are also life and accident insurance policies for certain of the senior managers.

We do not have and do not intend at this time to establish or subsidize a pension or savings plan for our employees other than in favour of the members of our board of directors and the senior management. We have a fleet of vehicles which are assigned to members of our senior management and other managers.

As of the date of this prospectus, there are no stock-based plans or any other arrangements for involving our employees in our share capital other than in favour of the members of our board of directors and the senior management. See "*Board of Directors and Management—Compensation*".

### Intellectual Property

Our most important trademarks are "Telepizza" and (in Colombia) "Jeno's Pizza". The "Telepizza" name is registered or we have applied for its registration, in 81 countries, including all the countries in which we operate. Our policy is to protect and defend our most important trademarks to the greatest extent possible as we believe that they have significant value and are important to our business. To this effect, the most significant trademarks of our Group are protected at domestic, EU and international level in a wide range of the international nomenclature classes.

We own all trademarks that are in use chain-wide. We license the use of our registered brands to franchisees through franchise and master franchise agreements.

As of the date of this prospectus, there are no proceedings or claims in connection with our trademarks in the countries where we operate.

### Insurance

We maintain the types and amounts of insurance coverage that we believe are consistent with customary industry practices in Spain according to internal insurance policies that are periodically reviewed by our Audit and Control Committee. We have contracted insurance policies that cover employee-related accidents and injuries, property and equipment damage, inventory damage and civil and criminal liability deriving from our activities. Pursuant to the terms of our standard franchise agreement, franchisees are also required to maintain at their expense minimum levels of insurance coverage against fire, floods and civil liability. The coverage provided by each of the insurance policies we have contracted is based on the terms and conditions included in each specific policy. Our expenditure on insurance premiums for the years ended December 31, 2015, 2014 and 2013 amounted to €1.3 million, €1.4 million and €1.6 million, respectively.

As of the date of this prospectus, we are not aware of any material issue that would invalidate our currently held insurance policies.

## Properties and Leases

As of the date of this prospectus, we do not own most of our real estate properties. Substantially all of the premises we occupy, including our headquarters in Madrid, production facilities, logistics centers and stores, are leased.

The only production facility we own is the one located in Warsaw, Poland. The following table sets forth certain information relating to the lease of each production facility and to the lease of our headquarters in Madrid:

| | **Location** | **Area** *(square meters)* | **Annual lease paid in 2015** *(in thousands of €)* | **Expiry date of lease** | **Right of renewal** |
|---|---|---|---|---|---|
| Spain | Daganzo de Arriba (Madrid) | 34,716.35 | 1,428.8 | May 17, 2017 | Yes |
| Chile | Comuna de Macul (Santiago) | 2,900 | 162.1 | August 31, 2018 | Yes |
| Portugal | Quinta do Anjo, Palmela (Setúbal District) | 3,400 | 220.4 | November 21, 2018 | Yes |
| Colombia | Funza (Cundinamarca) | 2,400 | 149.8 | April 30, 2023 | Yes |
| Peru | Satiago de Surco (Lima) | 416 | 36.9 | December 31, 2016 | No |
| Ecuador | Guayaquil | 80 | 10.4 | March 31, 2017 | Yes |
| Spain | San Sebastián de los Reyes (Madrid) | 4,791 | 821 | September 26, 2019 | No |

For the lease of our stores in Spain we generally pay a fixed rent which is revised annually according to the consumer price index, except for the lease of stores in shopping malls, where we pay both a fixed and a variable rent based on revenues. The lease agreements of most of our stores provide an average term of ten years, generally allowing us to terminate the lease early without penalty giving due notice. In the leases of stores in shopping malls, there is a compulsory lease period of five years (on average) where early termination is not permitted.

Properties for franchised stores are generally leased by us and sub-leased by our Group companies to franchisees. In Spain, these sub-lease agreements generally have the same term as the franchise agreement (ten years) and early termination is not permitted. Rents increase during the first years and are updated thereon annually according to the consumer price index. Also, under the terms of the sub-lease agreements we are entitled to pass on to our franchisees any increase in the rent of our lease agreements. In 2015, 2014 and 2013, the total amounts received under the sub-lease agreements to our franchisees were €2.4 million, €2.9 million and €1.9 million, respectively.

We do not have any guarantee or other obligations in favour of lessors or vendors in relation to properties which have been leased or purchased by franchisees.

In 2015, 2014 and 2013, the total expenses incurred relating to the operating leases of the Group were €26.0 million, €27.9 million and €30.2 million, respectively. As of December 31, 2015, future payments under non-cancellable operating leases are shown in the following table:

| | **Year ended December 31, 2015** |
|---|---|
| | *(in millions of €)* |
| Less than one year | 12.2 |
| One to five years | 32.6 |
| More than five years | 23.0 |

| | Year ended December 31, 2015 |
|---|---|
| | (*in millions of €*) |
| **Total** | 67.8 |

In addition, as of December 31, 2015, the future minimum payments under operating leases, considering the payments to be accrued based on the lease period set out in the lease contracts, irrespective of the fact that most of the store lease contracts can be cancelled subject to a short period of notice, are shown in the following table:

| | Year ended December 31, 2015 |
|---|---|
| | (*in millions of €*) |
| Less than one year | 19.3 |
| One to five years | 51.2 |
| More than five years | 40.8 |
| **Total** | 111.3 |

As of December 31, 2015, we owned 2,301 motorbikes in Spain used for deliveries. The investment in our motorbike network in Spain in 2015, 2014 and 2013 was €0.5 million, €0.4 million and €0.5 million, respectively. Our franchisees are responsible for the purchase and maintenance of their own motorbikes used or deliveries.

The machinery and technical installations of our production facilities and of our own stores accounted for 75% of our total gross tangible assets as of December 31, 2015. Our franchisees and master franchisees own the machinery and equipment of their stores.

### Legal Proceedings

We undergo tax audits in our ordinary course of business. Certain of our subsidiaries are currently undergoing tax audits, including our subsidiary in Poland, which is subject to a VAT audit for the year ended December 31, 2011, and one of our subsidiaries in Portugal, which has been notified of the initiation of a tax audit regarding the years ended December 31, 2013 and 2014. As of the date of this prospectus, no further information can be provided regarding these audits as they are at an early stage.

Save for the audits mentioned above, as of the date of this prospectus, there are no, and during the 12 months preceding such date, there were no, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), which may have, or have had in the recent past significant effects on our financial position or profitability.

### Regulation

We are subject to extensive national and local laws and regulations relating to general matters in all the countries in which we operate, including, among others, food safety, environmental protection, zoning, labor laws, information security, consumer protection and retail business in general.

Our dough manufacturing activity and the distribution of our products in our stores are subject to national and regional laws, European regulations and guides relating to food safety which establish rules as to hygiene in the transport, storage and handling of foodstuffs and the obligation to seek registration in certain official registries. In Spain, we are subject, among others, to Regulation (EC) No 178/2002, of the European Parliament and of the Council, of January 28, laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety; Regulation (EC) No 852/2004, of the European Parliament and of the Council, of April 29, on the hygiene of foodstuffs; Regulation (EC) 853/2004, of the European Parliament and of the Council, of April 29, laying down specific hygiene rules for food of animal origin; Regulation (EU) 1169/2011, of the European Parliament and of the Council, of October 25, on the provisions of food information to consumers;

Law 17/2011, of July 5, on food safety and nutrition (*Ley 17/2011, de 5 de julio, de Seguridad Alimentaria y Nutrición*); Royal Decree 3484/2000, of December 29, establishing health rules for the production, distribution and sale of prepared food (*Real Decreto 3484/2000, de 29 de diciembre, por el que se establecen las normas de higiene para la elaboración, distribución y comercio de comidas preparadas*) and Royal Decree 126/2015, of February 27, approving the general regulation relating to the information of food products for sale to consumers and the general public presented without packaging or labeling, those packaged and labeled at points-of-sale at the consumer's request, and those packaged or labeled by retailers (*Real Decreto 126/2015, de 27 de febrero, por el que se aprueba la norma general relativa a la información alimentaria de los alimentos que se presenten sin envasar para la venta al consumidor final y a las colectividades, de los envasados en los lugares de venta a petición del comprador, y de los envasados por los titulares del comercio al por menor*). In accordance with the provisions of Royal Decree 191/2011, of 18 February, regulating the General Registry of Food Businesses and Foodstuffs (*Real Decreto 191/2011, de 18 de febrero, sobre el Registro General Sanitario de Empresas Alimentarias y Alimentos*), Telepizza Sub is registered in the General Registry of Food Businesses and Foodstuffs (*Registro General Sanitario de Empresas Alimentarias y Alimentos*), which aims at controlling companies operating in the food sector. Additionally, certain of our employees are required to obtain a "food handling card" issued by the health and safety authorities of each autonomous community in which we operate.

Each of our production facilities, logistics centers and stores is subject to licensing and regulation by a number of governmental authorities and we are required to obtain the relevant licenses to meet certain national and local laws and regulations concerning the opening and operation of our facilities and stores, including waste disposal, pollution and protection of the environment. In particular, our Spanish production facility and logistics center are subject to environmental evaluation proceedings and to waste disposal obligations regulated in Act 21/2013, of December 9, on environmental evaluation (*Ley 21/2013, de 9 de diciembre, de evaluación ambiental*), Act 22/2011, of July 28, on waste and contaminated soil (*Ley 22/2011, de 28 de julio, de residuos y suelos contaminados*) and the consolidated text of the Water Act, passed by Royal Legislative Decree 1/2001, of July 20 (*Texto refundido de la Ley de Aguas, aprobado por el Real Decreto Legislativo 1/2001, de 20 de julio*).

The commercial activity of our stores and franchises is subject to national, regional and local regulations on retail trade and consumer protection. In particular, Act 7/1996, of January 15, on retail trade (*Ley 7/1996, de 15 de enero, de Ordenación del Comercio Minorista*) sets out the legal framework for the Spanish retail business in general and regulates, among other things, certain special sales or promotion activities. In terms of consumer protection in Spain, our activity is subject to the general Act for the Protection of Consumers and Users, approved by Royal Decree 1/2007, of November 16 (*Real Decreto Legislativo 1/2007, de 16 de noviembre, por el que se aprueba el texto refundido de la Ley General para la Defensa de los Consumidores y Usuarios*).

Our franchised and master franchised stores are subject to national, regional and local laws and regulations in the countries where we operate dealing with franchising that often are similar to those affecting our domestic stores. In Spain we are subject to Act 7/1996, Royal Decree 201/2010, of February 26 (*Real Decreto 201/2010, de 26 de febrero, por el que se regula el ejercicio de la actividad comercial en régimen de franquicia y la comunicación de datos al registro de franquiciadores*) and any other applicable regional and local regulations, which regulate the assignment of franchises and the operation and organization of franchisors' registry.

Our franchise agreements are also subject to national, regional and local antitrust laws and regulations. In Spain, we are subject to the Competition Act 15/2007 of July 3 (*Ley 14/2007, de 3 de julio, de Defensa de la Competencia*) and to Article 101 of the Treaty on the Functioning of the European Union, which prohibit agreements and concerted practices with an anticompetitive object or effect on the market. Commission Regulation (EU) No 330/2010 of April 20, 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices is also applicable to franchise agreements to the extent that they meet the criteria set forth in Articles 3, 4 and 5.

## BOARD OF DIRECTORS AND MANAGEMENT

### Board of Directors

The composition, responsibilities and functioning of our board of directors is regulated by the Spanish Companies Act, our bylaws and the regulations that govern our board of directors (the "Board Regulations"). The Board Regulations were approved by our board of directors on March 31, 2016 and will enter into effect on Admission. As of the date of this prospectus the Board Regulations are pending to be registered with the Commercial Registry.

The Spanish Companies Act provides that the board of directors is responsible for the management, administration and representation of a company in respect of its business matters, subject to the provisions of the bylaws and except for those matters expressly reserved to the general shareholders' meetings.

Pursuant to Articles 249 bis and 529 ter of the Spanish Companies Act, our bylaws and our Board Regulations, the following matters must be approved by the board of directors and, subject to certain exceptions, may not be delegated to any board committee or to any of our attorneys or representatives:

- The supervision of the operation of committees and the actions of delegated bodies and any appointed executives.
- The definition of the Company's general policies and strategies.
- The authorization or waiver of the obligations resulting from the duty of loyalty in accordance with Article 230 of the Spanish Companies Act.
- The organization and operation of the board itself.
- The drafting of the annual accounts and their submission to the general shareholders' meeting.
- The drafting of any type of report required by law from the managing body provided that the transaction to which the report relates cannot be delegated.
- The appointment and removal of managing directors of the Company, and stipulation of the contractual terms of their appointment.
- The appointment and removal of executives directly reporting to the board or to any of its members, and the stipulation of the basic terms of their contracts, including the compensation.
- Any decision concerning the directors' compensation, within the statutory framework, and as the case may be, the remuneration policy approved by the shareholders.
- The calling of general shareholders' meetings and preparation of the agenda and proposed resolutions.
- The policy concerning treasury shares.
- Any powers delegated by the general shareholders' meeting to the board of directors, save where expressly authorized by shareholders to delegate those powers further.
- The approval of the strategic and business plan, the management goals and annual budgets, the investment and financing policies and the corporate social responsibility and dividend policies.
- The determination of the risk control and management policies, including tax risks, and oversight of the internal information and control systems.
- The definition of the corporate governance policy of the Company and of the Group; its organization and functioning and, in particular, the approval and amendment of its own rules.
- The approval of financial information which, due to being listed, the Company must periodically publish.
- The definition of the structure of the Group.

- The approval of investments or transactions of all kinds which due to their high value or specific characteristics are of particular tax risk or strategic nature, save where these are approved by shareholders.
- The approval of the creation or acquisition of interests in special purpose vehicles or entities domiciled in tax havens and any other similar transactions or operations which due to their complexity could make the Company and its Group less transparent.
- The approval, subject to a report from the Audit and Compliance Committee, of transactions between the Company or companies in its Group with directors, in accordance with Articles 229 and 230 of the Spanish Companies Act, or with shareholders that, individually or jointly, hold a significant interest, including shareholders represented on our board of directors or the boards of other companies forming part of the same group or with persons related to them. Transactions entered into pursuant to an agreement with standard conditions applied to a wide range of clients; entered into for a price generally applied by the party acting as supplier; and which do not exceed 1% of the Company's annual turnover will be exempt from this approval.
- The definition of the Company's tax strategy.

In cases of emergency, duly justified, decisions on the above matters may be adopted by delegated bodies or persons. Such decisions must be ratified at the first board meeting held after the adoption of the relevant decision.

***Composition and governance of the board of directors***

*Board of directors of the Company*

Our bylaws and Board Regulations provide for a board of directors consisting of between five and fifteen members. In accordance with the resolution approved by our general sole shareholder on March 31, 2016, our board of directors is currently composed of seven members, of which three are independent directors, three are proprietary directors and one is an executive director.

Pursuant to the Spanish Companies Act, a director is categorized as "independent" if he or she has been appointed based on his or her personal and professional conditions and is able to perform his or her duties without being impaired by his or her relationships with us, our significant shareholders or our senior management. The Spanish Companies Act sets out a series of objective criteria which may prevent a director from being categorized as "independent".

According to our bylaws and our Board Regulations, our directors are elected by the general shareholders' meeting to serve for a maximum term of four years and may be re-elected to serve for an unlimited number of terms of the same duration (save that no independent director can serve for more than 12 years and still be considered independent). If a director does not serve a full term, the board of directors may fill the vacancy by appointing a replacement director to serve until the next general shareholders' meeting subject to subsequent approval at a general shareholders' meeting (*nombramiento por cooptación*). Any natural or legal person may serve on the board of directors, except for persons specifically prohibited by applicable law. A director may be removed from office by the shareholders at a general shareholders' meeting, even if such removal is not included on the agenda for that general shareholders' meeting.

According to our Board Regulations, our directors must tender their resignation to the board of directors, which may accept such resignation, in its discretion, under the following circumstances: (i) when such director's participation on the board of directors is contrary to applicable law or our bylaws for reasons of ineligibility or incompatibility; (ii) where the circumstances that lead to the director's appointment cease to exist, in the case of proprietary directors where the director had been appointed to represent a shareholder that transfers all of its shares or part of its shares and such transfer requires the removal of the director by such transferring shareholder pursuant to Spanish corporate regulations, and in the case of independent directors, where it cannot be deemed as such according to Spanish law; (iii) when such director's participation on the board of directors jeopardizes or prejudices the interest, credit or reputation of the Company; (iv) when the director ceases to hold the executive office position to which such member's

appointment as director was related; or (v) where the director breaches his or her duties resulting in a serious infringement of Spanish law or our bylaws or causes a serious damage to the Company.

The chairman of the board of directors is elected from among the members of the board of directors. One or more vice-chairman, who act as chairman in the event of the chairman's absence or incapacity, may be elected among the members of the board of directors. Pursuant to Article 529 septies of the Spanish Companies Act and to the Board Regulations, if the chairman of the board of directors is an executive director, the board shall appoint a coordinating director (*consejero coordinador*) among the independent directors. The coordinating director has the power to request the chairman to call a board meeting and include new items on the meeting's agenda, to coordinate non-executive directors and to lead, if necessary, the regular evaluation of the chairman of the board of directors. The secretary and, where applicable, the vice-secretary of the board of directors, do not need to be directors. According to Spanish law and the Board Regulations, the board of directors appoints our executive officers and supervises our operations. Moreover, the board of directors is entrusted with calling shareholders' meetings and implementing shareholders' resolutions.

The chairman of the board of directors may call a meeting of the board of directors whenever he or she considers it necessary or convenient. The chairman of the board of directors is also required to call a meeting of the board of directors at the request of one-third of the members of the board of directors or, where applicable, at the request of the coordinating director. If the chairman does not call such meeting within one month from such request, those directors would be entitled to call the meeting directly. According to our Board Regulations, our board of directors shall meet at least eight times a year.

Our bylaws and Board Regulations provide that the majority (half plus one) of the members of the board of directors (attending in person or represented by proxy by another director) constitutes a quorum. Except as otherwise provided by law and in the Board Regulations, resolutions of the board of directors are approved by an absolute majority of the directors attending or represented at a board meeting.

*Managing body of Telepizza Sub*

The Company, as sole shareholder of Telepizza Sub, intends to change the managing body of Telepizza Sub from a board of directors to a sole director (*administrador único*) before Admission. The Company, acting as sole shareholder of Telepizza Sub, expects to appoint itself, represented by Mr. Pablo Juantegui Azpilicueta, as sole director of Telepizza Sub.

### *Directors*

The following table sets out the names of the members of our board of directors, their positions within the board of directors, their category as directors and, where relevant, the shareholder they represent, as well as the person acting as our secretary director (*secretario consejero*). As of the date of this prospectus, all of the directors have been appointed by our sole shareholder and the secretary director has been appointed by our board of directors.

| Name | Date of first appointment | Expiry date of appointment | Age | Title[1] | Shareholder represented | Category |
|---|---|---|---|---|---|---|
| Mr. Pablo Juantegui Azpilicueta ......... | March 31, 2016 | March 31, 2020 | 54 | Chairman and CEO[2] | - | Executive |
| Mr. Carlos Mallo Álvarez .................. | January 22, 2016 | March 31, 2020 | 49 | Vice-chairman | Telefood (Permira Funds) | Proprietary |
| Mr. Alejo Vidal-Quadras de Caralt ..... | January 22, 2016 | March 31, 2020 | 36 | Director | KKR Funds | Proprietary |
| Mr. John Derkach............................... | March 31, 2016 | March 31, 2020 | 59 | Director | - | Independent |
| Mr. Luis Daniel Sanz Suárez.............. | March 31, 2016 | March 31, 2020 | 63 | Director | - | Independent |
| Mr. Juan Riva de Aldama .................. | April 6, 2016 | April 6, 2020 | 43 | Director | - | Independent |
| Mr. Javier Gaspar Pardo de Andrade .. | March 31, 2016 | March 31, 2020 | 59 | Secretary Director | Telefood (Carbal, S.A.) | Proprietary |

*Notes:—*

(1) As of the date of this prospectus, the appointments of all the members of our board of directors and the Chairman, Vice-chairman and Secretary of the board of directors are pending to be registered with the Commercial Registry. Such appointments were decided by our sole shareholder on March 31, 2016, except for the appointment of Mr. Juan Riva de Aldama, decided by our sole shareholder on April 6, 2016. We expect these appointments to be registered with the Commercial Registry before Admission.

(2) As of the date of this prospectus, the appointment of Mr. Pablo Juantegui Azpilicueta as chief executive officer of the Company, which was agreed by our board of directors on March 31, 2016, is pending to be registered with the Commercial Registry. We expect this appointment to be registered with the Commercial Registry before Admission.

Mr. Alejandro Ortiz Vaamonde was appointed vice-secretary by the board of directors on March, 31, 2016. Mr. Alejandro Ortiz Vaamonde is a partner at Linklaters, S.L.P., which act as legal advisors to the Company as to English, U.S. and Spanish law in the Offering.

In addition, as the Chairman of the board of directors is executive director, Mr. Juan Riva de Aldama was appointed as coordinating director by the board of directors on April 6, 2016.

All members of the board of directors designate our registered address as their professional address for the purposes of this prospectus.

The biographies for each of the members of our board of directors, including a brief description of each director's business experience and education, are set out below:

*Mr. Pablo Juantegui Azpilicueta*

Mr. Juantegui joined the Group as Chief Executive Officer in November 2009. Mr. Juantegui has 22 years of experience in the consumer and retail sector and 8 years of experience in the healthcare sector and has been Managing Director in national and multinational companies for 22 years.

Mr. Juantegui holds a degree in Business Administration from the Complutense University of Madrid and a Master of Business Administration degree from IE Business School.

*Mr. Carlos Mallo Álvarez*

Mr. Mallo joined the Group in 2006 as a member of the board of directors of Telepizza Sub. He is currently a member of the board of directors of Cortefiel and eDreams Odigeo, among others. He has been a member of the Investment Committee and the Executive Committee of Permira since 2009. Before joining Permira in 2003, he worked for 3i Group in the United Kingdom and Spain and before that, he worked in the food retail distribution sector as Product Manager for Centros Comerciales Continente, which today is part of the Carrefour Group.

Mr. Mallo holds a degree in Engineering from the Technical University of Madrid and a Master of Business Administration degree from IE Business School.

*Mr. Alejo Vidal-Quadras de Caralt*

Mr. Vidal-Quadras joined the Group as a member of the board of directors of Telepizza Sub. Mr. Vidal-Quadras is a Director at KKR in its Madrid Office, responsible for developing and supporting KKR's investment platforms in Spain. Prior to joining KKR in 2014, Mr. Vidal-Quadras was head of 3i Spain where he had worked since 2005 and represented 3i in several boards of its portfolio companies. Prior to 3i, he worked at Rothschild, S.A. in Madrid.

Mr. Vidal-Quadras holds a combined Bachelor in Business Administration and a M.B.A. at ESADE in Barcelona as well as a M.A. in Management CEMS at London School of Economics and HEC Paris.

*Mr. Javier Gaspar Pardo de Andrade*

Mr. Javier Gaspar Pardo de Andrade joined the Group in 1999 as Secretary of the board of directors and responsible for the legal affairs. Mr. Gaspar is specialized in corporate and commercial law as well as in litigation an arbitration. He is a member of the Madrid Bar (ICAM) since 1979 and a partner of the law firm VCGH Abogados since that same year. He is also an arbitrator appointed by the Madrid Chamber of Commerce and Industry and by AEADE.

Mr. Gaspar holds a degree in Law and a degree in Political Sciences and Sociology from the Complutense University of Madrid.

*Mr. John Derkach*

Mr. Derkach joined the Group in October 2014 as an observer at the board of directors of Telepizza Sub in connection with the 2014 PIK Loan to the Selling Shareholder. His role consisted in attending but not voting at the board meetings, being informed of the development of our business and participating in the discussions as industry expert. Mr. Derkach has no other business relationships with the Company nor, to the knowledge of the Company as confirmed by Mr. Derkach, with the lenders under the 2014 PIK Loan to the Selling Shareholder nor with any of the Company's direct and indirect shareholders.

He worked at PepsiCo for ten years and then at Whitbread from 1994 to 2012. Amongst other roles, he was Chief Executive Officer of Pizza Hut (UK) for three years and Chief Executive Officer of Costa Coffee for six years. He is currently Chairman of EAT, a UK food-to-go chain and Le Bistrot Pierre, a UK casual dining restaurant chain.

Mr. Derkach holds an Honours degree in History from Cambridge University and is a graduate of Harvard Business School's Advanced Management Program.

*Mr. Luis Daniel Sanz Suárez*

Mr. Sanz was appointed as a member of the board of directors of the Company in March 2016. Mr. Sanz has more than 20 years of experience as a Chief Financial Officer in different companies such as the Empresa Nacional del Uranio, the Spanish National Industry Institute (INI) or the State Association of Industrial Participations (SEPI). He has also held senior management positions and has been the Chief Executive Officer in companies from very different sectors (communications, energy, financial or retail, among others).

Mr. Sanz holds a degree in Engineering from the Higher School of Industrial Engineers of Madrid (ETSIP) and a Master of Business Administration degree from IE Business School and London Business School.

*Mr. Juan Riva de Aldama*

Mr. Riva was appointed as a member of the board of directors of the Company in April 2016. Mr. Riva is founder and currently Chief Executive Officer of Multiplatform Content (MPC), a content production and distribution company for cinema, TV and social media. He is also a member of the board of directors of several entertainment and finance companies. He has a large experience as manager and member of the board of several companies in the media sector such as Antena 3 TV, New Media of Telefónica Media, Movierecord or BBVA Tickets among others, and worked for Credit Suisse and Bankers Trust in London and New York in investment banking.

Mr. Riva holds a Bachelor degree in Business Administration *cum laude* from the European Business School (EBS) and EMP from Standford Graduate School of Business and Entrepreneurship program at Harvard Business School.

The following table sets out all entities in which the members of the board of directors have been appointed as members of administrative, management or supervisory bodies, or in which they have held partnership positions at any time during the five-year period preceding the date of this prospectus, indicating whether or not each person is still a member of any such bodies or holds any shares in any such entities. Our Board Regulations set a maximum number of nine board companies on which our directors may serve, unless they are expressly authorized by our board of directors to exceed this number.

| Director | Entity | Sector | Position/Title | In office |
|---|---|---|---|---|
| **Mr. Pablo Juantegui Azpilicueta** | Bodaclick, S.A. | Retail | Director | No |
| | Jauna Consulting Agency, S.L. | Information and | Director | Yes |

| Director | Entity | Sector | Position/Title | In office |
|---|---|---|---|---|
| | | Communication | | |
| | Tele Pizza, S.A.U.[(1)] | Food | Director | Yes |
| **Mr. Carlos Mallo Álvarez** | Permira Asesores, S.L. | Financial | Managing Director | Yes |
| | Permira Holdings Limited | Financial | Director | No |
| | Dinosol Supermercados | Distribution | Director | No |
| | Grupo Cortefiel | Retail | Director | Yes |
| | Edreams Odigeo | Travel | Director | Yes |
| | Rezma Inversiones | Financial | Director | Yes |
| | Elsinor Investments | Financial | Director | Yes |
| | Kutcharo Investments | Financial | Director | Yes |
| | Sociedad de Gestión y Asesoría, S.A. | Real Estate | Director | Yes |
| | Estudio y Práctica Agrícola | Agricultural | Director | Yes |
| | Estudio de Decisiones de Empresa | Consultancy | Director | Yes |
| | Tele Pizza, S.A.U.[(1)] | Food | Director | Yes |
| **Mr. Alejo Vidal-Quadras de Caralt** | Tele Pizza, S.A.U.[(1)] | Food | Director | Yes |
| | Cementos Balboa | Construction | Director | Yes |
| | Papresa | Construction | Director | Yes |
| | GID | Construction | Director | Yes |
| | 3i Group plc Sucursal en España | Financial | Head of Iberia | No |
| | Memora Servicios Funerarios | Funerary | Director | No |
| | Boomerang TV (and subsidiaries) | Audiovisual | Director | No |
| **Mr. Javier Gaspar Pardo de Andrade** | VCGH Abogados | Legal | Partner | Yes |
| | Sur 31, S.A. | Real estate | Partner | Yes |
| | Grupo Argon, S.L. | Real estate | Partner | Yes |
| **Mr. John Derkach** | Whitbread PLC | Food | Chief Executive Officer | No |
| | Tragus PLC | Food | Chief Executive Officer | No |
| | EAT | Food | Chairman | Yes |
| | Le Bistrot Pierre | Food | Chairman | Yes |
| **Mr. Luis Daniel Sanz Suárez** | ElectraAlto Miño, S.A. | Hidroelectric | Director | Yes |
| | Dinosol Supermercados, S.L. | Food distribution | Director | No |
| | Cash Diplo, S.L. | Retail | Director | No |
| | CMA Retail España | Retail | Director | No |
| **Mr. Juan Riva de Aldama** | PRODIGES | Audiovisual | President | Yes |
| | Multiplatform Content (MPC) | Audiovisual | Chief Executive Officer | Yes |
| | Todo Niños Nursery School | Education | Investor | Yes |
| | Hitsbook | Audiovisual | Investor | Yes |
| | Vaelsys Formación | Technology | Investor | Yes |
| | Fluzo | Technology | Investor | Yes |

*Note:—*

(1) The Company, as sole shareholder of Telepizza Sub, intends to change the managing body of Telepizza Sub from a board of directors to a sole director (administrador único) before Admission. The Company, acting as sole shareholder of Telepizza Sub, expects to appoint itself, represented by Mr. Pablo Juantegui Azpilicueta, as sole director of Telepizza Sub.

## *Board Committees*

In compliance with our bylaws and our Board Regulations, our board of directors has an audit and compliance committee (the "Audit and Compliance Committee") and an appointments and compensation committee (the "Appointments and Compensation Committee").

### *Audit and Compliance Committee*

The composition, responsibilities and rules of the Audit and Compliance Committee is regulated by our Board Regulations.

The members of the Audit and Compliance Committee are appointed by our board of directors among its members. Our Board Regulations require the Audit and Compliance Committee to have between three and five members, all of whom must be non-executive directors and a majority of which must be independent directors. At least one of the independent directors members of the Audit and Compliance Committee must be appointed taking into account its knowledge and experience in accountancy, auditing and risk management standards.

The chairman of the Audit and Compliance Committee is appointed by the committee among its independent members for a maximum term of four years, and may only be re-elected as chairman at least one year after his or her removal, although such person may continue being, or being re-elected, as member of the Audit and Compliance Committee. The secretary of the board of directors will act as secretary of the Audit and Compliance Committee.

The members of the Audit and Compliance Committee are:

| Name | Position/Title | Category |
|---|---|---|
| Mr. Luis Daniel Sanz Suárez | Committee Chairman | Independent |
| Mr. Juan Riva de Aldama | Member | Independent |
| Mr. Carlos Mallo Álvarez | Member | Propietary |

The Audit and Compliance Committee is responsible for:

- reporting to the general shareholders' meeting on any matters within the Audit and Compliance Committee's authority;
- supervising the efficiency of our internal controls, internal audit and risk control and management functions, and discussing with our external auditors any significant weaknesses in the internal control systems identified during the audit process;
- overseeing the process of drafting and filing of our regulated financial information;
- making proposals to the board of directors for submission to the general shareholders' meeting, regarding the appointment, re-election and substitution of the external auditors, the relevant terms and scope of work and preserving the independence of the auditors in the exercise of the audit works;
- liaising with our external auditors in order to receive information about any matters that might jeopardize such auditors' independence and any other matters related to the audit process and to any other legal communications regarding the auditing and technical standards applied to auditing;
- prior to the completion of the auditors' report on the annual accounts, issuing an annual report containing the Audit and Compliance Committee's opinion on the independence of the appointed

external auditors and describing any other services rendered by the external auditors or their related entities to us or our related entities; and

- reporting in advance to the board of directors on any matters envisaged in the legislation, bylaws and the Board Regulations, and in particular, on the interim financial information to be disclosed periodically, on the incorporation or acquisition of equity interests in special purpose vehicles or companies incorporated in tax havens and on related party transactions.

The Audit and Compliance Committee will meet at least quarterly for reviewing the financial information required by the applicable law and every time its chairman considers it convenient. In any case, the committee chairman will call a meeting of the Audit and Compliance Committee whenever the board of directors or its chairman requests the preparation of a report or the adoption of a proposal, or whenever it is requested by at least two members of the Audit and Compliance Committee.

The creation of the Audit and Compliance Committee and the appointment of its members was approved by our board of directors on April 6, 2016. The Audit and Compliance Committee held its first meeting on April 6, 2016, for the purposes of appointing its chairman and secretary and ratifying the decision adopted by our sole shareholder relating to the appointment of the Company's auditor for the year ended December 31, 2016. As of the date of this prospectus, the Audit and Compliance Committee has only met once.

*Appointments and Compensation Committee*

The composition, responsibilities and rules of the Appointments and Compensation Committee is regulated by our Board Regulations.

The members of the Appointments and Compensation Committee are appointed by our board of directors among its members. Our Board Regulations require the Appointments and Compensation Committee to have between three and five members, all of whom must be non-executive directors and, at least, two of whom must be independent directors.

The chairman of the Appointments and Compensation Committee is appointed by the committee among its independent members. The secretary of the board of directors will act as secretary of the Appointments and Compensation Committee.

The members of the Appointments and Compensation Committee are:

| Name | Position/Title | Category |
|---|---|---|
| Mr. John Derkach | Committee Chairman | Independent |
| Mr. Juan Riva de Aldama | Member | Independent |
| Mr. Carlos Mallo Álvarez | Member | Propietary |

The Appointments and Compensation Committee is responsible for, among others:

- evaluating the competence, knowledge and experience required within the board of directors and evaluating the time and resources required for directors to carry out their tasks;
- setting representation objectives for the underrepresented gender in the board of directors, and setting the procedures to accomplish such objectives;
- issuing the proposals for the appointment, re-election or removal of independent directors;
- reporting on proposals for the appointment, re-election or removal of other types of directors;
- reporting on the appointment or removal of the senior management and on the basic terms of senior management agreements;

- examining and organizing, in the most appropriate way, the replacement of the Chairman of the board of directors and of executive directors and, if applicable, making proposals to the board of directors in order for such replacements to take place in an orderly and well-planned manner;
- making proposals to the board of directors on the compensation policies for directors and senior management;
- overseeing compliance with the compensation policies; and
- reviewing periodically the compensation policies of the directors and the senior management, including the shares compensation schemes and their application, ensuring that they are proportionate among the directors and senior management.

The Appointments and Compensation Committee will meet every time its chairman considers it convenient. In any case, the committee chairman will call a meeting of the Appointments and Compensation Committee whenever the board of directors or its chairman requests the preparation of a report or the adoption of a proposal, or whenever it is requested by at least two members of the Appointments and Compensation Committee.

The creation of the Appointments and Compensation Committee and the appointment of its initial members was approved by our board of directors on March 31, 2016 appointing Mr. John Derkach as committee chairman and Mr. Luis Daniel Sanz and Mr. Carlos Mallo Álvarez as members. The Appointment and Compensation Committee held its first meeting on March 31, 2016, for the purposes of appointing its chairman and secretary, ratifying the maximum aggregate amount to be paid to the board of directors, approving the compensation policy proposal, issuing a favourable report on and proposing the appointment of the chief executive officer and the terms of his service agreement and issuing a favourable report on the management incentive plans. On April 6, 2016, the Appointments and Compensation Committee held its second meeting for the purposes of issuing a favourable report on the appointment of Mr. Juan Riva de Aldama as new member of the board of directors. On April, 6, 2016, our board of directors appointed Mr. Juan Riva de Aldama as member of the Appointments and Compensation Committee. After that, on April 6, 2016 our board of directors acknowledged the resignation of Mr. Luis Daniel Sanz as a member of the Appointments and Compensation Committee and appointed Mr. Juan Riva de Aldama as new member. As of the date of this prospectus, the Appointments and Compensation Committee has met twice.

**Conflicts of Interest**

Pursuant to Article 21 of our Board Regulations we will face a conflict of interest in situations where our interests collide directly or indirectly with the personal interest of a director. There is a personal interest of a director in a matter when it affects him/her or a related party, and, for proprietary directors, when it affects the shareholder or shareholders which appointed him/her or proposed his/her appointment or to persons directly or indirectly related to them.

Our directors are required to avoid situations which could give rise to a conflict between their duties to us and their private or other interests. In particular, pursuant to Article 229 of the Spanish Companies Act, our directors (and related parties to directors) should abstain from:

(a) carrying out transactions with us, excluding ordinary transactions, of limited amount and undertaken in standard conditions applicable to all customers;

(b) using our name or its condition as director to unduly influence private transactions;

(c) making use of corporate assets, including confidential information, for private use;

(d) taking advantage of our business opportunities;

(e) obtaining advantages or compensations from third parties other than us in relation to the fulfillment of their obligations as directors, unless they are mere expressions of courtesy; and

(f) carrying out activities on their own or on behalf of third parties, which may compete with us or which could put the director in a permanent conflict with our interests.

Our directors are required to report to the board of directors any circumstances that may give rise to a direct or indirect conflict of interest as soon as they become aware of such circumstances.

In any event, each member of the board of directors must refrain from attending and participating in deliberations and votes affecting matters including by way of proxy vote in which they (or a related party, as defined in applicable law) have a direct or indirect conflict of interest.

Additionally, directors should abstain from engaging in commercial or professional transactions which may give rise to a conflict of interest, without having first informed and received approval from the board of directors, which shall request a report from the Audit and Compliance Committee. Such authorization shall not be necessary for transactions entered into with us if all of the following conditions are met in respect of the relevant transactions: (a) the transaction is entered into pursuant to an agreement with standard conditions applied to a wide range of clients; (b) the transaction is entered into for a price generally applied by the party acting as supplier; and (c) the transaction does not exceed 1% of the Company's annual turnover. Such authorization shall be granted by the general shareholders' meeting when the relevant transaction consists in obtaining an advantage or compensation from a third party or exceeds from 10% of the Company's assets.

To the best of our knowledge, as of the date of this prospectus, there are no actual or potential conflicts of interest amongst our directors and senior management and none are engaged in self-dealing or personally engaged in any business that could be deemed as part of our operations. See "*Related Party Transactions*".

**Internal Code of Conduct**

We have implemented a defined and transparent set of rules and regulations for corporate governance that is compliant with all applicable Spanish governance standards.

On March 31, 2016, our board of directors approved the internal securities markets code of conduct (*Reglamento Interno de Conducta en los Mercados de Valores*) (the "Internal Code of Conduct"), to take effect upon Admission. The Internal Code of Conduct regulates, among other things, our directors' and managers' conduct with regard to the treatment, use and disclosure of non-public material information. The Internal Code of Conduct applies to, among other persons, all members of the board of directors, senior management and employees who have access to material non-public information and to our external advisors when they handle such material non-public information.

The Internal Code of Conduct, among other things:

- establishes the restrictions on, and conditions for, the purchase or sale of our securities or other financial instruments by persons subject to the Internal Code of Conduct, and by those who possess material non-public information;
- provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to our securities or other financial instruments;
- provides that we shall not engage in open market acquisitions with a view to manipulating the market price of our securities or our other financial instruments, or to favouring any particular shareholder; and
- provides that persons who have a conflict of interest shall act in good faith and with loyalty toward us and our shareholders and without regard to such person's individual interests. Accordingly, such persons shall: (i) not act in their own interest at our expense or in the interest of particular shareholders at the expense of other shareholders; (ii) not participate in decisions that may affect other persons or entities with which such person has a conflict of interest; and (iii) report potential conflicts of interest to our board of directors.

### Corporate Governance

The Spanish Companies Act sets out certain legal provisions related to corporate governance mandatorily applicable to Spanish listed companies on the Spanish Stock Exchanges. We believe that we comply with the requirements of the Spanish Companies Act.

Additionally, the Spanish Corporate Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) approved by the CNMV in February 2015 (the "Corporate Governance Code") sets out certain recommendations on corporate governance to be considered ("comply or explain") by the companies listed on the Spanish Stock Exchanges. We believe that we substantially comply with the recommendations of the Corporate Governance Code. We are committed to follow strict corporate governance policies and we intend to adapt our practices as appropriate to all the principles of good governance contained in the Corporate Governance Code, as soon as possible after Admission, in a consistent manner.

However, our internal corporate governance policy established in our bylaws, Internal Code of Conduct, Board Regulations and the regulations of the shareholders' meeting ("General Shareholders' Meeting Regulations") as well as our corporate practices vary from these recommendations in the following ways:

- Recommendations 16: The proportion of non-executive proprietary (*dominicales no ejecutivos*) over the total number of non-executive directors (50%) is higher than the expected proportion between the share capital represented by such non-executive proprietary directors over our total share capital. See "*Principal Shareholders and Selling Shareholder*".

  Our board of directors is formed of seven members, which makes it difficult to exactly match the referred proportions in the board of directors. Our sole shareholder has nevertheless decided to set up a seven member board of directors since it believes this number of directors will make the board of directors more efficient. In addition, we believe the presence of non-executive proprietary directors with deep knowledge of the Company, each of them representing each of our significant (but not controlling) indirect shareholders, is meant to facilitate the Company's transition to a listed Company.

- Recommendation 17: The number of independent directors (42.85%) is slightly less than the 50% target set out in Recommendation 17 of the Corporate Governance Code. However, Recommendation 17 states that when the company does not have a large market capitalization, independent directors should occupy, at least, a third of board places. As we believe that we will not qualify as a "large capitalization company" we expect to be in compliance with this Recommendation.

- Recommendation 39: The chairman of the Audit and Compliance Committee has been appointed with regard to its knowledge and experience in accounting, auditing and risk management matters and the committee is composed by a majority of independent directors. However, other than the chairman, the members of the Audit and Compliance Committee have not been specifically appointed due to their knowledge and experience in accounting auditing and risk management.

- Recommendations 40 and 41: We do not have a unit in charge of the internal audit unit to monitor the effectiveness of reporting and control systems under the supervision of the Audit and Compliance Committee. Although as of the day of this prospectus our financial department is in charge of the internal financial control, after Admission we intend to set up an internal audit unit according to the relevant corporate governance recommendations.

- Recommendation 46: As of the date of this prospectus, we do not have a an internal risk control and management unit. However, in the context of the measures that we intend to put in place regarding control of financial information and risk control we expect to create an internal risk control and management unit that will be under the supervision of the Audit and Compliance Committee.

- Recommendation 48: We have a single Appointments and Compensation Committee. As we believe that we will not qualify as a "large capitalization company" we do not expect that Recommendation 48 will be applicable to us, which recommends that large capitalization companies should create two separate appointments and compensation committees.
- The Corporate Governance Code recommends the implementation of the following policies that the Company has not yet approved but intends to approve once it starts trading on the Spanish Stock Exchanges:
  - Recommendation 4 sets forth that listed companies should approve a policy regarding communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and grants equitable treatment to shareholders in the same position.
  - Recommendation 14 sets forth that listed companies should approve a specific and verifiable policy regarding directors' that favours a diversity of knowledge, experience and gender.
  - Recommendation 54 sets forth that listed companies should approve a corporate social responsibility policy stating the principles or commitments the Company will voluntarily adhere to in its dealings with stake-holder groups and specifying at least, among others, the goals of the policy, the corporate strategy with regard to sustainability, environment and social issues, concrete practices in matters relative to shareholders, employees, clients, suppliers, social welfare issues, environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts, ethics and business conduct, channels for shareholder communication and responsible communication practices to prevent the manipulation of information and protect the Company's honor and integrity. Until we do not approve our corporate social responsibility policy we will not comply with Recommendation 55 neither, which recommends that companies should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.
- Recommendation 63: The contractual arrangements entered into between our executive director and the Company do not include any provisions that permit the Company to reclaim variable components of remuneration in case of undue payment or based on data subsequently found to be misstated.

**Control of Financial Information System and Risk Control and Management Policy**

We intend to adopt policies and develop procedures and systems to implement the best practices in the market to control the Group's financial information, taking into account the recommendations and procedures regarding control of financial information set by the CNMV (*Sistema de Control Interno de Información Financiera* or SCIIF). These policies have not been approved yet and therefore we are not in compliance with the related corporate governance recommendations. We expect to approve these policies in 2016.

These policies and procedures shall be approved by our board of directors and shall aim to ensure the reliability and integrity of the Group's financial information and compliance with relevant accounting regulations. Following the recommendations of the CNMV, we will design a risk assessment process capable of identifying, analyzing and managing the significant risks that we face in the preparation of our financial statements and will establish monitoring procedures to ensure respect for the principles of ethics and professional integrity, as well as measures to identify and correct deviations from these values within our organization.

We also intend to approve a risk control and management policy that will identify the Group's operational, technological, financial, legal compliance, social, environmental, political and reputational risks and categorize them based on their potential impact on our business and activity, and we develop measures to mitigate the impact of those risks that could come to materialize.

Our board of directors intends to delegate the maintenance and monitoring of the risk control and management policy, including compliance with the SCIIF, to the Audit and Compliance Committee. The Audit and Compliance Committee will supervise our internal risk control and management unit which will be charged with the following responsibilities:

- ensuring that our risk control and management systems function correctly and that the major risks we are exposed to are correctly identified, managed and quantified;
- participating actively in the preparation of our risk strategies and in any key decisions taken in this respect; and
- ensuring that our risk control and management systems effectively mitigate risks pursuant to the policy approved by our board of directors.

**Management Team**

Aside from the board of directors, the Group is managed on a day-to-day basis by the senior management of the Company and of Telepizza Sub. Mr. Pablo Juantegui Azpilicueta and Mr. Fernando Frauca Amorena are hired at the level of the Company and the rest of our senior managers are hired at the level of Telepizza Sub.

The following table sets out the key members of the senior management of our Group, who manage the daily businesses of our Group, and their respective ages and positions. The senior management of the Group has extensive knowledge and experience in the foodservice industry.

| Name | Age | Position/Title | Member of the senior management since |
|---|---|---|---|
| Mr. Pablo Juantegui Azpilicueta | 54 | Chairman and Chief Executive Officer[(1)] | November 2009 |
| Mr. Igor Albiol Gutiérrez | 47 | Chief Financial Officer | April 2006 |
| Mr. Fernando Frauca Amorena | 49 | Chief Operations Officer Europe/ Chief Marketing Officer | January 2005 |
| Mr. Manuel Loring Díaz de Bustamante | 43 | Chief Supply Chain Officer | May 2007 |
| Mr. Ignacio González Barrajón | 42 | Chief Operations Officer Latin America | January 2015 |
| Mr. Giorgio Minardi | 53 | Chief Operations Officer International Expansion | February 2015 |
| Mr. Emilio Tovar Lázaro | 55 | Chief Information Officer | September 2010 |
| Ms. Mar Romero Galán | 40 | Head of Human Resources | March 2016 |

*Note:—*

(1) As of the date of this prospectus, the appointment of Mr. Pablo Juantegui Azpilicueta as chief executive officer of the Company, which was agreed by our board of directors on March 31, 2016, is pending to be registered with the Commercial Registry. We expect this appointment to be registered with the Commercial Registry before Admission.

All members of the senior management team designate our registered address as their professional address for the purposes of this prospectus.

Biographical information for each of the members of the senior management, including a brief description of each person's business experience and education, is presented below:

*Mr. Igor Albiol Gutiérrez*

Mr. Albiol joined the Group in 2000 and is currently the Chief Financial Officer of the Group. Mr. Albiol has 19 years of experience in running the financial leadership roles of consumer and retail companies. Mr. Albiol holds a Bachelor's degree in Economics and Business from the University of Sevilla and a Master of Business Administration degree from IE Business School.

*Mr. Fernando Frauca Amorena*

Mr. Frauca joined the Group in 2005 and is currently the Chief Operating Officer for Europe and the Chief Marketing Officer for the Group. Mr. Frauca has 26 years of experience in sales and marketing for consumer and retail companies. Mr. Frauca holds a Bachelor's degree in Economics and Business from the University of Deusto.

*Mr. Manuel Loring Díaz de Bustamante*

Mr. Loring joined the Group in 2007 and is currently the Chief Supply Chain Officer of the Group. Mr. Loring has 20 years of experience in purchasing and operations in the foodservice sector. Mr. Loring holds a Bachelor's degree in Economics and Business from the Complutense University of Madrid.

*Mr. Ignacio González Barrajón*

Mr. González joined the Group in 1994 and is currently the Chief Operations Officer for Latin America of the Group. Mr. González has 18 years of experience in sales and operations in the foodservice sector. Mr. González holds a Bachelor's degree in Economics and Business from the Autonomous University of Madrid.

*Mr. Giorgio Minardi*

Mr. Minardi joined the Group in 2015 and is currently Chief Operations Officer for International Expansion of the Group. Mr. Minardi has extensive experience in the consumer and retail sector, with a focus on food and beverage companies. Before joining the Group, he worked for two years in the Dunkin' Brands Group, Inc. as President of International. From 2006 to 2011 he was general manager for Europe of Autogrill, S.p.A. Mr. Minardi holds a degree in Business from Parma University.

*Mr. Emilio Tovar Lázaro*

Mr. Tovar joined the Group in 2010 and is currently the Chief Information Officer of the Group. Mr. Tovar has 24 years of experience in consulting, technology and outsourcing in manufacturing, aeronautics, utilities and telecommunications companies and 5 years of experience in technology in the foodservice sector. Mr. Tovar holds a degree in Industrial Engineering from Zaragoza University and an APICS CPIM certification.

*Ms. Mar Romero Galán*

Ms. Romero joined the Group in 2016 and is currently Head of Human Resources of the Group. Ms. Romero has more than 15 years of experience leading human resources in multinational environments with relevant background managing change and cultural transformation. Ms. Romero started her career as a regional director in the Adecco Group. She then worked as a project director at Deloitte Consulting where she specialized in the human resources area. In 2006, she joined Burger King where she worked for more than seven years, initially as a human resources manager for the Mediterranean division and then as the human resources director for the Europe, Middle East and Africa region. Recently, Ms. Romero has led the human resources department in the Bodybell Group with the primary objective of implementing a transformation of internal processes. Ms. Romero holds a Bachelor's degree in Marketing from the Autonomous University of Madrid and a Master degree in Human Resources Management from CEF.

The following table sets out all entities in which the members of the senior management have been appointed as members of the administrative, management or supervisory bodies or in which they have held partnership positions at any time during the five year period preceding the date of this prospectus, indicating whether or not each person is still a member of any such bodies or holds any shareholdings in any such entities:

| Senior Management Team Member | Entity | Sector | Position/Title | In office |
|---|---|---|---|---|
| Mr. Pablo Juantegui Azpilicueta | Bodaclick, S.A. | Retail | Director | No |
| | Jauna Consulting Agency, S.L | Information and | Director | Yes |

| Senior Management Team Member | Entity | Sector | Position/Title | In office |
|---|---|---|---|---|
| | | Communication | | |
| | Tele Pizza, S.A.U. | Food | Director | Yes |
| Mr. Igor Albiol Gutiérrez | Fisioterapia Camblor, S.L. | Healthcare | Partner | Yes |
| Mr. Fernando Frauca Amorena | Feyfe Vermont, S.L. | Food | Shareholder and joint director | No |
| | Pescadería Gastronómica Chamartín, S.L. | Food | Shareholder and joint and several director | No |
| | Syferman Grupo de Inversiones, S.L. | Real Estate | Shareholder | No |
| | Plenummedia, S.L. | Consulting | Director | No |
| | Movibar Barras y Carritos, S.L. | Real Estate | | No |
| | Inversiones Índico del Sur, S.L. | Financial | Partner and Director | No |
| Mr. Manuel Loring Díaz de Bustamante | Asociación Cultural Norte Joven Mieres | Cultural | Chairman | Yes |
| Mr. Giorgio Minardi | Autogrill, S.p.A. | Food and Beverages | General Manager for Europe | No |
| | Dunkin' Brands Group, Inc | Retail | President of International Operations | No |
| Ms. Mar Romero Galán | Grupo Bodybell Spain | Retail | Director | No |
| | Burger King Corporation, EMEA | Food | Director | No |
| | Festibox, S.L. | Retail | Shareholder | Yes |

## Compensation

### *Compensation of directors*

On March 17, 2016, our sole shareholder amended our bylaws and established the new compensation scheme of the members of our board of directors. The compensation of our directors shall consist of any or all of the following elements: a fixed annual amount, attendance allowances for each meeting of our board of directors, a compensation linked to our Shares' value or including the granting our stock or stock options of, a participation in our profits, a variable compensation linked to the performance of the Company and an appropriate risk coverage benefits.

On March 31, 2016, our sole shareholder, at the proposal of the Appointments and Compensation Committee, approved the compensation policy of the members of our board of directors. The compensation policy sets forth the following:

1. The compensation of the members of our board of directors in their condition as non-executive members will consist of:
    - a fixed annual allocation which shall consist of an amount for each of the directors to be set by our board of directors; and
    - an appropriate risk coverage benefits consisting of directors' liability insurance policies.

Our compensation policy also sets forth the maximum aggregate amount we may pay to our directors, which cannot exceed €310,000 for 2016.

Provided that the applicable laws are complied with, any compensation received by our directors in accordance with our bylaws and our remuneration policy will be independent from salaries, compensation, indemnifications, pensions, contributions to social security systems, life insurance or any other compensation of any kind, whether fixed or variable, established on a general basis or individually for those directors performing executive duties, irrespective of whether such directors are employed (under an

ordinary or top senior management (*alto directivo*) agreement) as commercial or service providers, relationships which shall be compatible with their appointment as directors.

2. The compensation of the executive director will consist of:
    - a fixed annual compensation;
    - an annual bonus linked to the performance of the Company;
    - the 3 Year Plan (as defined below);
    - remuneration schemes linked to the Company's share value consisting of the Cash and Shares Incentive Plan (as defined below) to be accrued in the context of the IPO and a five-years term Performance Rights Plan (as defined below) linked to the shares market value. Save for exceptional reasons, the executive director shall not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein) in the relevant shares obtained by virtue of these plans during a period of time ranging from one to two years; and
    - appropriate risk coverage benefits consisting of director's liability, medical and life insurance policies.

In 2015, neither the Company nor any other entity of the Group paid any compensation to the persons that belonged to the Company's board of directors during the year 2015.

Save for (i) Mr. Pablo Juantegui Azpilicueta, who received compensation from Telepizza Sub in his condition as executive director of Telepizza Sub and (ii) Mr. John Derkach, who received payment for the fees related to his activity as observer at the board of directors of Telepizza Sub pursuant to the 2014 PIK Loan to the Selling Shareholder, none of the members of the board of directors of the Company as of the date of this prospectus received any compensation from the Company or the Group during the year ended on December 31, 2015.

The following table sets out the compensation, classified by item, received by (i) Mr. Pablo Juantegui in his condition as executive director of Telepizza Sub and (ii) Mr. John Derkach in his capacity as observer at the board of directors of Telepizza Sub during the year ended on December, 31 2015. The following table sets out all the compensation received by the members of the board of directors of the Company during the year ended on December 31, 2015 from the Group.

| | **2015** | | | | | |
|---|---|---|---|---|---|---|
| | **Fixed remuneration** | **Variable remuneration** | **Savings Plan** | **Insurance premiums** | **Other in-kind compensation** | **Total** |
| Mr. Pablo Juantegui Azpilicueta .................. | €400,000 | €430,066.58 | €75,000 | €8,301 | €7,617.43 | **€920,985.39** |
| Mr. John Derkach......................................... | €30,000 | - | - | - | - | **€30,000** |

On March 31, 2016, our board of directors approved the services agreement to be entered into by Mr. Pablo Juantegui Azpilicueta with the Company, which regulates the terms under which Mr. Pablo Juantegui Azpilicueta will render his services as executive director of the Company. This services agreement was deliberated on by our Appointments and Compensation Committee on its meeting on March 31, 2016 and was entered into between the Company and our executive director on April 11, 2016.

Mr. Pablo Juantegui Azpilicueta's remuneration for the services he provides as executive director of the Company under the services agreement, includes: (i) an annual fixed amount of €510,000, which can be revised upwards depending on his performance, (ii) variable remuneration which can reach the amount of €366,000, if Mr. Pablo Juantegui Azpilicueta meets 100% of the objectives set in advance, but which cannot be consolidated with his fixed amount and also does not preclude Mr. Pablo Juantegui Azpilicueta's right to participate in the Management Incentive Plans (See "*—Management Incentive Plans*"), and (iii) in kind

remuneration subject to an annual ceiling of €15,000. In addition, the Company will make an annual contribution to our executive director's savings plan equivalent to 22.4% of its annual fixed remuneration.

***Compensation of the senior management***

The following table sets out the aggregate compensation, classified by item, received by our senior managers during the year ended on December 31, 2015 from the Group. Such compensation was paid by the Company, in the case of the compensation paid to Mr. Fernando Frauca Amorena, and by Telepizza Sub in the case of the rest of the senior managers. No other entity of the Group paid any compensation to our senior managers during the year ended on December 31, 2015.

| | **2015** | | | | | |
|---|---|---|---|---|---|---|
| | **Fixed remuneration** | **Variable remuneration** | **Savings Plan** | **Insurance premiums** | **Other in-kind compensation** | **Total** |
| Senior management | €1,127,027.10 | €417,404.65 | €57,497.19 | €7,400.90 | €32,866.90 | **€1,642,196.74** |

***Agreements with directors and senior management including post-termination benefits***

Our senior management is generally entitled to receive one year of fixed gross salary in the case of wrongful dismissal. In the event of early termination by the Company of our executive director's services agreement, Mr. Pablo Juantegui Azpilicueta is entitled to receive an amount equal to the fixed remuneration, the variable remuneration and the remuneration as chairman of the board of directors for the two years preceding his dismissal, unless it is due to the breach of his obligations under the services agreement.

In addition, since 2010 the Company and Telepizza Sub have contributed an aggregate amount of €462,500 in contributions to saving plans in favour of Mr. Pablo Juantegui Azpilicueta and €204,014 in favour of the rest of our senior managers. We did not make any contributions in favour of our senior managers before 2010.

Aside from the foregoing, neither us nor any of our subsidiaries have, as of the date of this prospectus, entered into any agreements with any of our directors and senior managers providing for benefits upon termination of office, including, retirement contributions or pension plans, severance payments or insurance policies.

***D&O insurance policy***

We maintain an insurance policy that protects the members of the board of directors and senior management from liabilities incurred as a result of actions taken in their capacity as directors, up to an aggregate limit of €15 million.

***Management Incentive Plans***

We and the Selling Shareholder have put in place incentive plans for certain of our senior managers and other managers in order to encourage the fulfillment of our business goals and to align the long-term interests of senior management with those of our shareholders. The primary objective of these plans is to incentivize the workforce as a whole (including our senior management) by linking a part of remuneration to the generation of value for shareholders.

*Cash and Shares Incentive Plan*

On March 31, 2016 and April 6, 2016, the Company and the Selling Shareholder adopted a cash and shares incentive plan (the "Cash and Shares Incentive Plan") that will vest on Admission and that provides for the following payments in cash or in kind to our senior managers:

- the Company will make a payment in cash for an aggregate gross amount of €5.0 million (€1.75 million corresponding to Mr. Pablo Juantegui Azpilicueta and €3.25 million to other 6 senior managers). This payment will be funded with the cash proceeds of the Offering.
- the Selling Shareholder will make a payment in cash, which will be for an estimated gross amount of €10.1 million assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range (€3.5 million corresponding to Mr. Pablo Juantegui Azpilicueta and €6.5 million to other senior managers). In turn, the Company will record this payment in its income statement as personnel expenses, and the funding of this payment by the Selling Shareholder will be accounted for as a contribution to the reserves of the Company on Admission.
- the Selling Shareholder will transfer for free to our senior management Shares of the Company, which number will depend on the equity value of the Selling Shareholder on Admission, which in turn will be a function of the Offering Price. Assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, and the full exercise of the Over-allotment Option, the number of Shares to be received by our senior management will be 1,423,762 (1.4% of our share capital after the Subordinated Loan Capitalization and the Offering) (498,317 Shares corresponding to Mr. Pablo Juantegui Azpilicueta and 925,445 Shares to other senior managers). See the section "*Principal Shareholders and Selling Shareholder*". The Company will in turn record this payment in its income statement as personnel expenses and the funding of this payment by the Selling Shareholder will be accounted for as a contribution to the reserves of the Company on Admission.

In relation to the taxation of such payments to be made under the Cash and Shares Incentive Plan,

(i) part of the above mentioned contribution to the reserves of the Company by the Selling Shareholder will be made in cash in order to cover the withholding taxes to be paid by the Company as a result of the abovementioned payments in cash and Shares made by the Selling Shareholder. Assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, the contribution in cash to the reserves of the Company to be made by the Selling Shareholder to cover the withholding taxes will amount to €5.7 million; and

(ii) the Company will grant an optional five-year loan to our senior managers at the legal interest rate to finance part of the taxes payable by them upon receiving the Shares subject to the Cash and Shares Incentive Plan, up to an aggregate amount of €4.0 million. The managers will not be personally liable for any such loans received, which will be only secured by a pledge over the relevant Shares received by each manager. Any such loans will be funded with the cash proceeds of the Offering. The Company will record in its statement of financial position as financial asset any such loan granted.

Our management have agreed with us and the Selling Shareholder not to transfer any Shares received under the Cash and Shares Incentive Plan during a period of two or one year from the Transaction Date of the Offering. Assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range, 1,423,762 of such Shares will be subject to a two-year lock-up and no Shares will be subject to a one-year lock-up.

*Long term incentive plans*

*3 Year Plan*

We have awarded to our senior managers and approximately 30 other managers a cash bonus corresponding to any or all of the years 2015, 2016 and 2017, all of which is to be paid in April 2018 (the "3 Year Plan"). This plan was originally granted on January 29, 2015 and amended and restated in April 2016. The 2015 accrual is only conditional to Admission and each of the 2016 and the 2017 accruals is conditional on the achievement by the Company of a minimum yearly EBITDA (as defined in the 3 Year Plan) in 2016 and 2017, respectively.

Under this plan, a wide group of our managers, who have and will contribute to the generation of EBITDA, will benefit from the anticipated performance of, and creation of value in, the Company.

On the assumption that Admission takes place (in relation to the 2015 accrual) and the target EBITDA is achieved in each of 2016 and 2017 (in relation to the 2016 and the 2017 accruals), the aggregate gross amount to be paid by the Company in April 2018 for the years 2015, 2016 and 2017 will be €4.9 million (inclusive of social security contributions) (€852 thousand corresponding to Mr. Pablo Juantegui Azpilicueta, €1.8 million to other senior managers and €2.3 million to other managers).

Any payment in cash under this plan in April 2018 (up to the amount of €4.9 million) is expected to be funded by the Company with the cash proceeds of the Offering. See "*Use of Proceeds*".

*Performance Rights Plan*

On March 31, 2016, our board of directors approved a long-term incentive plan under which it is expected that in May 2016 the Company will grant performance rights ("Performance Rights") to our senior managers (including our CEO) and approximately 20 other managers proposed by our Chief Executive Officer and approved by our board of directors (the "Performance Rights Plan").

The Performance Rights Plan will relate to a period of five years with three overlapping cycles of three years each. The first cycle will track the performance of the Company over the three-year period from the date of Admission, the second cycle will track the performance of the Company over the three-year period from the first anniversary of the date of Admission, and the third cycle will track the performance of the Company over the three-year period from the second anniversary of the date of Admission (each, a "Cycle").

The Performance Rights for each of the Cycles will be granted, if approved by our board of directors, on the first year of each of the Cycles and will vest, if certain performance thresholds of the Company are met, on the last year of each of the Cycles, entitling holders to receive the value of one Share (valued at the market price at the end of the relevant cycle). Performance Rights will be liquidated 30 days after the end of each Cycle and will be settled 60% in cash and 40% in Shares (either new shares or treasury stock) (the "Incentive Shares").

The performance thresholds for the vesting of the Performance Rights for each of the Cycles will be based on the growth rate of total shareholder return on an absolute basis (i.e. without comparison to any other company) which will be calculated (and, if granted, recorded in the Company's financial statements, as a non-cash expense, on a monthly basis), based on the increase in the market value of the Shares within the relevant Cycle, taken together with the value of any dividends or other distributions made to Shareholders. If by the end of a Cycle the performance threshold has not been satisfied, the Performance Rights of the corresponding Cycle will still vest if one year later the target growth rate of total shareholder return has been achieved (taking into account the Cycle and the additional year).

Under the Performance Rights Plan, we expect that the board of directors will grant in May 2016 a number of Performance Rights corresponding to the full Cycle starting in 2016, representing an aggregate value of €1.9 million (€637 thousand corresponding to Mr. Pablo Juantegui Azpilicueta, €907 thousand to other senior managers and €310 thousand to other managers), which would represent 0.2% of the share capital of the Company post the Subordinated Loan Capitalization and post Offering (of which, 34.38% corresponding to Mr. Pablo Juantegui Azpilicueta, 48.93% to other senior managers and 16.70% to other managers). It is expected that the value of the grants in May 2017 and May 2018, corresponding to each of the full remaining Cycles, will be similar to the one in May 2016. In respect of the first cycle, we expect to record a provision in our annual accounts in respect of any Performance Rights granted, if the performance thresholds are being met, in 2016 (equal to one third of expected value of the rights corresponding to the cycle starting in 2016 (i.e. the prorata corresponding to the period between Admission and December 31, 2016), 2017 (equal to one third of expected value of the rights corresponding to the cycle starting in 2016 and one third of the expected value of the rights corresponding to the cycle starting in 2017) and 2018 (equal to one third of the expected value of the rights corresponding to the cycle starting in 2016, one third of the expected value of the rights corresponding to the cycle starting in 2017 and one third of the expected value of the rights corresponding to the cycle starting in 2018).

In connection with the Performance Rights Plan, our senior management will be subject to certain lock-up arrangements pursuant to which they will not be entitled to transfer the Incentive Shares during the one-year period after acquiring them.

We estimate that the impact for the Company in year 2016 related to all the management incentive plans is the following:

- in connection with the Cash and Shares Incentive Plan, (i) a payment in cash by the Company for an aggregate gross amount of €5.0 million, to be accounted as personnel expenses; (ii) personnel expenses of €21.8 million derived from the payment in cash (€10.1 million) and transfer of Shares (€11.7 million) by the Selling Shareholder (assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range); (iii) increase in the reserves of the Company of €21.8 million (assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range), and (iv) loans from the Company to our senior managers up to an aggregate amount of €4.0 million;

- in connection with the 3 Year Plan, personnel expenses of €1.6 million corresponding to the estimated amount to be accrued in 2016; and

- in connection with the Performance Rights Plan, a provision recorded in our annual accounts equal to the prorata (corresponding to the period between Admission and December 31, 2016) of one third of the expected value of the rights corresponding to the cycle starting in 2016.

**Equity Interests**

Pursuant to the Management Incentive Plans, the Selling Shareholder will freely transfer a number of Shares to our senior managers with effect as of Admission which will be subject to lock-up arrangements during a period of one or two years, as applicable, in a number depending on the equity value of the Group.

Assuming the Offering Price is €8.25, the mid-point of the Offering Price Range, (i) our executive director Mr. Pablo Juantegui Azpilicueta will receive 498,317 Shares, representing 0.5% of the voting rights in the Company; and (ii) the members of our management team (other than Mr. Pablo Juantegui Azipilicueta) will receive in aggregate 925,445 Shares, representing 0.9% of the voting rights in the Company.

**Family Relationships**

There are no family relationships between the members of our board of directors or of our management team or supervisory bodies.

**No convictions and Other Negative Statements**

To the best of our knowledge, none of our directors or members of the Group's senior management team have, in the five years preceding the date of this prospectus: (i) been convicted in relation to fraudulent offences; (ii) acted as directors or senior managers of entities affected by bankruptcy, receivership or liquidation (save for Mr. Pablo Juantegui Azpilicueta who acted as director of Bodaclick, S.A. until July 2012, a company which was declared insolvent in 2013 and was subsequently liquidated); (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities, or from acting in the management or conduct of the affairs of any issuer.

# RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time. Certain related party transactions entered into during the period covered by the Financial Statements and up to the date of this prospectus are set out below.

We also enter into intragroup related party transactions with certain of our subsidiaries in the ordinary course of business.

As provided for in the Board Regulations, any future transactions that we enter into with members of the board of directors or shareholders who hold, individually or together with others, a significant holding, or with persons related thereto, must be approved by the board of directors, following a report from the Audit and Compliance Committee.

## Related party transactions with our shareholders

(i) We are a party to certain shareholders agreements granting shareholders customary minority protections which will be terminated on Admission conditional upon settlement of the Offering. For further information, see "*Principal Shareholders and Selling Shareholder—Reorganization Agreement—shareholdings reorganization after settlement of the Offering*".

(ii) On October 20, 2014, we entered into the Subordinated Loan with the Selling Shareholder. On March 31, 2016, the Selling Shareholder approved the Subordinated Loan Capitalization. For further information on the Subordinated Loan, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Subordinated Loan*".

(iii) On July 17, 2006, the Company obtained a profit participating loan and a subordinated loan from Telefood (its sole shareholder then). The profit participating loan was granted for an initial amount of €150.7 million and matured in 2036. The subordinated loan amounted to €35 million and matured in 2016. In 2013, the profit participating loan accrued interest at a fixed rate of 9.3% (the variable amount did not accrue due to the results of the Company) and the subordinated loan accrued interest at a fixed rate of 12.125% plus Euribor. On October 20, 2014, Telefood capitalized all the outstanding amounts under the profit participating and the subordinated loans together with accrued interest payable at that date, through a share capital increases of €213,380,384. Telefood then transferred its entire stake in the Company to the Selling Shareholder, which made a monetary contribution to reserves of €157,532,050.

(iv) In relation to the 2014 Refinancing, Telepizza Sub paid to KKR Capital Markets Limited €0.5 million in consideration for the advisory services rendered in its condition as joint coordinator, co-bookrunner and arranger in connection with the amendment of the Existing Facilities Agreement.

(v) On February 29, 2016, we executed an engagement letter with KKR Capital Markets Limited (an entity of the KKR group, one of our indirect shareholders), for the provision of certain advisory services in connection with the Offering and the refinancing of the Existing Facilities Agreement. The members of the board of directors of the Company representing the KKR Funds back then (Mr. Mark Brown and Mr. Alejo Vidal Quadras de Caralt) did not participate in the meeting held on December 17, 2015, which appointed KKR Capital Markets Limited. The services include assisting in defining the appropriate structure and financial terms of the Offering and the refinancing, negotiating with the lenders and other potential debt and capital providers and managing the process and completion of the Offering and the refinancing of the Existing Facilities Agreement. In consideration for these services, the Company will pay KKR Capital Markets Limited fees for an amount of approximately €2.2 million, to be paid upon the Offering being completed and the New Facilities becoming effective.

## Related party transactions with the members of our board of directors and senior management

In 2012, we granted a loan for an amount of €800,000 in favour of our executive director Mr. Pablo Juantegui Azpilicueta and additional loans for an aggregate amount of €400,000 in favour of other senior managers. These loans were all fully repaid as of February 29, 2016.

On April 11, 2016, we entered into a services agreement with Mr. Pablo Juantegui Azpilicueta in his condition as executive director of the Company, and on April 11, 2016, we entered into certain contracts with our senior management in connection with the Management Incentive Plans. Please see "*Board of Directors and Management – Compensation*" for further information on such contracts and on the remuneration received by the members of the board of directors of the Company from Telepizza Sub.

In addition, Mr. Javier Gaspar Pardo de Andrade is a partner of the law firm VCGH Abogados, that has provided professional legal services to the Group during the years ended December 31, 2013, 2014 and 2015.

VCGH Abogados provided legal advice to the Group in several matters. These legal services have been and are provided both by Mr. Javier Gaspar Pardo de Andrade and by other partners and associates of the said law firm. In any case, we do not exclusively work with VCGH Abogados as we receive legal advice from other law firms. The legal fees received by VCGH Abogados, during the three years ended December 31, 2013, 2014 and 2015 amount to:

| For the years ended December 31, | Legal fees (€ thousand) |
|---|---|
| 2013 | 171.0 |
| 2014 | 371.0 |
| 2015 | 171.0 |

The vice-secretary of our board of directors, Mr. Alejandro Ortiz Vaamonde, is a partner of the law firm Linklaters, S.L.P., which provided legal advisory services during the three years ended December 31, 2013, 2014 and 2015.

**Related party transactions with subsidiaries and Group companies**

In the ordinary course of our business we enter into transactions with subsidiaries and Group companies. These transactions consist mainly of services and goods that Telepizza Sub provides to its subsidiaries, such as the assignment of personnel, the use of intangible assets, the granting of financings and the supply of products and raw materials. These intra-group transactions are eliminated on consolidation and therefore, are not included in the consolidated annual accounts.

The following table show the amounts of the transactions of the Company with its subsidiaries as of the years ended December 31, 2015, 2014 and 2013:

| | As of the years ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | | *(in millions of €)* | |
| **Revenues:** | | | |
| Net sales | | | |
| Sales | 7.5 | 5.8 | 7.7 |
| Other services provided | 5.5 | 6.1 | 6.7 |
| Financial instruments | | | |
| Finance income | 5.6 | 6.0 | 5.3 |
| Dividends | 9.1 | 7.3 | 8.8 |
| **Total Revenues** | **27.6** | **25.2** | **28.5** |
| **Expenses:** | | | |
| Net Purchases | | | |
| Purchases | 31.5 | 29.3 | 29.7 |
| Other services received | 0.2 | 0.1 | 0.5 |
| Finance costs | 1.9 | 3.5 | 3.8 |
| **Total Expenses** | **33.6** | **32.9** | **34.1** |

The following table shows the account balances regarding the transactions of Telepizza Sub with Group companies as of December 31, 2015, 2014 and 2013.

| | As of the years ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | | *(in millions of €)* | |
| Non-current investments in Group and associate companies | | | |
| Loans | 139.4 | 107.4 | 95.5 |
| **Total non-current assets** | **139.4** | **107.4** | **95.5** |
| Trade and other receivables | | | |
| Current trade, group and associate companies receivables | 3.4 | 3.3 | 3.1 |
| Current investments in group and associate companies | | | |
| Other loans | 0.5 | 0.5 | 4.8 |
| **Total current assets** | **3.9** | **3.8** | **8.0** |
| **Total Assets** | **143.3** | **111.2** | **103.5** |
| Non-current liabilities | 142.3 | 39.8 | 39.1 |
| **Total non-current liabilities** | **142.3** | **39.8** | **39.1** |
| Current liabilities | | | |
| Current debts with group companies and interest | 7.4 | 2.3 | 3.9 |
| Bank accounts with group companies | - | 56.3 | 40.0 |
| Trade and other payables | | | |
| Group companies' suppliers | 1.9 | 4.5 | 2.7 |
| **Total current liabilities** | **9.3** | **63.1** | **46.6** |
| **Total Liabilities** | **151.6** | **102.9** | **85.7** |

## PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

### Shareholding Structure and Reorganization

***Shareholdings prior to the Offering***

The following chart sets out the shareholder structure in the Company as of the date of this prospectus:

The Selling Shareholder owns 100% of the share capital of the Company. The Selling Shareholder is wholly-owned by Foodco Invest, a Luxembourg investment vehicle which, in turn, is held by:

(i) the Class A Indirect Shareholder, Telefood (51%), an entity controlled by certain funds managed by Permira that hold 75% of the voting rights (the "Permira Funds") and where Carbal, S.A. (an entity where Mr. Pedro José Ballvé Lantero holds 50.02%, the remaining stake being held by other members of the Ballvé family) holds 25% of the voting rights;

(ii) the Class B Indirect Shareholders (36%, including 24.6% held by certain funds and accounts (the "KKR Funds") managed or advised by KKR Credit Advisors (US) LLC ("KCA") and its affiliates; and

(iii) the Class C Indirect Shareholders (13%) (together, the "Indirect Shareholders").

*Permira Funds*

Permira is a global investment firm that finds and backs successful businesses with ambition. Founded in 1985, the firm advises funds (the "Permira Funds") with a total committed capital of approximately €25 billion (U.S.$28 billion). The Permira Funds make long-term investments in companies with the ambition of transforming their performance and driving sustainable growth. In the past 30 years, the Permira Funds have made over 200 private equity investments in five key sectors: Consumer, Financial Services, Healthcare, Industrials and Technology. Permira employs over 200 people in 14 offices across North America, Europe, the Middle East and Asia.

*KKR Funds*

Kohlberg Kravis Roberts & Co. L.P. ("KKR & Co.") is one of the world's largest and most active global investment firms, with $119.5 billion under management (inclusive of KKR Credit's assets under management) as of December 31, 2015. KKR & Co's investment approach is focused on investing in attractive business franchises and working closely with management over the long-term to design and implement value-creating strategies.

KCA, together with KKR Credit Advisors (Ireland) and KKR Credit Advisors (UK) LLP ("KKR Credit") is a leading asset manager with approximately U.S.$33.8 billion of assets under management as of December 31, 2015 covering senior debt, mezzanine, PIK, high yield and other securities. Established in 2004 as the credit investing arm of KKR & Co., KKR Credit has offices in San Francisco, New York, London and Dublin supported by a dedicated staff of over 80 investment professionals.

*Cyrus funds*

Cyrus Capital Partners, L.P. ("Cyrus") is an SEC registered investment adviser providing investment advisory services to pooled and single-investor investment vehicles. Cyrus currently has approximately $4 billion of assets under management and has offices in New York, North Carolina and London. On a global basis, Cyrus invests across the capital structure of highly levered and financially distressed companies. Cyrus seeks attractive absolute and relative returns that are not correlated to the general equity and fixed income markets, while also focusing on preserving capital. Fundamental value and credit analysis combined with the Cyrus' experience with event catalysts and processes specific to leveraged and financially distressed companies drive Cyrus' investment process.

*Oak Hill Funds*

Oak Hill Advisors is a leading alternative investment firm with approximately US$27 billion under management across performing and distressed credit related investments in North America, Europe and other geographies.

*3i Funds*

3i is a leading international investment manager focused on mid-market Private Equity, Infrastructure and Debt Management. Their core investment markets are northern Europe and North America.

**Shareholders Agreements**

We set out below a brief description of the agreements between the shareholders of the Company currently in force:

(i) All the Indirect Shareholders, Foodco Invest, the Selling Shareholder and Telepizza Sub among others entered into on October 20, 2014 a shareholders agreement regulating, among others, the special economic rights and liabilities attached to the Class A shares, Class B shares and Class C shares in Foodco Invest (the "SHA between all Indirect Shareholders").

All classes of shares in Foodco Invest have the same political rights, having each share (from whatever Class) one voting right. Therefore, Telefood (and, indirectly, the Permira Funds) controls Foodco Invest with its 51% stake, and the remaining Indirect Shareholders are entitled to customary minority protections. Consequently the Company is currently indirectly controlled by the Permira Funds but it is expected that it will not be controlled by any shareholder after the Offering.

The only difference between the classes of shares in Foodco Invest are the economic rights granted to each class of shares. Such economic rights fluctuate depending on the equity value of Foodco Invest upon a sale or initial public offering of a group company, including the Offering. The excess proceeds derived from a sale or initial public offering of the Company, to which each class of shareholder is entitled, fluctuates depending on the amount of such excess proceeds.

The SHA between all Indirect Shareholders will terminate on Admission conditional upon settlement of the Offering.

(ii) The KKR Funds, the Permira Funds (through the Luxembourg companies Telefood S.à r.l., Toro S.à r.l. and Torisa S.à r.l.) and Foodco Invest entered into on October 20, 2014 a shareholders agreement (the "SHA between Permira and KKR") that granted to the KKR Funds customary minority protections.

The SHA between Permira and KKR will be terminated on Admission conditional upon settlement of the Offering.

(iii) The Permira Funds (through the Luxembourg companies Toro S.à r.l. and Torisa S.à r.l.), Carbal, S.A., the Company and Telepizza Sub among others entered into on September 25, 2014 a shareholders agreement (the "SHA between Permira and Carbal"). The SHA between Permira and Carbal contains customary minority protections.

The SHA between Permira and Carbal will remain in effect post Admission only in respect of the Selling Shareholder and its holding companies, and the Company and Telepizza Sub will cease to be parties to the SHA between Permira and Carbal on Admission conditional upon settlement of the Offering. The SHA between Permira and Carbal does not affect the voting rights in the Shares of the Company nor the transfer of such Shares (which stake in the Company will be solely controlled post Admission, indirectly through the Selling Shareholder, by the Permira Funds) and therefore will not be categorized as a "extra-statutory" shareholders' agreement (pacto parasocial) pursuant to the Spanish Companies Act.

(iv) The Indirect Shareholders, Foodco Invest and the Selling Shareholder entered into on April 13, 2016 an agreement regulating the reorganization of the shareholders of the Company after settlement of the Offering, in the terms described below (the "Reorganization Agreement").

Pursuant to the Reorganization Agreement, between the Settlement Date of the Offering and the completion of the Shareholders Reorganization (expected to take place on the Settlement Date or as soon as possible thereafter), the Selling Shareholder will exercise its voting rights in the Company as if the Shareholders Reorganization had been completed, according to the number of Shares in the Company attributable, directly or indirectly, to each of the Indirect Shareholders and the Indirect Shareholders will be able to direct the vote of the Selling Shareholder in proportion to the Shares to be allocated to each of them.

This provision, as "extra-statutory" shareholders' agreement (*pacto parasocial*) pursuant to the Spanish Companies Act, has been communicated to the CNMV, will be deposited with the Mercantile Registry on the Admission date and will be published in the relevant fact notice (*hecho relevante*) expected to be reported to the CNMV on the pricing date of the Offering.

The Reorganization Agreement will terminate once the Shareholders Reorganization and the liquidation of Foodco Invest is completed.

(v) All the Indirect Shareholders (other than the funds managed by Cyrus) and the Selling Shareholder entered into on April 13, 2016 an agreement regulating an orderly and coordinated process in respect of future sales of Shares of the Company following the expiration of the shareholders' lock-up arrangements described in "*Plan of Distribution*", in the terms described below (the "Orderly Sales Agreement").

The Orderly Sales Agreement will enter into effect on Admission.

This agreement, as "extra-statutory" shareholders' agreement (*pacto parasocial*) pursuant to the Spanish Companies Act, has been communicated to the CNMV, will be deposited with the Mercantile Registry on the Admission date and will be published in the relevant fact notice (*hecho relevante*) expected to be reported to the CNMV on the pricing date of the Offering.

**Reorganization Agreement - shareholdings reorganization after settlement of the Offering**

After settlement of the Offering on the Settlement Date, a reorganization of the shareholding structure (the "Shareholders Reorganization") will be initiated resulting in the Class B Indirect Shareholders and the Class C Indirect Shareholders becoming direct shareholders of the Company. It is expected that Class B and Class C Indirect Shareholders receive their Shares in the Company on Settlement Date or as soon as possible thereafter.

Under the SHA between all Indirect Shareholders and the Reorganization Agreement, (i) the economic rights to which each class of shares in Foodco Invest is entitled will be liquidated upon pricing and settlement of the Offering, and (ii) each of the Indirect Shareholders will receive from Foodco Invest, as part of the liquidation of Foodco Invest, the relevant proceeds derived therefrom, either in cash and/or in Shares of the Company, net of any financial indebtedness of Foodco Invest and its subsidiaries that becomes due upon the Offering, in accordance with the terms of the SHA between all Indirect Shareholders.

The referred economic rights are fully contingent on the equity value of Foodco Invest and therefore their value cannot be determined until the pricing date of the Offering.

The proceeds of the sale of the Existing Offer Shares by the Selling Shareholder will first be applied towards the full repayment of the 2014 PIK Loan to the Selling Shareholder granted by the Class B Indirect Shareholders, the Class C Indirect Shareholders and the Permira Funds to the Selling Shareholder. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—2014 Refinancing*". Immediately thereafter, the Selling Shareholder intends to distribute to Foodco Invest the remaining cash proceeds it receives from the Offering together with the Shares of the Company attributable to the Class B Indirect Shareholders and the Class C Indirect Shareholders based on the equity value of Foodco Invest.

*Liquidation of Foodco Invest S.à r.l.*

The Indirect Shareholders have agreed to liquidate Foodco Invest after settlement of the Offering on the Settlement Date or as soon as possible thereafter, and to distribute its net assets as follows:

- the Class B Indirect Shareholders and the Class C Indirect Shareholders will receive all the Shares of the Company transferred from the Selling Shareholder to Foodco Invest as described above and cash; and
- Telefood will receive all the outstanding shares of the Selling Shareholder and cash.

As a result of such liquidation, Foodco Invest will therefore disappear and the Selling Shareholder will remain existing. The Selling Shareholder (Foodco Finance) will therefore become a vehicle where the Permira Funds will hold 75% of the voting rights and Carbal, S.A. holds 25% of the voting rights. Each of the Class B Indirect Shareholders and the Class C Indirect Shareholders will directly hold their stake in the Company.

The following table sets forth certain information with respect to the ownership of the Shares prior to and after, the Subordinated Loan Capitalization, the settlement of the Offering and the completion of the Shareholders Reorganization and, assuming that the Offering Price is €8.25, the mid-point of the Offering Price Range. This information will be updated on the pricing date with the exact post settlement and Shareholders Reorganization scenario and will be published in a pricing relevant fact notice (*hecho relevante*).

| | Shares owned prior to the Offering and the Shareholders Reorganization | | Number of Shares subscribed pursuant to the Subordinated Loan Capitalization | Number of New Offer Shares subscribed pursuant to the Offering | Number of Existing Offer Shares and Over-allotment Shares being offered | Shares owned after the Subordinated Loan Capitalization, the Offering and the Shareholders Reorganization | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | No exercise of the Over-allotment Option | | Full exercise of the Over-allotment Option | |
| | Number | % | | | | Number | % | Number | % |
| Foodco Finance S.à. r.l. (the Selling Shareholder).......... | 72,000,000 | 100.00 | 12,612,642 | | 58,965,493[1] | 12,669,967 | 12.80 | 9,925,233 | 10.03 |
| | Indirect stake in the Company prior to the Offering and the Shareholders Reorganization (%) | | | | | | | | |
| Telefood[2] ............................... | | 51.00 | - | - | - | - | - | - | - |
| KKR Funds[3] .......................... | | 24.55 | - | - | - | 7,393,665 | 7.47 | 5,798,307 | 5.86 |
| Funds managed by Cyrus[4]…..... | | 9.52 | - | - | - | 4,348,536 | 4.39 | 3,416,112 | 3.45 |
| Funds managed by Oak Hill[5].. | | 7.50 | - | - | - | 2,258,301 | 2.28 | 1,771,019 | 1.79 |
| Funds managed by 3i[6] ........... | | 3.71 | - | - | - | 2,107,120 | 2.13 | 1,656,376 | 1.67 |
| Funds managed by Babson[7] ... | | 1.86 | - | - | - | 1,053,537 | 1.06 | 828,170 | 0.84 |
| Funds managed by Alcentra[8].. | | 1.86 | - | - | - | 1,053,537 | 1.06 | 828,170 | 0.84 |
| Senior management[9] | | - | - | - | - | 1,429,153 | 1.44 | 1,423,762 | 1.44 |
| Other free float........................ | | - | - | 14,367,840 | - | 66,666,666 | 67.35 | 73,333,333 | 74.09 |
| **Total** ....................................... | | **100.00** | 12,612,642 | 14,367,840 | 58,965,493[1] | 98,980,482 | **100.00** | 98,980,482 | **100.00** |

*Notes:—*

(1) 52,298,827 are Existing Offer Shares and 6,666,666 are Over-allotment Shares.

(2) Telefood is a vehicle in which the Permira Funds indirectly hold 75% of the voting rights and Carbal, S.A. holds 25% of the voting rights. The stake in the Company post Admission will be solely controlled indirectly by the Permira Funds through the Selling Shareholder. The Permira Funds do not have an individual ultimate beneficial owner. The ultimate controlling entity of the Permira Funds is Permira Holdings Limited.

(3) The funds managed or advised by KKR Credit include Valencia Investors Limited, Presidio Investors Limited, Spruce Investors Limited and Oregon Public Employees Retirement Fund. KKR Funds do not have an individual ultimate beneficial owner. The ultimate controlling entity of the KKR Funds is KKR Credit.

(4) The funds managed by Cyrus include FBC Holdings S.à r.l. Cyrus Funds do not have an individual ultimate beneficial owner. The ultimate controlling entity of the Cyrus Funds is Cyrus Capital Partners, L.P.

(5) The funds managed by Oak Hill include ESCF Investment S.à r.l., SPFC Investment S.à r.l., CMSC Investment S.à r.l., OHA Centre Street Partnership, L.P., Master SIF SICAV-SIF, CDP ESCF Investment S.à r.l. and Asia CCF Investment II S.à r.l. The Oak Hill funds are managed by OHA (UK) LLP and Oak Hill Advisors, LP. The individual ultimate beneficial owner is Mr. Glenn August.

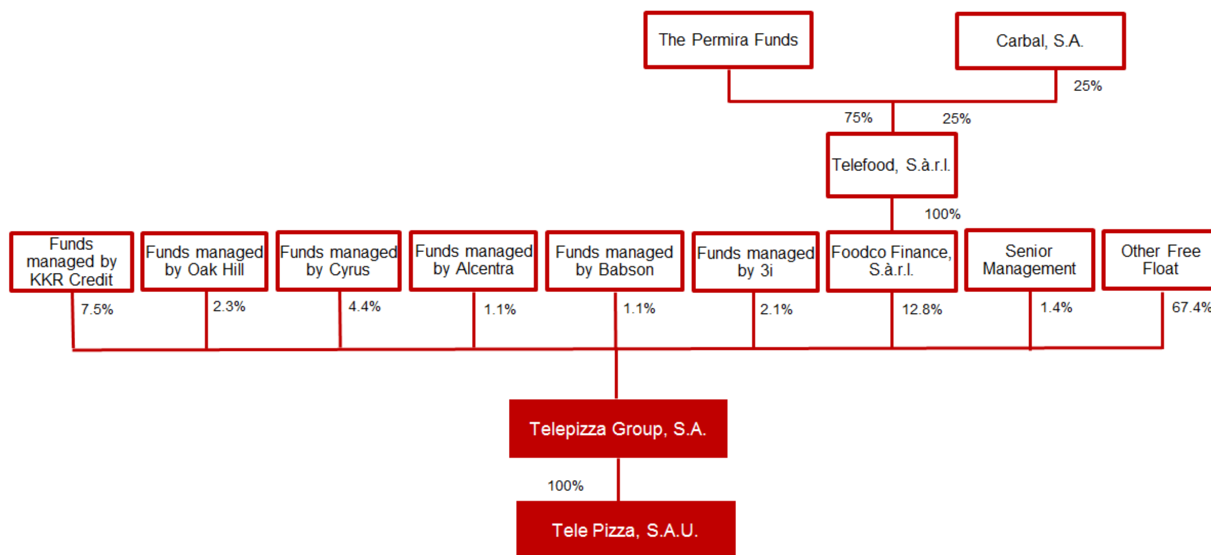
(6) The funds managed by 3i include Friday Street Mezzanine 1 Limited Partnership, Harvest CLO II S.A. and Harvest CLO III Plc.

(7) The funds managed by Babson include Almack, S.A.

(8) The funds managed by Alcentra include Alcentra Mezzanine No. 1 S.à r.l. and Alcentra Mezzanine QPAM Luxco S.à r.l.

(9) See "*Board of Directors and Management—Equity Interests*".

The following chart sets out the shareholder structure in the Company after the Subordinated Loan Capitalization, the settlement of the Offering and the completion of the Shareholders Reorganization. The ownership stakes in the Shares of the Company assume that the Offering Price is €8.25, the mid-point of the Offering Price Range, and that the Over-allotment Option has not been exercised.




### Orderly Sales Agreement

The Orderly Sales Agreement contains provisions to support an orderly and coordinated process in respect of future sales of Shares following the expiration of the shareholders' lock-up arrangements described in "*Plan of Distribution*". The Orderly Sales Agreement sets forth that if a shareholder party to the agreement holding 5% or more of the issued and outstanding shares intends to sell Shares, it shall communicate to the remaining parties its intention and all relevant terms of such disposal, and the remaining shareholders shall be invited to participate in such disposal.

Certain permitted disposals of Shares are excepted from these orderly sale procedures, principally transfers to an affiliate, by way of an acceptance of a public takeover bid or disposals representing, for each Indirect Shareholder shareholder party to the agreement holding 5% or more of the issued and outstanding shares, no more than 1% of the issued and outstanding Shares in the Company in any six-month period, and for each Indirect Shareholder shareholder party to the agreement holding less than 5% of the issued and outstanding shares, no more than 0.5%.

Irrespective of whether a party sells Shares through the orderly procedure set out in the Orderly Sales Agreement, the parties thereto have agreed to enter into additional customary lock-up arrangements for a period not exceeding 90 days following an orderly sale.

The Orderly Sales Agreement will remain in force so long as two or more of the parties subject to the agreement continue to each hold at least 3% of the issued and outstanding Shares of the Company, and can be terminated by each Indirect Shareholder when its stake falls below 0.5% of the issued and outstanding Shares or with a three-months' prior notice, such notice not to be sent before 30 months as from Admission.

### Change in Control of the Company

The Company is currently indirectly controlled by the Permira Funds but it is expected that it will not be controlled by any shareholder after the Offering and the Subordinated Loan Capitalization.

We are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

### Voting rights

All Shares give our shareholders the same economic, voting and related rights.

## MATERIAL CONTRACTS

The contracts set out below (not being contracts entered into in the ordinary course of business) have (i) been entered into by the Company within the two years immediately preceding the date of this prospectus and are or may be material to the Company; or (ii) been entered into at any time and contain provisions under which the Company has any obligation or entitlement which is or may be material to the Group as of the date of this prospectus.

### The Ornua Supply Agreement

The main terms of the Ornua Supply Agreement are described in "*Our Business—Supplies, Manufacturing and Distribution—Supplies*".

### Financing Agreements

#### *Existing Facilities Agreement*

The main terms of the Existing Facilities Agreement are described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Existing Facilities*".

#### *New Facilities Agreement*

The main terms of the New Facilities Agreement are described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—New Facilities*".

#### *Subordinated Loan*

The main terms of the Subordinated Loan are described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Subordinated Loan*".

## MARKET INFORMATION

*Prior to the Offering, there has been no public market for the Offer Shares. We will apply to list the Shares on the Spanish Stock Exchanges and to have them quoted on the AQS or "Mercado Continuo" of the Spanish Stock Exchanges. The Spanish securities market for equity securities comprises four stock exchanges located in Madrid, Barcelona, Bilbao and Valencia.*

### Automated Quotation System

The AQS links the Spanish Stock Exchanges, providing any equity securities listed on it with a uniform continuous market in order to eliminate certain differences arising among the various local exchanges. The principal feature of the system is the computerized matching of bid and offer orders at the time of placement. Each order is completed as soon as a matching order occurs, but can be modified or cancelled until completion. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A. ("Sociedad de Bolsas"), a company owned by the companies that manage the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of one of the Spanish Stock Exchanges.

In a pre-opening session held each trading day from 8:30 a.m. to 9:00 a.m. (CET), an opening price is established for each equity security traded on the AQS based on a real-time auction in which orders can be placed, modified or cancelled, but not completed. During this pre-opening session, the system continuously displays the price at which orders would be completed if trading were to begin. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer prices. If an auction price cannot be determined, the best bid and offer prices and their respective associated trading volumes are disclosed instead. The auction terminates with a random 30-second period in which the shares are allocated. Until the allocation process has finished, orders cannot be placed, modified or cancelled. In exceptional circumstances (including the admission of new securities to trade in the AQS) and subject to prior notice to the CNMV, Sociedad de Bolsas may fix an opening price disregarding the reference price (which is the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price and modify the reference price.

The computerized trading hours, known as the open session, range from 9:00 a.m. to 5:30 p.m. (CET). The AQS sets out two ranges of prices for each security named "static" and "dynamic" in order to monitor the volatility of the trading price of each security. During the open session, the trading price of a security may fluctuate within a certain predetermined percentage above and below the "static" price (which is the price resulting from the closing auction of the previous trading day or the immediately preceding volatility auction in the current open session) (the "static range"). In addition, the trading price may range within a certain predetermined percentage above and below the "dynamic" price (the trading price of the immediately preceding trade of the same security) (the "dynamic range"). If, during the open session, there are matching bid and offer orders for a security within the computerized system which exceed any of the above "static" and/or "dynamic" ranges, trading on the security is automatically suspended and a new auction, known as volatility auction, is held where a new reference price is set, and the "static" and "dynamic" ranges will apply over such new reference price. The "static" and "dynamic" ranges applicable to each specific security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 p.m. to 5:35 p.m. (CET), known as the closing auction, orders can be placed, modified and cancelled, but no trades can be completed.

Between 5:30 p.m. and 8:00 p.m. (CET), trades may occur outside the computerized matching system without prior authorization of Sociedad de Bolsas (provided such trades are however disclosed to Sociedad de Bolsas) at a price within the range of 5% over the higher of the average price and the closing price for the trading day and 5% below the lower of the average price and closing price for the trading day provided that: (i) there are no outstanding bids or offers in the computerized system matching or improving the terms of the proposed off-system transaction; and (ii) among other requirements, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the relevant security during the preceding three months. These off-system trades must also relate to individual orders from the same person or entity and shall be reported to Sociedad de Bolsas before 8:00 p.m. (CET).

Trades may take place at any time (with the prior authorization of Sociedad de Bolsas) and at any price if:

- they involve more than €1,500,000 and more than 40% of the average daily trading volume of the relevant securities during the preceding three months;
- the transaction results from a merger, spin-off or the restructuring of a group of companies;
- the transaction is carried out for the purposes of settling a litigation process or completing a complex set of sale and purchase agreements; or
- for any other reason which justifies the authorization of such transaction at the discretion of Sociedad de Bolsas.

Information with respect to computerized trades, which take place between 9:00 a.m. and 5:30 p.m., is made public immediately. On the other hand, information with respect to off-system trades is reported to Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

**Clearance, Settlement and Recording System**

The Spanish clearance, settlement and recording system has been recently adapted by Act 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) and Royal Decree 878/2015, of October 2, (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un Mercado secundario oficial*) to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of July 23, 2014, on improving securities settlement in the European Union and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012. Following this reform, which first phase is expected to be applicable from April 27, 2016, transactions carried out on the AQS are cleared, settled and recorded by Iberclear, as central securities depository, and BME Clearing, S.A., as central clearing counterparty (CCP).

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a listed holding company which holds a 100% interest in each of the Spanish official secondary markets.

Shares of listed Spanish companies are represented in book-entry form. The recording system is a two-tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorized to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorized central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorized to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects: (i) one or several proprietary accounts which will show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of such shares.

According to the above, Spanish law considers the owner of the shares to be:

- The participating entity appearing in the records of Iberclear as holding the relevant shares in its own name.
- The investor appearing in the records of the participating entity as holding the shares; or
- The investor appearing in the records of Iberclear as holding shares in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and sends to Iberclear the relevant settlement instructions.

The settlement and registration platform managed by Iberclear, which operates with the trade name of ARCO, receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. Currently transactions are settled under the T+3 settlement standard, and it expected that from June 27, 2016 (including transactions executed on June 23, 2016) ARCO will operate under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

Obtaining legal title to shares of a company listed on the Spanish Stock Exchanges requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. To evidence title to shares, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding shares in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the shares held in their name.

**Euroclear and Clearstream, Luxembourg**

Shares deposited with depositaries for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, Société Anonyme ("Clearstream"), and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream, will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System (as amended from time to time), the Management Regulations of Clearstream and the instructions to Participants of Clearstream (as amended from time to time), as applicable. Subject to compliance with such regulations and procedures, those persons on whose behalf accounts are kept at Euroclear or Clearstream and to whom shares have been credited ("investors"), will be entitled to receive a number of shares equal to that amount credited in their accounts.

With respect to shares deposited with depositaries for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees (as described below), if any, and once the relevant recording in the book-entry records kept by the members of Iberclear has occurred.

Under Spanish law, only the shareholder of record in Iberclear's registry is entitled to dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear (or its nominees) or Clearstream (or its nominees) will, respectively, be the sole record holders of the shares that are deposited with any depositaries for Euroclear and Clearstream until investors exercise their rights to withdraw such shares and record their ownership rights over them in the book-entry records kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction of any applicable withholding taxes, in accordance with the applicable regulations and procedures for Euroclear and Clearstream. See "*Taxation*" below.

Euroclear and Clearstream will endeavor to inform investors of any significant events of which they become aware affecting the shares recorded in the name of Euroclear (or its nominees) and Clearstream (or its nominees) and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at their discretion, take such action, as they deem appropriate in order to assist investors in exercising their voting rights in respect of the shares. Such actions may include: (i) acceptance of instructions from investors to grant or to arrange for the granting of proxies, powers of attorney or other similar certificates; or (ii) exercise by Euroclear or its nominees and Clearstream or its nominees of voting rights in accordance with the instructions provided by investors.

In case we offer or cause to be offered to Euroclear or its nominees and Clearstream or its nominees, acting in their capacity as record holders of the Shares deposited with the depositaries for Euroclear and Clearstream, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will, respectively, endeavor to inform investors of the terms of any such rights of which they become aware in accordance with the applicable provisions in the aforementioned regulations and procedures. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or, alternatively, such rights may be sold and, in such event, the net proceeds will be credited to the cash account kept on behalf of the investor with Euroclear or Clearstream.

**Tender Offers**

Tender offers are governed in Spain by Articles 128 et seq. of the Securities Market Act and Royal Decree 1066/2007, of July 27 (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*) which implement Directive 2004/25/EC of the European Parliament and of the Council of April 21. Other than the referred tender offer regulation, there is no other special regulation in Spain which may govern mandatory tender offers over the Shares.

Tender offers in Spain may qualify as either mandatory or voluntary.

Mandatory tender offers must be launched for all the shares of the target company and all other securities that might directly or indirectly entitle to acquire or subscribe such shares (including, without limitation, convertible and exchangeable notes) at an equitable price when any person or entity acquires control of a Spanish listed company, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly entitle to subscribe or acquire voting shares in such company;
- through shareholder agreements with shareholders or other holders of said securities; or
- as a result of other situations of equivalent effect as provided in the applicable Spanish regulation on tender offers (which constitute indirect control acquired through mergers, share capital decreases, changes in the target's treasury stock).

A person or entity is deemed to have control over a target company, either individually or jointly with other parties acting in concert, whenever:

- it acquires, directly or indirectly, a percentage of the company's voting rights equal to or greater than 30%; or
- it has acquired a percentage that is less than 30% of the voting rights and appoints, during the 24-month period following the date of acquisition of said percentage, a number of directors that, together with those already appointed by it (if any), represents more than half of the members of the target company's board of directors. The Spanish regulation on tender offers also sets forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

For the purposes of calculating the percentages of voting rights acquired, the Spanish regulation establishes the following rules:

- percentages of voting rights corresponding to: (i) companies belonging to the same group as the bidder; (ii) members of the board of directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee (such nominee being a third-party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof), will be deemed to be held by the bidder;
- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other contractual title, will also be deemed to be held by the bidder;
- the percentage of voting rights shall be calculated based on the entire number of the company's shares with voting rights, even if the exercise of such rights has been suspended. Treasury stock held directly or indirectly by the target company (according to the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- acquisitions of securities or other financial instruments which entitle the holder to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the applicable Spanish regulation on tender offers, the CNMV will conditionally exempt a person or entity from the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

Spanish regulations establish certain exceptions where control is obtained but no mandatory tender offer is required, including:

- Subject to the CNMV's approval, acquisitions or other transactions resulting from the conversion or capitalization of claims into shares of listed companies if their financial feasibility is subject to serious and imminent danger provided that such transactions are intended to ensure the company's financial recovery in the long term. The approval of the CNMV will not be required if the acquisition takes place in the context of a refinancing agreement under Additional Disposition Fourth of Act 22/2003, of July 9, on insolvency (*Ley 22/2003, de 9 de julio, concursal*) (the "Insolvency Act").
- In the event of a merger, provided that those acquiring control did not vote in favour of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose.
- When control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% of the voting rights to which the bid was directed (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the tender offer).

The price of the mandatory tender offer is deemed to be equitable when it is at least equal to the highest price paid by the bidder or any person acting in concert therewith for the same securities during the 12 months preceding the announcement of the tender offer. Other rules used to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price determined pursuant to said rules in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and at any event within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched in those cases in which a mandatory offer is not legally required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the bylaws or adoption of certain resolutions by the general shareholders' meeting of the target company, acceptance of the offer by a minimum number of shares of the target company, approval of the offer by the general shareholders' meeting of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that the fulfilment of such conditions may be verified by the end of the offer acceptance period; and
- they may be launched at a price other than an equitable price.

The price in a voluntary tender offer must be the higher of (i) the equitable price and (ii) the price resulting from an independent valuation report, and must at least consist of cash as an alternative if certain circumstances have occurred during the two years prior to the announcement of the offer (basically, the trading price for the shares being affected by price manipulation practices, market or share prices being affected by natural disasters, force majeure, or other exceptional events, or the target company being subject to expropriation or confiscation resulting in significant impair of the company's real value).

The Spanish regulation on tender offers sets forth further relevant provisions, including, amongst others:

- the board of directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's board of directors is not subject to equivalent passivity rules and subject to prior approval by the company's general shareholders' meeting within the 18-month period before the date of the public announcement of the tender offer;
- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and
- squeeze-out and sell-out rights will apply provided that following a mandatory tender offer (or as a result of a voluntary offer for all the of the target's share capital) the bidder holds shares representing at least 90% of the target company's voting share capital and the tender offer has been accepted by the holders of securities representing at least 90% of the voting rights over which the offer was launched.

# DESCRIPTION OF SHARE CAPITAL

The following summary provides information regarding our share capital and certain applicable provisions in connection therewith to be found in our bylaws, the General Shareholders' Meeting Regulations and Spanish law, including the Spanish Companies Act and the Securities Market Act. Our General Shareholders' Meeting Regulations were approved by our sole shareholder on March 31, 2016, are pending to be registered with the Commercial Registry as of the date of this prospectus and will enter into effect on Admission.

This summary does not purport to be complete nor to describe all of the applicable provisions and regulations in connection with the matters described herein and is qualified in its entirety by reference to our bylaws and to the Spanish Companies Act (or any other applicable regulations from time to time). It is recommended that you refer to our bylaws and the Spanish Companies Act (or any other regulation referred herein) for further details. A copy of our deed of incorporation and bylaws are available at our registered office (calle Isla Graciosa 7, Parque Empresarial La Marina, San Sebastián de los Reyes, 28700, Madrid, Spain). Furthermore, a copy of our bylaws is also available on our website (www.telepizza.com), and upon Admission, in the CNMV's offices.

## General

As of the date of this prospectus, our share capital consists of €18,000,000 divided into a single series of 72,000,000 ordinary shares denominated in euro, with a nominal value of €0.25 per Share and each with an ISIN code ES0105128005, allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. Our entire share capital is fully subscribed and paid-up.

Our Shares are represented by book-entries, being Iberclear together with its participating entities, the entity responsible for maintaining the corresponding accounting records, with registered office at Plaza de la Lealtad 1, Madrid, Spain.

As of the date of this prospectus, we do not own any treasury shares (*autocartera*) and have neither issued securities convertible or exchangeable into Shares or with warrants over the Shares.

On August 2, 2013, we increased our share capital by €56,000,000 by issuing 56,000 shares (*participaciones*) with a nominal value of €50 and share premium of €950 each, which were fully subscribed by Telefood, our sole shareholder at that time, through the partial compensation of the a profit participating loan.

On October 20, 2014, in connection with the reorganization of the Group, we increased our share capital by €213,380,384 by issuing 4,411 shares (*participaciones*) with a nominal value of €50 and share premium of €48,324.6053 each, which were fully subscribed by Telefood through the total compensation of the profit participating loan in the amount of €107,111,267 and the partial compensation of a subordinated loan in the amount of €106,269,117. Telefood then transferred its entire stake in the Company to the Selling Shareholder, which made a monetary contribution to reserves of €157,532,050.

The Company was transformed into a Spanish public limited liability company (sociedad anónima) following registration on the Commercial Registry of Madrid on March 1, 2016 of a public deed granted before the notary of Madrid Mr. Javier Navarro-Rubio Serres on February 5, 2016 under number 104 of his records. Pursuant to the transformation, our share capital amounted to €18,000,000 divided into a single series of 360,000 ordinary shares (*acciones*) denominated in euro, with a nominal value of €50 per share.

On March 17, 2016, our sole shareholder approved a share split and reduced the nominal value of our shares from €50 to €0.25 per share. Pursuant to the share split, and as of the date of this prospectus, our share capital is divided in 72,000,000 shares with a nominal value of €0.25 each.

The summary chart below outlines the evolution of our share capital as of the date of this prospectus:

| | Share capital before August 2, 2013 | Share capital increase dated August 2, 2013 | Share capital increase dated October 20, 2014 | Share split dated March 17, 2016 |
|---|---|---|---|---|
| **Allocation** | | | | |
| Nominal value increased | €14,979,450 | €2,800,000 | €220,550 | - |
| New issuance premium equity | €183,596,000 | €53,200,000 | €84, 591,834 | - |
| New issuance premium to income statement | - | - | €128,568,000 | - |
| Number of shares increased | - | 56,000 | 4,411 | - |
| **Total number of shares** | 299,589 | 355,589 | 360,000 | 72,000,000 |
| **Total proceeds** | €198,575,000 | €56,000,000 | €213,380,384 | - |
| **Total issued share capital** | **€14,979,450** | **€17,779,450** | **€18,000,000** | **€18,000,000** |

On March 31, 2016, our sole shareholder approved the decision, conditional upon pricing of the Offering, to carry out the Subordinated Loan Capitalization. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Subordinated Loan*". Our board of directors, upon pricing of the Offering, will approve on or about April 25, 2016 the execution of the capital increase resulting from the Subordinated Loan Capitalization, once the credit rights of the Subordinated Loan to be converted into equity are declared due and payable by the parties, as provided for in Article 301 of the Spanish Companies Act. Our auditors will issue a special report regarding these credit rights which will be included in the public deed relating to the Subordinated Loan Capitalization (expected to be granted as soon as possible after Admission and to be registered with the Commercial Registry as soon as possible after Admission).

See "*Plan of Distribution—Authorizations of the Offering*" for information of our sole shareholder and board of directors resolutions in connection with the Offering.

On April 12, 2016, our board of directors was authorized by our sole shareholder to increase our share capital by an amount of up to 50% of our share capital as of the date of the decision by our sole shareholder (which amounted to €18.0 million) (in the context of equity offerings, convertible debt instruments or warrants), which includes the delegation to our board of directors to exclude pre-emptive rights of shareholders in respect of a share capital increase of up to 20% of our share capital as of such date. This increase can be completed in one or multiple transactions during a maximum period of five years from such date. The 50% limit will be reduced by the amount of the share capital increase related to the New Offer Shares issued in the context of the Offering.

As of December 31, 2015, all of our shares representing 100% of our total issued share capital was subject to a first ranking pledge in order to secure all present and future obligations under the Existing Facilities Agreement and the Existing Hedging Agreement. As of the date of this prospectus the pledge has been cancelled and released in respect of all Shares of the Company. No pledges or other types of security will be granted over our Shares after the Offering pursuant to our post-Admission debt financing arrangements.

Non-residents in the Kingdom of Spain (including companies incorporated in other jurisdictions) are entitled to hold shares in a Spanish company and vote in its general shareholders' meeting, subject to the restrictions described under "*Restrictions on Foreign Investment*" below.

## Dividend and Liquidation Rights

### *Dividend distribution*

Holders of our Shares are entitled to receive dividends proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend.

Unless the general shareholders' meeting decides otherwise, dividends become payable by us from the next day on which the distribution agreement is adopted by the general shareholders' meeting. Additionally, the board of directors may also approve the distribution of interim dividends (*dividendos a cuenta*) provided that: (i) there is sufficient liquidity to pay the interim dividends and (ii) the amount to be distributed does not exceed the earnings obtained since the end of the previous financial year, after deducting the sum of the accumulated losses from previous years, the amounts to be allocated to legal reserves or any other reserves provided for in the company's bylaws and the estimated tax due on the earnings.

According to the Spanish Companies Act, dividends may only be paid to our shareholders (once the mandatory reserve requirements and any requirements set out in our bylaws have been met, if applicable) from our annual profits or distributable reserves (such as issuance premium), provided in both cases that (x) the value of our net equity (*patrimonio neto*) does not, and as a result of the payment of dividends will not, amount to less than the share capital; and (y) the distributable reserves are equal or higher than the research and development expenses recorded as an asset in our statement of financial position.

Prior to any dividend distribution from our annual profits, the Spanish Companies Act requires companies to allocate at least 10% of their annual profits to a non-distributable mandatory reserve (*reserva legal*) until such reserve amounts to, at least, 20% of the company's share capital. As of December 31, 2015, our legal reserve exceeds the amount legally required.

The Spanish Audit Act amended, with effect as from January 1, 2016, the Spanish Companies Act in relation to the non-distributable mandatory goodwill reserve and set forth new rules for the amortization of intangible assets, which impacts the individual financial statements prepared under Spanish GAAP of our subsidiary Telepizza Sub. Until December 31, 2015, the Spanish Companies Act provided for the creation of a non-distributable mandatory reserve equal to the amount of goodwill recorded as an asset in the company's statement of financial position. For that purpose, prior to any dividend distribution from our annual profits, we were required to allocate each year an amount of our annual profits equal to, at least, 5% of our accounted goodwill to such mandatory non-distributable reserve. If, in any given financial year, there were no positive profits or it was insufficient for such purposes, the Spanish Companies Act required that the shortfall be transferred to the non-distributable mandatory reserve from freely distributable reserves of the company.

Since January 1, 2016, the creation of a non-distributable mandatory goodwill reserve is no longer required. Amounts previously allocated to the non-distributable mandatory goodwill reserve are reclassified as voluntary reserves and can be distributed in the amount exceeding the goodwill recorded as an asset in the statement of financial position of a company. Likewise, since January 1, 2016, intangible assets (including goodwill) must be amortized for accounting purposes on a linear basis during their useful life, which unless it can be otherwise reliably determined is presumed to be a ten year period. The goodwill recorded as an asset in our statement of financial position will be reduced annually in an amount at least equal to its amortization. As of December 31, 2015, the Company's consolidated goodwill amounted to €382.7 million and other intangible assets amounted to €334.0 million and Telepizza Sub's goodwill amounted to €294.5 million and other intangible assets amounted to €324.4 million.

Mandatory reserves will be distributed only upon our liquidation.

Our ability to distribute dividends in the near future, if any, and the amounts thereof will depend upon a number of factors, including, but not limited to, our earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), compliance with any covenants in our debt instruments (further details of which are set out in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*"), market conditions and such other factors as may be deemed relevant at the time. In addition, we are a holding and conduct our business mainly through our wholly-owned subsidiary Telepizza Sub and its subsidiaries. In this regard, the distribution of dividends will be subject to the prior fulfilment by Telepizza Sub and the relevant subsidiaries of the requirements set forth in its bylaws and applicable laws. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*" and "*Dividends and Dividend Policy*".

In accordance with Article 947 of the Spanish Commercial Code (*Real Decreto de 22 de agosto de 1885, Código de Comercio*), a shareholder's right to any given dividend expires if unclaimed during five years after the date it becomes payable.

Any dividends paid in the future will be subject to taxation under Spanish law. See "*Taxation—Material Spanish Tax Considerations*".

***Shareholder Liquidation Rights***

Upon liquidation of a company, shareholders are entitled to any remaining assets in proportion to their respective shareholdings, once the company's debts, taxes and any expenses related to the liquidation have been paid.

**General Shareholders' Meetings and Voting Rights**

***Calling a general shareholders' meeting***

Pursuant to our bylaws and our General Shareholders' Meeting Regulations, which were approved by our sole shareholder on March 31, 2016 and are pending to be registered with the Commercial Registry, and the Spanish Companies Act, ordinary general shareholders' meetings are to be held annually during the first six months of each fiscal year on a date fixed by the board of directors. Extraordinary general shareholders' meetings may be called by the board of directors whenever it deems appropriate or at the request of shareholders representing at least 3% of our share capital. Once our Shares are trading, notices of all general shareholders' meetings shall be published (i) in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) or in one of the main newspapers in Spain; (ii) on our website; and (iii) on the CNMV's website (www.cnmv.es). Our General Shareholders' Meeting Regulations provide that, upon the call of a general shareholders' meeting, the Company will make available in its corporate website an electronic shareholders' forum (*foro electrónico de accionistas*) in order to facilitate the communication between the Company and its shareholders prior to the general shareholders' meeting, and will grant access to it to individual shareholders and voluntary associations.

In addition, once our Shares are trading, if we offer shareholders the ability to vote on the matters considered at the meeting by electronic means accessible to all such shareholders, extraordinary general shareholders' meetings may be called by the board of directors on 15 days' notice (as opposed to the ordinary one-month period). The decision to shorten the notice period before an extraordinary general shareholders' meeting must be adopted by our ordinary general shareholders' meeting by a majority of at least two-thirds of the voting share capital. Such decision will remain in force, at most until the following ordinary general shareholders' meeting.

***Authority of the general shareholders' meeting***

Action is taken at the shareholders' meetings on the following matters: (i) approval of the management carried out by the directors during the previous fiscal year; (ii) approval of the annual accounts of the previous year; (iii) allocation of the previous fiscal year results; (iv) the appointment and removal of directors, liquidators and, if applicable, auditors, and exercise of the company's action to enforce liability against any of them; (v) amendment of the bylaws; (vi) capital increase and decrease; (vii) disapplication or limitation of the pre-emptive rights of subscription; (viii) acquisition, disposal or contribution to another company of essential assets (pursuant the Spanish Companies Act, the essential character of the asset is presumed when the amount of the transaction exceeds twenty-five percent of the value of assets stated in the last approved statement of financial position); (ix) transformation, merger, spin-off or global transfer of assets and liabilities and transfer of the registered office abroad; (x) winding up of the company; (xi) approval of the final liquidation statement of financial position; (xii) the transfer of essential activities previously undertaken by the company itself to subsidiaries, even if the company maintains full ownership of such entities; (xiii) transactions the effect of which is equivalent to the company's liquidation; (xiv) the remuneration policy for directors; and (xv) any other matters specified by law or the bylaws. All the foregoing matters can be dealt with at ordinary or extraordinary general shareholders' meetings, provided

that they are included in the agenda, except that the annual accounts, the allocation of results and the approval of the management may only be decided at an ordinary general shareholders' meeting.

***Voting and attendance rights***

Each of our Shares entitles the holder to one vote at a general shareholders' meeting and there is no limit as to the maximum number of votes that may be issued by any shareholder, companies belonging to the same group or any person acting in coordination with any of the former. Shareholders are not required to hold a minimum number of Shares in order to exercise their right to attend any general shareholders' meeting. None of our shareholders have different voting rights.

Holders of record of any number of Shares with voting rights are entitled to attend our general shareholders' meeting with the right to speak and vote. The general shareholders' meeting notice shall indicate the date on which Shares must be held for a shareholder to be effectively entitled to attend the meeting and exercise any voting rights. Shareholders that are duly registered in the book-entry records (*anotaciones en cuenta*) managed by Iberclear and its participating entities at least five days in advance of the date of the general shareholders' meeting shall be entitled to attend and vote at such meeting.

Our bylaws and internal regulations do not include any provision that would have the effect of delaying, deferring or preventing a change of control of the Company and do not provide for conditions to be met by changes in our capital which are more stringent than the provisions of the Spanish Companies Act.

***Proxies***

Pursuant to the Spanish Companies Act, shareholders may vote by proxy. Proxies must be given for each general shareholders' meeting in writing or by electronic means acceptable under our bylaws. Proxies may be given to any person, whether or not a shareholder. Proxies may be revoked by the shareholder by giving us notice prior to the meeting or by personally attending the meeting.

Proxy holders are required to disclose any conflict of interest to the shareholder prior to their appointment. In case a conflict of interest arises after the proxy holder's appointment, it shall immediately be disclosed to the shareholder. In both cases, the proxy holder shall refrain from exercising the shareholder's voting rights after disclosure of the conflict of interest unless the shareholder has provided new specific voting instructions for each matter in respect of which the proxy holder is to vote on its behalf. A conflict of interest may (amongst other things) be deemed to arise when the proxy holder: (i) is one of our controlling shareholders or an entity controlled by such shareholder; (ii) is a member of our administrative, management or supervisory body, or that of one of the controlling shareholders or of another entity controlled by such shareholders; (iii) is our employee or auditor, or that of a controlling shareholder or another entity controlled by any of such shareholders; or (iv) is a natural person related to those mentioned in (i) to (iii) above (*persona física vinculada*), as this concept is defined under the Spanish Companies Act (such as the spouse or similar, at that time or within the two preceding years, as well as ascendants, descendants, siblings, and their respective spouses) and under the Spanish Ministry of Economy and Competitiveness Order EHA/3050/2004, of September 15 (*Orden EHA/3050/2004 de 15 de septiembre sobre la información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales*).

A proxy holder may act on behalf of more than one shareholder without limitation as to the maximum number of represented shareholders. Where a proxy holder holds proxies from several shareholders with diverging voting instructions, it shall be entitled to cast votes differently as appropriate for each shareholder.

Pursuant to the Spanish Companies Act, entities rendering investment services, acting in their capacity as professional financial intermediaries, can also be appointed as proxy holders. Financial intermediaries shall also be entitled to cast different votes for each shareholder in observance of diverging voting instructions from their clients.

***Holding a general shareholders' meeting and adopting resolutions***

The General Shareholders' Meeting Regulations of the Company vary according to whether the ordinary or extraordinary general shareholders' meeting is held on the first call or on the second call (meeting notices may include, and usually do, a second call for the meeting to be held at least 24 hours after the first date included in the meeting notice that would be held in accordance with the first call):

- **Quorum**: on the first call the presence in person or by proxy of shareholders representing at least 25% of its voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which according to the Spanish Companies Act requires no quorum.
- **General rule for the adoption of resolutions**: resolutions are passed by a majority of the votes corresponding to the share capital present or represented at such meeting, except for the exceptions covered in the following paragraph.
- **Adoption of resolutions for reserved matters**: according to the Spanish Companies Act, a resolution in a general shareholders' meeting to increase or decrease our share capital, modify our bylaws (including, without limitation, increases and reductions of share capital), issue bonds, suppress or limit pre-emptive right over new shares, transform, merge, spin-off, globally assign assets and liabilities and the transfer of our registered address abroad, requires the presence in person or by proxy of shareholders representing at least 50% of our voting capital on first call, and the presence in person or by proxy of shareholders representing at least 25% of our voting capital on second call. On second call, and in the event that less than 50% of our voting capital is represented in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing two-thirds of our capital present or represented at such meeting. Pursuant to Article 201 of the Spanish Companies Act, the adoption of any agreement referred to in Article 194 of the Spanish Companies Act (which are those summarized above in this paragraph) will require an absolute majority of the votes issued by the attending shareholders (both personally and by proxy) if the attending shareholders represent more than 50% of the total share capital.

The Spanish Companies Act allows shareholders to voluntarily group their shares so that the share capital in aggregate is equal to or greater than the result of dividing the total share capital by the number of directors on the board. Such grouped shareholders have the right to appoint a corresponding proportion of the members of the board of directors (disregarding any fractions) provided that there is a vacancy. Shareholders who exercise this grouping right may not vote on the appointment of the remaining other directors.

***Legal effects of resolutions passed by the general shareholders' meeting and opposition to the resolutions of the general shareholders' meeting.***

A resolution passed by our general shareholders' meeting is binding on all shareholders.

Resolutions which are either (i) contrary to Spanish law, our bylaws or our General Shareholders' Meeting Regulations or Board Regulations or (ii) detrimental to our corporate interests in benefit of one or more shareholders or third parties, may be contested. For listed companies, the Spanish Companies Act requires a contestant or contestant group to hold a minimum total of 0.1% of the company's share capital in order to contest a resolution. The Spanish Companies Act acknowledges a legal right of action in favour of (i) individual shareholders who held shares prior to the adoption of such resolutions, (ii) our directors and (iii) interested third parties. If the resolution is contrary to public policy, any shareholder (whether or not he or she was a shareholder at the time when the resolution was adopted), director or third party is entitled to contest the resolution. In certain circumstances (such as a significant amendment of our corporate purpose, certain cases of conversion of our corporate form or the change of our registered office overseas), the Spanish Companies Act entitles dissenting or absent shareholders to withdraw from the company. If this right were to be exercised, we would be obliged to repurchase the relevant shareholding(s) from the withdrawing shareholder in accordance with the procedures established under the Spanish Companies Act.

## Pre-emptive Rights and Increases of Share Capital

Pursuant to the Spanish Companies Act, shareholders have pre-emptive rights to subscribe for newly issued shares in consideration to cash contributions or newly issued bonds that are convertible into shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed by the general shareholders' meeting or the board of directors (in case the general shareholders' meeting of a listed company delegates the decision to increase the company's share capital or issue convertible bonds waiving pre-emptive rights to the board of directors), in accordance with the provisions of the Spanish Companies Act. In such cases, the resolution authorizing the waiver of pre-emptive rights will only be valid if, amongst other requirements: (i) a report is issued by an auditor appointed by the Commercial Registry stating, amongst other elements, the market value of the Shares, the theoretical value of the pre-emptive rights and the net book value of the Shares; and (ii) the nominal value and issue premium of the newly issued shares is equal or higher than their net book value, as determined by the auditor's report.

Furthermore, pre-emptive rights will not be exercisable by shareholders in case of a share capital increase that is required for the purposes of issuing convertible bonds into shares, completing a merger, acquiring all or part of another company's assets, by means of capitalization of credit rights or against non-cash contributions. Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders since new shares may be offered for subscription at prices lower than prevailing market prices.

On April 12, 2016, our board of directors was authorized by our sole shareholder to increase our share capital by an amount of up to 50% of our share capital as of the date of the decision by our sole shareholder (which amounted to €18.0 million) (in the context of equity offerings, convertible debt instruments or warrants), which includes the delegation to our board of directors to exclude pre-emptive rights of shareholders in respect of a share capital increase of up to 20% of our share capital as of such date. This increase can be completed in one or multiple transactions during a maximum period of five years from such date. The 50% limit will be reduced by the amount of the share capital increase related to the New Offer Shares issued in the context of the Offering.

## Shareholder Claims

Pursuant to the Spanish Companies Act, directors are liable towards us, the shareholders and the creditors for any actions or omissions that are illegal or contravene the bylaws and for failure to perform their legal and fiduciary duties diligently.

Under Spanish law, shareholders must bring any actions against our directors as well as any other actions against us or challenging corporate resolutions before the competent courts in the province where our registered office is located (currently Madrid, Spain).

## Information to Shareholders

Under Spanish law, shareholders are entitled to receive certain company information, including information regarding any amendment to bylaws, any increase or reduction in share capital, the approval of the annual accounts, any issuance of debt securities, a merger or spin-off, the winding-up or liquidation, or any other major corporate events or actions.

Furthermore, shareholders may request any reports or explanations that they consider necessary in respect of the matters included in the agenda of a general shareholders' meeting, either in writing beforehand until the fifth day prior to the date scheduled for the general shareholders' meeting in which case, the board of directors is obliged to provide these reports and explanations until the day before the general shareholders' meeting, or orally at the meeting, in which case and if the right of the shareholder could not be satisfied at the moment, the board of directors is obliged to provide these reports and explanations within the seven days following the conclusion of the general shareholders' meeting, except in the case where, in the chairman's opinion, public exposure of the information requested may be detrimental to our interests. However, this exception shall not apply should the request be backed by shareholders which together hold 25% or more of the share capital.

## Representation and Transfer of Shares

Our Shares are represented by book-entry records and are indivisible. Joint holders of one or several Shares must appoint a single representative to exercise their rights jointly on their behalf. However, they shall all be jointly and severally (*solidariamente*) liable towards us for any obligations in their capacity as shareholders.

Iberclear (the managing entity for the Spanish clearance and settlement system of the Spanish Stock Exchanges) manages the central registry, which reflects the number of shares held by each of its participating entities from time to time as well as the amount of shares held by beneficial owners. Each participating entity, in turn, keeps a record of the owners of such shares. Since our Shares are represented by book-entry records, we will keep an electronic shareholder registry for which Iberclear shall report to us all transactions entered into by our shareholders in respect of the Shares. The shareholders or persons holding limited *in rem* rights or encumbrances on the Shares may obtain legitimation certificates as provided for under the laws governing shares represented by book entries.

Our Shares are freely transferable in accordance with the Spanish Companies Act, the Securities Market Act and any implementing regulations.

Transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchange. For more information, see "*Market Information*". The transfer of Shares may be subject to certain fees and expenses.

## Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of April 23 (*Real Decreto 664/1999, de 23 de abril, sobre inversiones exteriores*), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

According to Royal Decree 664/1999 and developing regulations, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer their interests, equity gains and dividends outside the Kingdom of Spain (subject to applicable taxes and exchange controls). Foreign investors not resident in a tax haven are only required to file a standardized notice with the Spanish Registry of Foreign Investments (*Registro de Inversiones Exteriores*) kept by the General Bureau of Commerce and Investments (*Dirección General de Comercio e Inversiones*) within the Ministry of Economy and Competitiveness (*Ministerio de Economía y Competitividad*) following the investment in or divestment of a Spanish company. Such filing is to be made solely for statistical, economic and administrative purposes. In case the Shares belong to a Spanish company listed on an official secondary market, the duty to file the notice regarding the foreign investment or divestment falls with the relevant entity with whom the Shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with such investment or divestment.

If the foreign investor is a resident of a tax haven, as defined under Royal Decree 1080/1991 of July 5, 1991 (*Real Decreto 1080/1991, de 5 de julio*), notice must be provided to the Registry of Foreign Investments both before and after execution of the investment. However, prior notice from residents in tax havens is excluded in the following cases:

- investments in securities, whether or not listed in an official secondary market;
- participations in investment funds that are registered with the CNMV; and
- investments in connection with shareholdings that do not exceed 50% of the share capital of a Spanish company.

Additional regulations apply to investments in certain industries, including air transportation, mining, manufacturing and sales of weapons and explosives for non-military use, national defense, radio, television and telecommunications. These additional restrictions do not apply to investments made by EU residents, except for those related to the Spanish defense sector and the manufacturing and sale of weapons and

explosives for non- military use. In any case, there are no such additional regulations affecting investments in companies operating in the food industry.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy and Competitiveness, may suspend the application of the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or with respect to investments in particular industries. In such cases, any purported foreign investments falling within the scope of the suspension would be subject to prior authorization from the Council of Ministers of the Spanish government, acting on the recommendation of the Ministry of Economy and Competitiveness.

**Exchange Control Regulations**

Pursuant to Royal Decree 1816/1991, of December 20 (*Real Decreto 1816/1991, de 20 de diciembre, de transacciones económicas con el exterior*), as amended by Royal Decree 1360/2011, of October 7 (*Real Decreto 1360/2011, de 7 de octubre, que modifica el Real Decreto 1816/1991, de 20 de diciembre, sobre transacciones económicas con el exterior*) and EC Directive 88/361/EEC, any charges, payments or transfers between non-residents and residents of the Kingdom of Spain must be effected through an official payment services supplier registered with the Bank of Spain and or the CNMV (*entidades registradas*) through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity in cash or by check payable to the bearer, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency) must be notified through the payment services supplier to the relevant Spanish exchange control authorities if made in cash or by check payable to the bearer.

**Reporting Requirements**

***Transactions affecting voting rights***

Pursuant to Royal Decree 1362/2007 of October 19, 2007 (*Real Decreto 1362/2007, de 19 de octubre, que desarrolla la Ley del Mercado de Valores en relación con los requisitos de transparencia relativos a la información sobre los emisores cuyos valores estén admitidos a negociación en un mercado secundario official o en otro mercado regulado de la Unión Europea*) ("Royal Decree 1362/2007"), any individual or legal entity who, by whatever means, purchases or transfers shares granting voting rights in a company listed in a secondary official market or other regulated market in the EU for which Spain is the country of origin (if the registered office of the listed company is located in Spain), must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 80%, 90% over the company's total voting rights.

The notice shall be served by means of the standard form approved by the CNMV from time to time for such purpose, within four business days from the date on which the transaction is acknowledged (Royal Decree 1362/2007 deems a transaction to be acknowledged within two business days from the date on which it is entered into). Where the individual or legal entity effecting the transaction is a non-resident of the Kingdom of Spain, notice must also be served to the Spanish Registry of Foreign Investments within the Ministry of Economy and Competitiveness, as explained above in section "Restrictions on Foreign Investment".

The foregoing disclosure requirements also apply to those transactions (other than sales and purchases of shares) by which the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the aforementioned thresholds that trigger the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information disclosed in the CNMV. In such case, the transaction is deemed to be acknowledged within two business days from the date of publication of the relevant fact notice (*hecho relevante*).

Regardless of the actual ownership of the Shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the Shares or who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights,

shall also notify us and the CNMV if the aggregate voting rights held by that individual or legal entity reaches, exceeds or falls below the aforementioned thresholds.

The obligation to report will be applicable also if the thresholds mentioned above are crossed as a result of holding financial instruments which:

a) On maturity, give the holder -under a formal agreement- either the unconditional right to acquire or discretion to decide to acquire voting shares already issued; or

b) Otherwise, are referenced to voting shares already issued and have a similar economic effect to that of the financial instruments referred to in (a) above, whether or not they confer a right to a physical settlement.

This means that, for instance, any derivative which grants its holder a long position over the voting shares of a Spanish listed company (options, futures, swaps, forwards and other derivative agreements) is also disclosable (irrespective of whether it is cash or physically settled).

It should be noted that voting rights related to financial instruments are calculated differently depending on how instruments are settled:

- Where financial instruments provide for physical settlement, the number of related voting rights is calculated by reference to the full notional amount of underlying shares.
- Where financial instruments provide for cash settlement only, the number of voting rights is calculated by multiplying the notional amount of underlying shares by the delta of the instrument (which indicates how much a financial instrument's theoretical value would vary in the event of variation in price of the underlying shares).

In case the person, legal entity or group effecting the transaction is a resident in a tax haven (as defined by applicable Spanish regulations) or in a country or territory levying no taxes or with which Spain has no effective exchange of tax information, the threshold that triggers the obligation to disclose the acquisition or transfer of shares in a Spanish company is reduced to 1% (and successive multiples thereof).

Moreover, pursuant to Article 30.6 of Royal Decree 1362/2007, in the context of a takeover bid, the following transactions should be notified to the CNMV: (i) any acquisition reaching or exceeding 1% of the voting rights of the Company, and (ii) any increase or decrease in the percentage of voting rights held by holders of 3% or more of the voting rights in the Company. The CNMV will immediately make public this information.

Our bylaws and internal regulations do not provide for any significant shareholdings disclosure requirements more stringent than those established under Royal Decree 1362/2007 (as mentioned in this sub-section) and Royal Decree 1333/2005 of November 11 (as mentioned in the following sub-section).

***Disclosure requirements applicable to directors and senior managers***

All members of the board of directors must report both to us and the CNMV the percentage of voting rights held by them in our share capital as a result of any transfer or acquisition of shares or voting rights and at the time of their appointment and resignation as directors, regardless of the amount and including information on the percentage of voting rights which they held as a result of the relevant transaction. Furthermore, any member of the board of directors and senior managers must also report any stock-based compensation that they may receive pursuant to any of our compensation plans. The above-mentioned notifications must be made within five trading days from the date of the relevant transaction or from the date of their appointment or resignation as directors or within four trading days from the date of granting of the compensation, as applicable.

In addition, pursuant to Royal Decree 1333/2005 of November 11 (*Real Decreto 1333/2005, de 11 de noviembre, por el que se desarrolla la Ley del Mercado de Valores en materia de abuso de Mercado*) (implementing European Directive 2004/72/EC), any member of our board of directors and senior managers (as defined therein) and any persons having a close link (*vínculo estrecho*) with any of them, must report to

the CNMV any acquisition or transfer of our Shares, within five business days from the date of the relevant transaction.

It should be noted Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, on market abuse, will introduce significant changes on the above-mentioned rules. In that sense, directors and senior managers of listed companies as well as persons closely associated with them, will have to notify every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto. There will be also changes regarding disclosure obligations, timing and exemptions.

***Disclosure of shareholder agreements***

The Spanish Companies Act requires the parties to disclose shareholder agreements that affect the exercise of voting rights at a general shareholders' meeting of a listed company or contain restrictions or conditions in connection with the transfer of shares or convertible bonds. The execution, amendment or extension of such agreements shall be immediately disclosed by the parties to the shareholder agreements to us and to the CNMV and a copy of the agreement shall be filed with the relevant Commercial Registry. The shareholder agreements will be disclosed as relevant fact notice (*hechos relevantes*) on the CNMV's website. If these requirements are not fulfilled, any provisions contained in such shareholder agreements which affect the exercise of voting rights and/or restrict or place conditions upon the transfer of shares, will not be effective.

Upon request by the interested parties, the CNMV may waive the requirement to report and publish the agreement when publishing the shareholders' agreement could cause harm to the affected company.

On April 13, 2016, the Indirect Shareholders (other than the funds managed by Cyrus) and the Selling Shareholder entered into the Orderly Sales Agreement that will enter into effect on Admission (see "*Principal Shareholders and Selling Shareholder—Orderly Sales Agreement*").

On April 13, 2016 the Indirect Shareholders, Foodco Invest and the Selling Shareholder entered into the Reorganization Agreement, which will terminate once the Shareholders Reorganization is completed.

***Disclosure of net short positions***

In accordance with EU Regulation No 236/2012 of the European Parliament and of the Council, of March 14, 2012, on short selling and credit default swaps (as further supplemented by several delegated regulations), any person or legal entity holding net short positions on shares admitted to trading in the Spanish Stock Exchanges must report them to the CNMV if they reach or fall below 0.2% of the relevant issuer's share capital and each 0.1% above that. Positions reaching or falling below 0.5% (and each 0.1% above that) shall be publicly disclosed by the CNMV. The notification or disclosure mentioned above shall be made no later than 3:30 p.m. (CET) on the following trading day.

The disclosure is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, when the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the ESMA, take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting

the parties involved in the lending of a specific financial instrument to notify any change in the applicable premiums; and

- restrict short selling activities by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take similar measures to those described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

**Share Repurchases**

Pursuant to the Spanish Companies Act, we may repurchase our own shares derivatively within certain limits and in compliance with the following requirements:

- the repurchase must be previously authorized by the general shareholders' meeting in a resolution establishing the maximum number of Shares to be acquired, the means by which they will be acquired, the minimum and maximum acquisition price (if any) and the duration of the authorization, which may not exceed five years from the date of the resolution; and
- the repurchase, including the Shares already acquired and currently held by us or any person or company on our behalf, does not reduce our net equity (*patrimonio neto*) below the aggregate amount of our share capital and non- distributable reserves.

For these purposes, net equity (*patrimonio neto*) means the amount resulting from the application of the criteria used to draw up our financial statements, minus the amount of profits directly allocated to such net equity, plus the amount of uncalled subscribed share capital and the total amounts of nominal value and issue premium for the subscribed share capital registered as a liability in our accounting.

In addition:

- the aggregate nominal value of the Shares directly or indirectly repurchased by us, together with the aggregate nominal value of the treasury shares already held by us and our subsidiaries, shall not exceed 10% of our total share capital; and
- the repurchased Shares shall always be fully paid-up. The repurchase shall be deemed null and void if: (i) the Shares are partially paid-up (except in case of free repurchase); or (ii) the Shares entail ancillary obligations.

Treasury shares lack voting and economic rights. Economic rights bound to treasury shares (which are dividend distributions and liquidation rights) shall, except for the right to bonus shares, be distributed amongst our shareholders in proportion to their respective shareholdings.

Directive 2003/6/EC of the European Parliament and of the European Council dated on January 28, 2003 on insider dealing and market manipulation (the "Directive 2003/6/EC") establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence. Article 8 of the Directive establishes an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU member state. European Commission Regulation (EC) No 2273/2003 of December 22, as regards exemptions for buy-back programs and stabilization of financial instruments (the "Regulation (EC) 2273/2003") implemented the aforementioned Directive with regard to exemptions for buy-back programs. Article 3 of the Regulation (EC) 2273/2003 states that in order to benefit from the exemption provided for in Article 8 of the Directive 2003/6/EC, a buy-back program must (i) comply with certain requirements established under such Regulation; and (ii) its sole

purpose must be the reduction of an issuer's share capital (either in value or in number of shares) or the fulfilment of obligations arising from either:

- debt financial instruments exchangeable into equity instruments; or
- employee share option programs or other allocations of Shares to employees of the issuer or those of an associated company.

Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, on market abuse will repeal Directive 2003/6/EC and Regulation (EC) 2273/2003 from July 3, 2016.

On December 19, 2007 the CNMV issued Circular 3/2007 (*Circular 3/2007, de 19 de diciembre, de la Comisión Nacional del Mercado de Valores, sobre los Contratos de Liquidez a los efectos de su aceptación como práctica de Mercado*), which sets out the requirements to be met for liquidity contracts entered into between issuers and financial institutions for the management of treasury shares to be accepted as a market practice.

We shall report to the CNMV any self-acquisition of treasury shares which, together with all other acquisitions since the last disclosure, reaches or exceeds 1% of our share capital (irrespective of whether we have sold any of our treasury shares in the same period). The disclosure notice must include the number of Shares we have acquired since the last disclosure (detailed by transaction), the number of shares we have sold in such period (detailed by transaction), the share prices paid in such transactions and the resulting net holding of treasury shares.

Finally, on July 18, 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the "discretionary transactions with own shares" (outside the scope of Regulation (EC) 2273/2003). These guidelines are in line with Regulation (EC) 2273/2003 in respect of price limits and volumes (reducing the daily limit to 15% of the average daily volume, subject to certain exceptions) and include certain restricted periods and a rule of separate management of the trading activity.

On March 31, 2016, the sole shareholder of the Company authorized the acquisition of treasury stock (*autocartera*) for a period of five years from such date, up to a maximum of 10% of the share capital of the Company as of such date. The minimum and maximum acquisition price will be the nominal value and the weighted average price corresponding to the latest trading session increased by 10%. Simultaneously, on March 31, 2016, the board of directors approved the treasury stock policies of the Company.

# TAXATION

## Material Spanish Tax Considerations

***General***

The following is a summary of certain Spanish tax implications of the acquisition, ownership and disposition of the Shares by Spanish and non-Spanish tax resident investors. This summary is not a complete analysis or description of all the possible Spanish tax implications of such transactions and does not purport to address all tax considerations that may be relevant to all categories of potential investors, some of whom may be subject to special rules (for instance, EU pension funds and EU harmonized collective investment institutions). In particular, this tax section does not address the Spanish tax consequences applicable to certain "look through" entities (such as trusts, estates or partnerships) that may be subject to a specific tax regime applicable under the Spanish Non-Residents Income Tax Act, approved by Royal Legislative Decree 5/2004 of March 5, as amended (the "NRIT Act") or under the Spanish Personal Income Tax Act, approved by Act 35/2006, of November 28, (the "PIT Act"), both recently amended by Act 26/2014, of November 27.

Accordingly, prospective investors in the Shares should consult their own tax advisors as to the applicable tax consequences of their purchase, ownership and disposition of the Shares, including the implications arising under the tax laws of any other jurisdiction, based on their particular circumstances. The description of Spanish tax laws set forth below is based on the laws currently in effect in Spain as of the date of this prospectus, and on administrative interpretations of Spanish law made public to date. As a result, this summary is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retrospective effect.

As used in this section, the term "Holder" means a beneficial owner of the Shares:

- who is an individual or corporation resident for tax purposes in Spain;
- who is an individual or corporation resident for tax purposes in any country other than Spain, and whose ownership of shares is deemed to be effectively connected with a permanent establishment in Spain; or
- who is an individual or corporation resident for tax purposes in any country other than Spain, and whose ownership of shares is not deemed to be effectively connected with a permanent establishment in Spain.

***Spanish Resident Individuals - Personal Income Tax ("PIT")***

*Taxation of dividends*

Article 25.1 of the PIT Act provides for a definition of "investment income" that includes dividends and other revenues items derived from the ownership of an equity interest in an entity (such as, for instance, attendance fees at general shareholders meetings, income derived from any arrangement aimed at allowing another person to use or enjoy the shares and, generally, any other revenues obtained as a result of being a shareholder).

Investment income earned by Holders as a result of their ownership of the Shares is calculated as the gross income less certain tax-deductible expenses, such as general securities administration and custody fees. Discretionary fees relating to an individualized management of a portfolio of securities are not treated as tax deductible. The resulting net investment income will be considered as "savings income" (along with any other revenues item obtained by a Holder that is not related to the ownership of the Shares and that is treated as "savings income"), and subject to PIT at the following progressive rates:

| Taxable income | Rate |
|---|---|
| Up to €6,000 | 19% |
| Between €6,000.01 and €50,000 | 21% |

| | |
|---|---|
| €50,000.01 and above ........................................................................................ | 23% |

Holders will usually be liable for a PIT withholding on investment income at a rate of 19%, on the whole amount of the income obtained. This PIT withholding will be credited against the taxpayer's annual PIT due, and if the amount of tax withheld is greater than the amount of the annual PIT due, the taxpayer will be entitled to a refund of the excess withheld in accordance with PIT Act.

*Taxation of gains and losses*

If the Shares are sold or otherwise transferred, such transaction may give rise to the recognition of a capital gain or loss. Such capital gain or loss will be measured by the difference between the Holders' tax basis in the Shares and their transfer price. Such transfer price will be based on either (i) the trading price of the Shares at the transfer date or (ii) the agreed transfer price, whichever is higher. Both the acquisition price and the transfer price will be increased or decreased to reflect the taxes and expenses borne by the transferor related to the acquisition and sale of the Shares, respectively.

Where the taxpayer owns other equivalent securities, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains or losses that arise as a result of the transfer of the Shares should be taxed at the progressive "savings income" PIT rates mentioned under *"—Taxation of dividends*" above.

Additionally, capital gains derived from the transfer of the Shares are not subject to withholding tax.

Finally, losses derived from the transfer of the Shares cannot be considered as capital losses when equivalent shares have been acquired within the two months preceding or following the transfer that has triggered the loss. In these cases, the capital losses arising in connection with such transferred shares may only be claimed when the equivalent shares acquired by the taxpayer are subsequently transferred.

*Taxation of pre-emptive rights*

Distributions of pre-emptive rights to subscribe for new shares made with respect to the Shares are not treated as income under Spanish law. The exercise of such pre-emptive rights is not considered a taxable event under Spanish tax.

Until December 31, 2016, proceeds derived from the sale of pre-emptive rights in respect of the Shares are not treated as income but are deemed to reduce a Holder's tax basis in such shares. Proceeds in excess of such tax basis shall be treated as capital gains.

As from January 1, 2017, proceeds derived from the sale of pre-emptive rights in respect of the shares will be treated as capital gains and subject to withholding tax (withheld by the depositary entity or, otherwise, the financial entity or the public notary).

In both cases, capital gains will be subject to Spanish Tax in the manner described under "*—Taxation of gains and losses*" above.

*Net Wealth Tax ("NWT")*

Under Act 19/1991, June 6, as amended by Royal Decree Law 13/2011, of September 16, and by Act 48/2015, of November 29, ("NWT Act"), all Spanish-resident individual shareholders are liable for NWT on all net assets and rights deemed to be owned as of December 31, irrespective of where these assets are located or where the rights may be exercised, and amounting to more than €700,000 (such amount may be lower depending on the Spanish region of domicile of the taxpayer). A Holder who is required to file a NWT return should value the Shares at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

NWT is levied at rates ranging from 0.2% to 2.5% depending on the Spanish region of domicile of the taxpayer, certain tax allowances may be available.

In accordance with article 66 of Law 48/2015, of October 29, of the Spanish General Budget for year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), as from year 2017, a full exemption on NWT would apply (*bonificación del 100%*), and therefore from year 2017 and onwards, individuals resident in Spain will be released from formal and filing obligations in relation to this Spanish NWT, unless the application of this full exemption is postponed again.

*Inheritance and Gift Tax ("IGT")*

The transfer of the Shares by inheritance, gift or legacy (on death or as a gift) to individuals resident in Spain is subject to IGT as set out in Act 29/1987, of December 18, (the "IGT Act") being payable by the person who acquires the securities, at an effective tax rate ranging from 7.65% to 81.6%, depending on relevant factors (such as the specific regulations imposed by each Spanish region, the amount of the pre-existing assets of the taxpayer and the degree of kinship with the deceased or donor).

***Spanish Corporate Resident Shareholders - Corporate Income Tax ("CIT")***

*Taxation of dividends*

Spanish corporate shareholders will include dividends received in connection with shares in their taxable base, subject to a 25% tax rate, according to the Spanish Corporate Income Tax Act 27/2014, of November 27, (the "CIT Act").

Dividends or profit distributions in respect of the shares obtained by the Holders that (i) hold, directly or indirectly, at least 5% in the company or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant distribution date or it commits to hold the participation for the time needed to complete such one-year holding period, will be exempt as a general rule.

In case the company obtains dividends, profit distributions or income derived from transfer of shares in entities in an amount higher than 70% of the company's income, this exemption shall only be applicable provided that certain complex requirements are fulfilled. Mainly, Holders must have an indirect stake in those entities that complies with the requirements described in the previous paragraph. Certain exceptions to this rule applies if those entities comply with the requirements of Article 42 of the Spanish Commercial Code for being part of the same group of companies of the company, and prepare consolidated annual accounts. Prospective investors should consult their own tax advisors in order to determine whether those requirements are complied with by the relevant Holders.

Should that be the case and provided that the minimum one year holding period requirement is complied with on the distribution date in respect of the Shares, dividends will not be subject to withholding tax. Otherwise, dividends will be taxed at the applicable CIT tax rate of the taxpayer and a 19% withholding tax will apply. This CIT withholding will be credited against the taxpayer's annual CIT due, and if the amount of tax withheld is greater than the amount of the annual CIT due, the taxpayer will be entitled to a refund of the excess withheld.

*Taxation of gains and losses*

Gains or losses arising from the sale of the Shares by a Holder will be included in its CIT taxable base, and shall generally be subject to CIT at a 25% rate. Gains arising from the sale of the Shares will not be subject to withholding tax.

For CIT payers that (i) hold, directly or indirectly, at least 5% in the company or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant transfer date, capital gains will be exempt as a general rule. Otherwise, capital gains will be taxed at the applicable tax rate of the taxpayer (as a general rule, 25%).

In case the company obtains dividends, profit distributions or income derived from transfer of shares in entities in an amount higher than 70% of the company's income, this exemption shall only be applicable provided that certain complex requirements are fulfilled. Mainly, Holders must have an indirect stake in those entities that complies with the requirements described in the precedent paragraph. Certain exceptions

to this rule applies if those entities comply with the requirements of Article 42 of the Spanish Commercial Code for being part of the same group of companies of the Company and prepare consolidated annual accounts. Prospective investors should consult their own tax advisors in order to determine whether those requirements are complied with by the relevant Holders.

*Taxation of pre-emptive rights*

Distributions to CIT taxpayer of pre-emptive rights to subscribe for new shares made with respect to the Shares are not treated as income under Spanish law. The exercise of such pre-emptive rights is not considered a taxable event under Spanish law. However, if these pre-emptive rights are transferred by a CIT taxpayer, any accounting income that may arise from the transfer will be subject to the general tax rate of 25%, unless an exemption applies.

*Net Wealth Tax*

Spanish resident legal entities are not subject to NWT.

*Inheritance and Gift tax*

Lastly, in the event of an acquisition of the Shares by a CIT taxpayer for no consideration, an amount equivalent to the fair market value of such shares will be taxed according to the CIT rules, the IGT not being applicable.

*Spanish Transfer Tax*

The acquisition or subscription of the Shares and any subsequent transfer thereof will be exempt from Transfer Tax and Value Added Tax, subject to the conditions set forth in Article 314 of the Securities Market Act.

Additionally, no Stamp Duty will be levied on such acquisition, subscription and transfers.

***Non-Resident shareholders which do not operate with respect to the Shares through a permanent establishment in Spain - Non-residents Income Tax ("NRIT")***

*Taxation of dividends*

According to the NRIT Act, dividends paid by a Spanish resident company to a non-Spanish tax resident Holder not holding the Shares through a permanent establishment located in Spain are subject to NRIT, withheld at the source on the gross amount of dividends, currently at a tax rate of 19%.

Certain corporate Holders resident in a EU Member State will be entitled to an exemption from NRIT dividend withholding tax to the extent that they are entitled to the benefits of the Spanish NRIT provisions that implement the regime of the EU Parent-Subsidiary Directive. Such exemption may be available to the extent that the recipient of the dividends holds, directly or indirectly, at least 5% of the shares of the distributing entity or an acquisition cost higher than €20 million; and necessarily holds such participation for at least one year or it holds the participation for the time needed to complete such one-year holding period (for the calculation of this term  the time that the shares have been uninterruptedly possessed by other entities of the same group will be taken into account). This exemption contains specific anti-abuse rules (whereby this exemption might not be applicable if the Holder is located in a tax haven or when the majority of the voting rights of the EU parent company are held, directly or indirectly, by an individual or legal entity not resident in the EU or in a member country of the EEA with which there is an effective exchange of information in the terms described in the Spanish Act 36/2006, to prevent tax fraud, except if the Holder has been incorporated for valid economic reasons and substantive business reasons) that need to be analyzed on a case-by-case basis and procedural formalities, such as the supply of a tax authorities-issued tax residence certificate.

The aforesaid exemption will also be applicable, subject to the compliance of similar requirements, to dividends distributed to certain corporate Holders resident in a member country of the EEA with which Spain has ratified an effective exchange of information under the terms described in Spanish Act 36/2006.

Holders claiming the applicability of such exemption that have not met a minimum one year holding period as of a given dividend distribution date (but who could meet such requirement afterwards) should be aware that the NRIT Act requires the Company to withhold the applicable NRIT on such dividends, and that such Holders will need to request a direct refund of such withholding tax from the Spanish tax authorities pursuant to the Spanish refund procedure described below under *"—Spanish refund procedure*".

In addition, Holders resident in certain countries may be entitled to the benefits of a double taxation convention ("DTC"), in effect between Spain and their country of tax residence providing from a reduced tax rate or an exemption on dividends, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the Holder by means of a certificate of tax residence duly issued by the tax authorities of its country of tax residence making express reference to the Holders' entitlement to the benefits of such DTC (or equivalent specific form required under an applicable DTC) (in the case of U.S. persons, IRS Form 6166 will satisfy this certificate requirement). From a Spanish tax perspective, tax residence certificates issued by a foreign tax authority (or equivalent DTC forms) are deemed to be valid only for one year as from their date of issuance. In general, the U.S. – Spain DTC provides for a tax rate of 15% on dividends.

In accordance with the Order of the Ministry of Finance and Taxation of 13 April, 2000, upon distribution of a dividend, the Company or the Company's paying agent will withhold an amount equal to the NRIT amount required to be withheld according to the general rules set forth above, transferring the resulting net amount to the financial institution acting as a depositary of the Shares held by such Holder. If the applicable depositary is resident, domiciled or represented in Spain and it provides timely evidence (including a valid certificate of tax residence for purposes of the exemption of reduction of withholding tax being claimed, or equivalent form under the applicable DTC), the Company will immediately receive the amount withheld, which will be credited to the relevant Holder. For these purposes, the relevant certificate of residence (or equivalent DTC form) must be provided before the tenth day following the end of the month in which the dividends were paid. If such certificate of tax residence or, as the case may be, the equivalent DTC form referred to above, is not provided to us by the relevant depositary within the mentioned time frame the relevant NRIT withheld will be paid to the Spanish tax authorities, and a Holder entitled to an exemption or reduction of NRIT pursuant to the NRIT Act or pursuant to an applicable DTC may subsequently request a refund of the amounts withheld in excess from the Spanish tax authorities, following the standard refund procedure described below under *"—Spanish refund procedure*".

*Spanish refund procedure*

According to Royal Decree 1776/2004, dated July 30 (NRIT regulations) and the Order of the Ministry of Finance and Taxation EHA/3316/2010, of December 17, a refund of an amount withheld in excess of any applicable NRIT (taking into account an available exemption or reduction under the NRIT Act or applicable DTC) can be requested and obtained directly from the relevant Spanish tax authorities.

To pursue the refund claim, the Holder is required to file:

- the corresponding Spanish tax refund form (currently, Form 210);
- a valid certificate of tax residence issued by the relevant tax authorities of the Holder's country of residence stating that the Holder is a resident of such country (and, in case an exemption or reduction of NRIT is claimed pursuant to a DTC, such certificate must indicate that the relevant Holder is a resident therein within the meaning of the relevant DTC) or, as the case may be, the equivalent DTC form, as referred to above under "*—Taxation of dividends*";
- a certificate from the Company stating that Spanish NRIT was withheld and collected with respect to such Holder; and
- documentary evidence of the bank account to which the excess amount withheld should be paid

For further details, prospective Holders should consult their own tax advisors.

*Taxation of capital gains*

Capital gains derived from the transfer or sale of the Shares will be deemed to be income arising in Spain, and, therefore, subject to NRIT, currently, at a 19% rate.

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses derived from a given transfer of shares against capital gains obtained upon another transfer of shares.

However, capital gains derived from the transfer or sale of Shares will be exempt from taxation in Spain in any of the three following cases:

- Capital gains derived from a transfer of the Shares carried out on an official Spanish secondary stock market (such as the Spanish Stock Exchanges), by any Holder who is tax resident of a country that has entered into a DTC with Spain containing an "exchange of tax information" clause (such as the U.S.-Spain DTC). This exemption is not applicable to capital gains obtained by a Holder through a country or territory that is classified as a tax haven under the Spanish tax regulations, nor by a Holder holding the Shares through a permanent establishment located in Spain.
- Capital gains obtained directly by any Holder resident of another EU Member State or indirectly through a permanent establishment of such Holder in a EU Member State (other than Spain), provided that the gain is not obtained through a country or territory defined as a tax haven under the applicable Spanish tax regulations, shall be exempt from taxation in Spain if:
    - the Company's assets do not mainly consist of, directly or indirectly, real estate property located in Spain;
    - during the preceding twelve months the Holder, in the case of a non-resident individual, has not held a direct or indirect interest of at least 25% in the Company's capital or net equity; and
    - in the case of non-resident entities, the transfer fulfils the requirement of Article 21 of CIT Act.
- Capital gains realized by Holders who benefit from a DTC entered into between their country of tax residence and Spain that provides for taxation of capital gains derived from the transfer of the Shares only in such Holder's country of tax residence.

According to the Order dated December 17, 2010, Holders will be obliged to submit a Spanish tax form (currently Form 210) within:

- the first 20 calendar days of April, July, October and January, if there is a tax payment to be made; or
- the first 20 calendar days of January of the year following that in which the relevant capital gain is accrued, if no tax is due (i.e., if qualifying for a tax exemption).

In order for the exemptions mentioned above to apply, a Holder must timely file the applicable NRIT tax return before the Spanish tax authorities, and attach to it a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that the Holder is a resident of such country within the meaning of the relevant DTC) or, as the case may be, equivalent DTC form. As mentioned above, certificates of tax residence (or equivalent DTC forms) will be generally valid only for a period of one year after their date of issuance.

Prospective Holders should consult their own tax advisors to obtain detailed information regarding NRIT filings they may be required to make before the Spanish Tax Authorities.

*Taxation of pre-emptive rights*

Distributions to Holders of pre-emptive rights to subscribe for new shares made with respect to the Shares are not treated as income under Spanish law and, therefore, are not subject to Spanish NRIT. The

exercise of such pre-emptive rights is not considered a taxable event under Spanish law and thus is not subject to Spanish NRIT.

Until December 31, 2016, if these pre-emptive rights are transferred by a Holder, the amount received from the transfer will reduce the acquisition cost of the Shares to which they pertain. If the amount received exceeds this acquisition cost, the excess will be regarded as a capital gain.

As from January 1, 2017, proceeds derived from the sale of pre-emptive rights in respect of the shares will be treated as capital gains.

In both cases, capital gains will be subject to Spanish NRIT in the manner described under *"—Taxation of Capital Gains*" above.

*Net Wealth Tax*

In relation to fiscal year 2016, non-Spanish tax resident individual Holders holding the Shares will be subject to NWT to the extent that such Holders own shares (along with other property located in Spain and rights which could be exercised in Spain) as of December 31, valued for a combined net amount in excess of €700,000, NWT rates vary between 0.2% and 2.5%. For NWT valuation purposes, the Shares should be valued at their average trading price during the last quarter of such year (according to information published on an annual basis by the Spanish Ministry of Finance and Public Administration). Holders who benefit from a DTC that provides for net wealth taxation only in the Holder's country of residence will not be subject to NWT.

In principle, accordance with article 66 of Law 48/2015, of October 29, of the Spanish General Budget for year 2016 (Ley de Presupuestos Generales del Estado para el año 2016), as from year 2017, a full exemption on NWT would apply (bonificación del 100%), and therefore from year 2017 and onwards, individuals not resident in Spain will be released from formal and filing obligations in relation to this Spanish NWT, unless the application of this full exemption is postponed again.

Non-Spanish tax resident individuals who are residents in the EU or in the EEA are entitled to apply the legislation of the region where the assets and rights of the relevant individual of the highest value are located. Prospective investors should consult their tax advisors.

Non Spanish tax resident entities are not subject to NWT.

*Spanish Inheritance and Gift Tax*

Unless otherwise provided under an applicable DTC (which will be subject to the relevant DTC), transfers of the Shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish IGT (pursuant to IGT Act), regardless of the residence of the heir or the beneficiary. The effective tax rate, after applying all relevant factors, may range between 7.65% and 81.6%.

Non-Spanish tax resident individuals who acquire the Shares by way of an inheritance, bequest (*legado*) or any other inheritance entitlement are entitled to apply the legislation of the region where the assets and rights of the decedent's estate of the highest value are located, provided that the deceased was resident in a Member State of the EU or the EEA, other than Spain.

In addition, non-Spanish tax resident individuals who acquire the Shares by way of a gift and who are residents in the EU or in the EEA are entitled to apply the legislation of the region where the Shares have been located for a longer period within the last five years period ending the day before the tax due accrues. Prospective investors should consult their tax advisors.

Gifts granted to non-Spanish tax resident corporations will be generally subject to Spanish NRIT as capital gains, without prejudice to the exemptions referred to above under *"—Taxation of capital gains*".

*Spanish Transfer Tax*

The acquisition or subscription of the Shares and any subsequent transfer thereof will be exempt from Transfer Tax and Value Added Tax, under the terms and with the exemptions set out in Article 314 of the Securities Market Act.

Additionally, no stamp duty will be levied on such acquisition, subscription and transfers.

***Non-Resident shareholders which operate with respect to the Shares through a permanent establishment in Spain - NRIT)***

*Taxation of dividends*

Spanish non-resident income tax taxpayers who operate with respect to the Shares through a permanent establishment in Spain will include dividends received in connection with shares in their taxable base, subject to a 25% tax rate.

Dividends or profit distributions in respect of the shares obtained by the Holders that (i) hold, directly or indirectly, at least 5% in the company or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant distribution date or holds the participation for the time needed to complete such one-year holding period, will be exempt as a general rule.

Please note that the NRIT Act establishes that the taxable base of Spanish non-resident acting through a permanent establishment in Spain should be determined considering the rules of the CIT Act. Accordingly, please see the "—*Spanish Corporate Resident Shareholders*" section for further detail.

*Taxation of gains and losses*

Gains or losses arising from the sale of the Shares by a Holder will be included in its taxable base, and shall generally be subject to NRIT at a 25% rate. Gains arising from the sale of the Shares will not be subject to withholding tax.

For taxpayers that (i) hold, directly or indirectly, at least 5% in the company or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant transfer date, capital gains will be exempt as a general rule. Otherwise, capital gains will be taxed at the applicable tax rate of the taxpayer (as a general rule, 25%).

Please note that the NRIT Act establishes that the taxable base of those Spanish non-resident acting through a permanent establishment in Spain should be determined, considering the rules of the CIT Act. Accordingly, please see the "—*Spanish Corporate Resident Shareholders*" section for further detail.

*Taxation of pre-emptive rights*

Distributions to taxpayer of pre-emptive rights to subscribe for new shares made with respect to the Shares are not treated as income under Spanish law. The exercise of such pre-emptive rights is not considered a taxable event under Spanish law. However, should these pre-emptive rights be transferred by a taxpayer, any accounting income that may arise from the transfer will be subject to the tax rate of 25% unless an exemption applies.

*Net Wealth Tax*

Please see the "—*Non-Resident Shareholders which do not operate with respect to the Shares through a permanent establishment in Spain*" section for further detail.

*Inheritance and Gift tax*

Please see the "—*Non-Resident Shareholders which do not operate with respect to the Shares through a permanent establishment in Spain*" section for further detail

*Spanish Transfer Tax*

The acquisition or subscription of the Shares and any subsequent transfer thereof will be exempt from Transfer Tax and Value Added Tax, subject to the conditions set forth in Article 314 of the Securities Market Act.

Additionally, no Stamp Duty will be levied on such acquisition, subscription and transfers.

**The Proposed Financial Transactions Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States").

The scope of the Commission's Proposal is very broad and could, if introduced, apply to some dealings in shares (including secondary market transactions) in certain circumstances. The issuance and underwriting of shares should, however, be exempt.

Under the Commission's Proposal the FTT could apply in some circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in shares where at least on part is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the Commission's Proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional EU Member States may also decide to participate.

Potential Holders are advised to seek their own professional advice in relation to the FTT.

**Certain U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares that are U.S. Holders that will hold the Shares as capital assets for U.S. federal income tax purposes. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax or the Medicare tax on net investment income), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as certain financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Shares by the partnership.

Except as otherwise noted, the summary assumes that the Company is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes. See "—*Passive foreign investment considerations*" below for adverse rules that may apply if the Company is or becomes a PFIC for U.S. federal income tax purposes.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Spain (the "Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

***Dividends***

*General*

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Spanish tax withheld by the Company with respect thereto, generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty and certain other requirements are met. A U.S. Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year. See "—*Passive foreign investment company considerations*" below.

*Foreign currency dividends*

Dividends paid in euros will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars at that time. If dividends received in euros are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

*Effect of Spanish Withholding Taxes*

As discussed in "*Taxation—Material Spanish Tax Considerations*", under current law payments of dividends by the Company to foreign investors are subject to a 19% Spanish withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15%. See "*Taxation—Material Spanish Tax Considerations—Spanish refund procedure"* for a discussion of how a U.S. Holder may obtain the Treaty rate. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Spanish taxes withheld by the Company, and as then having paid over the withheld taxes to the Spanish taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Spanish income taxes withheld by the Company. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Spanish taxes withheld in excess of the 15% maximum rate, and with respect to which the holder is entitled to obtain a refund from the Spanish taxing authorities.

The rules governing foreign tax credits are complex, prospective purchasers should consult their tax advisors concerning the foreign tax credit implications of the payment of Spanish taxes.

***Sale or other disposition***

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year.

Any gain or loss generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any Spanish tax imposed on a sale or disposition. Prospective purchasers should consult their tax advisors as to the availability of and limitations on any foreign tax credit attributable to Spanish tax.

A U.S. Holder's tax basis in a Share generally will be its U.S. dollar cost. The U.S. dollar cost of a Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Shares traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of Shares for an amount in foreign currency generally will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder generally will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

***Disposition of foreign currency***

Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to the U.S. dollar value on the settlement date. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

***Passive foreign investment company considerations***

The Company does not believe that it was a PFIC for U.S. federal income tax purposes for its most recent taxable year and does not expect to be a PFIC for its current taxable year or in the foreseeable future, but the Company's PFIC status must be determined annually and therefore may be subject to change. If the Company were to be treated as a PFIC, U.S. Holders of Shares would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described above under "*Dividends—General*". Prospective purchasers should consult their tax advisors regarding the potential application of the PFIC regime.

***Backup withholding and information reporting***

Payments of the proceeds of a sale or other disposition (including exchange) of Shares, as well as dividends and other proceeds with respect to Shares, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Shares, including requirements related to the holding of certain foreign financial assets.

## PLAN OF DISTRIBUTION

### The Underwriting Agreement

We, the Selling Shareholder and the Underwriters are expected to enter into an underwriting agreement (the "Underwriting Agreement") with respect to the New Offer Shares being offered by us and the Existing Offer Shares and the Over-allotment Shares, if any, being sold by the Selling Shareholder upon the finalization of the book-building period (expected to be on or about April 25, 2016 and the Underwriting Agreement to be entered into on or about April 25, 2016). Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Underwriter will agree, severally but not jointly, to subscribe for or to procure purchasers for or, failing which, to subscribe or purchase (as the case may be) such percentage of the total number of Initial Offer Shares as is set forth opposite its name in the following table:

| Underwriters | % Initial Offer Shares |
|---|---|
| Merrill Lynch International | 32.5% |
| UBS Limited | 32.5% |
| Banco Bilbao Vizcaya Argentaria, S.A. | 10.5% |
| Barclays Bank PLC | 10.5% |
| Nomura International plc | 6% |
| Banco Santander, S.A. | 4% |
| Banca IMI S.p.A | 2% |
| ING Bank N.V. | 2% |

In consideration of the agreement by the Underwriters to subscribe for or to procure purchasers for or, failing which, to subscribe or purchase the Initial Offer Shares, we and/or the Selling Shareholder will pay to the Underwriters a base fee totaling 1.875% of the aggregate Offering Price of the Offer Shares issued by us or sold by the Selling Shareholder in the Offering (including Over-allotment Shares, if and to the extent the Over-allotment Option is exercised). In addition, we and/or the Selling Shareholder may, at our and the Selling Shareholder's sole discretion, pay to the Underwriters a discretionary fee of up to 1.125% of the aggregate Offering Price of the Offer Shares issued or sold in the Offering (including Over-allotment Shares, if and to the extent the Over-allotment Option is exercised) to be distributed among the Underwriters as determined by the Company and/or the Selling Shareholder. Furthermore, the Selling Shareholder and the Company will agree to reimburse the Underwriters for certain expenses.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain customary conditions precedent. We and the Selling Shareholder will give the Underwriters customary representations and warranties in the Underwriting Agreement.

The Underwriting Agreement will also provide that we will, subject to certain exceptions, indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

The identity and number of Underwriters and the exact number of underwriten Initial Offer Shares to be underwritten by each of them shall be fixed if and when the Underwriting Agreement is entered into. The Company will inform the market of any amendment of the number or identity of Underwriters, or of the percentage of Initial Offer Shares underwritten by any of them which may occur through publication of a relevant fact notice (*hecho relevante*).

If one or more of the Underwriters shall fail to procure purchasers for or to subscribe or purchase the Shares which it or they are obliged to procure purchasers for or to subscribe or purchase (as the case may be) under the Underwriting Agreement (the "Defaulted Shares") before the granting of the the public deed on the Transaction Date (expected to be April 26, 2016), the non-defaulting Joint Global Coordinators shall have the right, within 24 hours thereafter (or as otherwise may be agreed

among the Joint Global Coordinator, the Company and the Selling Shareholder) to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriter, to procure purchasers for, or to itself subscribe or purchase all, but not less than all, of the Defaulted Shares in such amounts as may be agreed upon the terms set forth in the Underwriting Agreement; if, however, the Joint Global Coordinators shall not have completed such arrangements within such period, then (i) if the number of Defaulted Shares does not exceed 20% of the number of Shares to be subscribed or purchased on such date, each of the non-defaulting Underwriters shall be obliged, severally and not jointly, to procure purchasers for, or to itself subscribe or purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, and either the Joint Global Coordinators or the Company and the Selling Shareholder shall have the right to postpone the Transaction Date for a period not exceeding three days in order to effect any required changes to any documents or arrangements as a consequence of the relevant default (any such postponement will be published through a relevant fact notice (*hecho relevante*)); or (ii) if the number of Defaulted Shares exceeds 20% of the number of Shares to be subscribed or purchased on such date, the Underwriting Agreement shall terminate without liability on the part of any non-defaulting Underwriter and the Offering will be revoked.

**The Offering**

We expect that the Offering will take place according to the tentative calendar set out below:

| Action | Estimated Date[(1)] |
|---|---|
| Registration of the prospectus with the CNMV | April 15, 2016 |
| Commencement of the book-building period in which proposals are made by Qualified Investors | April 15, 2016 |
| Finalization of the book-building period | April 25, 2016 |
| Execution of the Underwriting Agreement | April 25, 2016 |
| Publication of a relevant fact notice with setting of the Offering Price | April 25, 2016 |
| Allocation of the Initial Offer Shares | April 26, 2016 |
| Prefunding of New Offer Shares by the Joint Global Coordinators | No later than 9:00 on April 26, 2016 |
| Transaction Date of the Offering | April 26, 2016 |
| Admission to trading on the Spanish Stock Exchanges and commencement of the Stabilization Period | April 27, 2016 |
| Payment by final investors | April 29, 2016 |
| Settlement Date | April 29, 2016 |
| Finalization of the Stabilization Period | May 26, 2016 |

*Note:—*

(1) Each of the times and dates is subject to change without prior notice. Any change, including in particular any lengthening or shortening of the book-building period, will be publicised, including by filing of a relevant fact notice (*hecho relevante*) with the CNMV.

In particular, the transaction date of the Offering (*fecha de operación bursátil*) (the "Transaction Date") is expected to be on or about April 26, 2016. Under Spanish law, on the Transaction Date, investors become unconditionally bound to pay for, and entitled to receive, the relevant Initial Offer Shares subscribed for or purchased in the Offering.

In order to expedite the listing of the Initial Offer Shares, it is expected that the Joint Global Coordinators, in their capacity as prefunding banks, will subscribe and pay for the New Offer Shares on the Transaction Date of the Offering, each acting in the name and on behalf of the Underwriters, and each Underwriter acting on behalf of the final investors. Payment for the New Offer Shares by the prefunding

banks is expected to be made to the Company by 9:00 CET on the Transaction Date in its account maintained with Banco Santander, S.A., as the agent bank (the "Agent Bank"), and the New Offer Shares will come into existence once registered with the Commercial Registry of Madrid and recorded in book-entry form with Iberclear.

Payment by the final investors for the Initial Offer Shares, including for the New Offer Shares subscribed and paid for on the Transaction Date by the Joint Global Coordinators as prefunding banks, will be made no later than the third business day after the Transaction Date against delivery through the facilities of Iberclear of the Initial Offer Shares to final investors, which is expected to take place on or about April 29, 2016 (the "Settlement Date").

The execution of the capital increase resulting from the Subordinated Loan Capitalization will be approved by our board of directors on or about April 25, 2016. The public deed relating to the Subordinated Loan Capitalization will be granted as soon as possible after Admission. The New Capitalization Shares will come into existence once the public deed is registered with the Commercial Registry of Madrid and the New Capitalization Shares are recorded in book-entry form with Iberclear, which is expected to occur as soon as possible after Admission.

The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about April 27, 2016, under the symbol "TPZ", except for the New Capitalization Shares, which are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS as soon as possible after Admission.

The Offering will be conducted through a book-building process. During the book-building period, which is expected to start on April 15, 2016 and end on April 25, 2016 (both inclusive), the Underwriters will market the Initial Offer Shares among investors in accordance with, and subject to, the selling and transfer restrictions set forth in this prospectus. Investors may make their purchase proposals during this period, indicating the number of Initial Offer Shares they would be interested to acquire.

The book-building period may be reduced or extended by agreement by us, the Selling Shareholder and the Joint Global Coordinators if, in the first case, the book of demand is sufficiently covered in their view before the end of the book-building period or, in the second case, if they understand than an extension of the book-building period for up to one additional week is convenient to ensure the success of the Offering. In the event there is such a reduction or extension of the book-building period, the Company will inform the market through the publication of a relevant fact notice (*hecho relevante*).

Purchase proposals by investors for the Initial Offer Shares constitute only an indication of their interest in the Initial Offer Shares and shall not be binding on any investors, the Company or the Selling Shareholder. The confirmation of such purchase proposals shall be irrevocable.

The Agent Bank will be responsible for, among other things: issuing a certificate confirming payment for the New Offer Shares for the purposes of notarizing the corresponding capital increase; maintaining the Initial Offer Shares deposited in the securities accounts held with it by the Selling Shareholder or the Joint Global Coordinators, as the case may be, until settlement of the Offering; instructing the entities participating in the Offering on the procedures applicable to its execution; receiving and processing information on the selection and confirmation of purchase proposals and collaborating in the allocation of the Initial Offer Shares to the final investors; and cooperating with us in the Admission process.

## Pricing of the Offering

Prior to the Offering, there has been no public market for the Shares.

### *Offering Price Range*

The indicative Offering Price Range is €7.00 to €9.50 per Offer Share. The Offering Price Range has been determined by the Company and the Selling Shareholder, in agreement with the Joint Global Coordinators and no independent experts were consulted in determining the Offering Price Range.

Among the factors considered in determining the Offering Price Range were the Company's future prospects and the prospects of its industry in general, the Company's revenues, EBITDA and certain other financial and operating information in recent periods, and the financial ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to the Company's activities. The Offering Price Range is indicative only, it may change during the course of the Offering and the Offering Price may be set higher or lower than the Offering Price Range. There can be no assurance that the prices at which the Offer Shares will sell in the public market after the Offering will not be lower than the Offering Price Range or that an active trading market in the Shares will develop and continue after the Offering.

*Offering Price*

The Offering Price will be determined by us, the Selling Shareholder and the Joint Global Coordinators upon the finalization of the book-building period (expected to be on or about April 25, 2016). The Offering Price will be announced through a relevant fact notice (*hecho relevante*) reported to the CNMV. No independent experts will be consulted in determining the Offering Price.

*Expenses and taxes charged to the investor*

Purchasers of Offer Shares may be required to pay stamp taxes and other charges in compliance with the laws and practices of their country of purchase in addition to the Offering Price.

In addition, purchasers will have to bear the commissions payable to the financial intermediaries through which they will hold the Offer Shares.

## Withdrawal and Revocation of the Offering

***Withdrawal of the Offering***

The Company and the Selling Shareholder expressly reserves the right to withdraw the Offering, postpone it, defer it or suspend it temporarily or indefinitely for any reason at any time before the setting of the Offering Price. We will notify the CNMV, the Agent Bank and the Joint Global Coordinators of the withdrawal of the Offering on the date that the withdrawal takes place or as soon as practicable.

***Revocation of the Offering***

The Offering will be revoked (i) if the Underwriting Agreement is not signed on or before 03:00 Madrid time on the date following setting of the Offering Price (which is expected to be set on April 25, 2016) or any postponement thereof duly notified to the CNMV; (ii) if the Offering is suspended or withdrawn by any judicial or administrative authority; (iii) if our Shares are not admitted to listing on the Spanish Stock Exchanges before 11:59 p.m. (CET) on May 31, 2016; or (iv) if the Underwriting Agreement is terminated upon the occurrence of the following customary termination provisions set forth in the Underwriting Agreement until the granting of the public deed related to the New Offer Shares: (a) if there has been any Material Adverse Effect (defined as a material adverse change, or any development reasonably likely to result in a material adverse change in the condition -business, financial, operational or legal- management, results of operations, assets or prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business), or (ii) if there has occurred any material adverse change in the financial markets in Spain, the United States, the United Kingdom, in any member state of the EEA or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, or currency exchange rates in each case the effect of which is such as to make it, in the judgment of the Joint Global Coordinators, acting unanimously, impracticable or inadvisable to market the Initial Offer Shares or to enforce contracts for the sale of the Initial Offer Shares, or (iii) if trading generally on the Spanish Stock Exchanges, the London Stock Exchange, the New York Stock Exchange or in the NASDAQ System has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been

required, by any of said exchanges or by such system or by order of the regulatory authorities of Spain, the United States, the United Kingdom, or a material disruption has occurred in commercial banking or shares settlement or clearance services in Spain, the United Kingdom or the United States or (iv) if a banking moratorium has been declared by the authorities of any of the United Kingdom, the United States, Spain or the State of New York.

In case of withdrawal or revocation of the Offering, all offers to subscribe or purchase shall be cancelled and all subscription or purchase orders related to the Offering shall be terminated. Additionally, we will have no obligation to issue and deliver the New Offer Shares and the Selling Shareholder shall have no obligation to deliver the Existing Offer Shares and the investors (including for the purposes of this section, the Underwriters on behalf of the final investors) shall have no obligation to subscribe for or purchase, as the case may be, the Initial Offer Shares.

In the event that the New Offer Shares have already been issued and paid for by investors before termination of the Offering takes place, the Company will repurchase the New Offer Shares that have been issued and paid, and then reduce its share capital and cancel the New Offer Shares in order to return the subscription monies received by the Company. The Company will repurchase the New Offer Shares for an amount equal to the monies paid by the investors in respect of the subscription of the New Offer Shares in the Offering, together with interest calculated at the statutory rate (*interés legal*) currently set at 3.00%) from the date on which the investors paid for the New Offer Shares until the date on which the Company repays the subscription price.

In the event that the Existing Offer Shares have already been delivered by the Selling Shareholder and the purchase price has been paid by the investors, the investors would be required to return title to the Existing Offer Shares to the Selling Shareholder and the Selling Shareholder will repurchase the Existing Offer Shares from the purchasers of the Existing Offer Shares for the amount paid by the purchasers in respect of the sale of the Existing Offer Shares in the Offering, together with interest calculated at the statutory rate (*interés legal*) (currently set at 3.00%) from the date on which the purchasers paid for the Existing Offer Shares until the date on which the Selling Shareholder repays the purchase price.

The investors subscribing or purchasing Offer Shares shall be deemed to have consented to the aforementioned repurchase of Offer Shares.

**Authorizations of the Offering**

On March 31, 2016, our sole shareholder decided to apply for Admission and to carry out the Offering and granted the necessary authority to our board of directors to issue the New Offer Shares and to offer the Existing Offer Shares on behalf of the Selling Shareholder, as complemented by the resolution of our sole shareholder dated April 12, 2016. On March 31, 2016, our board of directors (with the composition described in "*Board of Directors and Management*" except for Mr. Juan Riva de Aldama, which was appointed on April 6, 2016) effectively resolved to apply for Admission, to carry out the Offering and approved a capital increase in connection with the offering of the New Offer Shares.

On April 12, 2016 our board of directors determined the indicative Offering Price Range for the Offering.

For the avoidance of doubt, no application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any exchange other than the Spanish Stock Exchanges and the AQS.

No pre-emptive subscription and/or acquisition rights are applicable in relation to the Offering, taking into account that our sole shareholder has irrevocably waived its pre-emptive rights over the New Offer Shares, and that no pre-emptive acquisition rights apply to the transfer of the Existing Offer Shares and Over-allotment Shares.

The Offering is not subject to any administrative approval or authorization besides the regime applicable to the approval by the CNMV of this document as a prospectus for the purposes of the Offering and the subsequent Admission in accordance with the Securities Market Act and related regulation.

## Stabilization

In connection with the Offering, UBS Limited, or any of its agents, as stabilizing manager, (the "Stabilizing Manager"), acting on behalf of the Underwriters, may (but will be under no obligation to) to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price, as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Any stabilization transactions shall be undertaken in accordance with applicable laws and regulations, in particular, Regulation (EC) 2273/2003.

The stabilization transactions shall be carried out for a maximum period of 30 calendar days from the date of the commencement of trading of the Shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The stabilization period is expected to commence on April 27, 2016 and end on May 26, 2016 (the "Stabilization Period").

For this purpose, the Stabilizing Manager may carry out an over-allotment of Shares in the Offering, which may be covered by the Stabilizing Manager pursuant to one or several securities loans granted by the Selling Shareholder. The Stabilizing Manager is not required to enter into such transactions and such transactions may be effected on a regulated market and may be taken at any time during the Stabilization Period. However, there is no obligation that the Stabilizing Manager or any of its agents effect stabilizing transactions and there is no assurance that the stabilizing transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice, without prejudice of the duty to give notice to the CNMV of the details of the transactions carried out under Regulation (EC) 2273/2003. In no event will measures be taken to stabilize the market price of the Shares above the Offering Price. In accordance with Article 9.2 of Regulation (EC) 2273/2003, the details of all stabilization transactions will be notified by the Stabilizing Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilization transactions.

Additionally, in accordance with Article 9.3 of Commission Regulation (EC) No 2273/2003, the following information will be disclosed to the CNMV by the Stabilizing Manager within one week of the end of the Stabilization Period: (i) whether or not stabilization transactions were undertaken; (ii) the date at which stabilization transactions started; (iii) the date at which stabilization transactions last occurred; and (iv) the price range within which the stabilization transaction was carried out, for each of the dates during which stabilization transactions were carried out.

## Liquidity Providers

There are no entities that have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates.

## Over-allotment Option

In connection with the Offering, the Selling Shareholder will grant to the Underwriters, acting severally and not jointly, an option to purchase up to the maximum number of the Over-allotment Shares at the Offering Price. The Over-allotment Option is exercisable by the Stabilizing Manager, on behalf of the Underwriters, upon notice to the Selling Shareholder, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any) and to cover any short positions resulting from stabilization transactions (if any), no later than 30 calendar days after the date of commencement of trading of the Shares on the Spanish Stock Exchanges. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Initial Offer Shares, including for all dividends and other distributions declared, made or paid on the Initial Offer Shares, will be purchased on the same terms and conditions as the Initial Offer Shares being sold in the Offering and will form a single class for all purposes with the other Shares.

The exercise of the Over-allotment Option is not subject to any conditions.

**Lock-up**

The Company will agree that during a period from the date on which the Underwriting Agreement is signed to and including 180 days from the Settlement Date, neither the Company nor any of its affiliates nor any person acting on its or their behalf (other than the Underwriters and the Selling Shareholder, as to whom the Company will give no undertaking) will, without the prior written consent of the Joint Global Coordinators (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company or its subsidiaries, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or its subsidiaries, or publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing, or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company or its subsidiaries, whether any such transaction described in clause (A) or (B) above is to be settled by delivery of Shares or other securities, in cash or otherwise or (C) publicly announce such an intention to effect any such transaction.

The foregoing sentence shall not apply to (i) the issuance and sale of the New Offer Shares and the New Capitalization Shares, and (ii) issuances or transfers of Shares in connection with the implementation by the Company of any employee benefit or incentive plan to the extent described in the prospectus and in the pricing relevant fact notice (*hecho relevante*).

The Selling Shareholder will agree that during a period from the date on which the Underwriting Agreement is signed to and including 180 days after the Settlement Date, neither the Selling Shareholder nor any of its affiliates nor any person acting on its or any of their behalf (other than the Underwriters and the Company, as to whom the Selling Shareholder will give no undertaking) will, without the prior written consent of the Joint Global Coordinators, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company or its subsidiaries or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or its subsidiaries or request or demand that the Company publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company or its Subsidiaries, or (C) take any steps for the Company to issue Shares or other shares of the Company or other securities that are convertible or exchangeable into Shares or other shares of the Company, nor to authorize the disposal of any Shares or other shares of the Company or its subsidiaries owned by the Company or its subsidiaries, as applicable, whether any such transaction described in (A) or (B) or (C) above is to be settled by delivery of Shares or such other securities of the Company or its subsidiaries, in cash or otherwise.

The foregoing sentence shall not apply to (i) the sale of the Offer Shares to be sold in the Offering; (ii) the distribution of Shares as contemplated in the section "*Principal Shareholders and Selling Shareholder*"; (iii) any inter-company transfers of Shares by the Selling Shareholder in favour of its affiliates or controlled companies and their affiliates, including for the avoidance of doubt any person who directly or indirectly is managed or advised by the same manager or advisor as the relevant shareholder (the "transferees"); (iv) such Shares held by the Selling Shareholder as may be lent by the Selling Shareholder to the Underwriters pursuant to the stock lending agreement to be entered between the Selling Shareholder and the Joint Global Coordinators (the "Stock Lending Agreement"); (v) the transfer of the Shares in the context of a potential tender offer for the acquisition of the Company; (vi) any disposal of Shares pursuant to any offer by the Company to purchase its own securities which is made on identical terms to all holders of Shares; or (vii) any disposal of rights to Shares to be issued by way of a rights issue or pre-emptive offer.

The carve-out set forth in (ii) and (iii) above will be subject to the following conditions: (x) that any of such transferees shall agree to be bound by the lock-up obligations of the Selling Shareholder as are set forth

above, and (y) that any of such inter-company transfers of Shares shall be performed on terms and conditions that do not conflict with the Offering.

The lock-up restrictions of the Selling Shareholder will not apply to transactions relating to Shares acquired by the Selling Shareholder, any of its respective affiliates or any person acting on its behalf in open market purchases following the consummation of the Offering.

This 180 days lock-up undertaking of the Selling Shareholder will also be applicable to the New Capitalization Shares.

Each of the members of our senior management will also agree with the Underwriters to certain lock-up arrangements during the period from the date on which the Underwriting Agreement is signed to 365 days after the Settlement Date of the Offering. In addition, each of the members of our senior management will agree with the Company and the Selling Shareholder to similar restrictions on the transfer of Shares under the Management Incentive Plans for a period of one or two years, as applicable, after the Transaction Date of the Offering. See "*Board of Directors and Management—Compensation—Management Incentive Plans*".

**Other Relationships**

Each of the Underwriters is a full service financial institution engaged in various activities, which may include the provision of investment banking, commercial banking and financial advisory services. The Underwriters and their respective affiliates in the ordinary course of business have in the past engaged in investment banking and/or commercial banking transactions with the Company, the Selling Shareholder and their respective affiliates from time to time for which they have received customary fees and reimbursement of expenses and may in the future, from time to time, engage in transactions with and perform services for the Company, the Selling Shareholder and their respective affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

In addition, certain of the Underwriters or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of the credit facilities and other credit arrangements of the Company, the Selling Shareholder or their respective affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company, the Selling Shareholder or their respective affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include these Underwriters or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. The Underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Underwriters do not consider any of the arrangements describe above to be material in the context of the Offering.

ING Bank N.V. London Branch (an affiliate of ING Bank N.V.) is agent, security agent and lender under the Existing Facilities and certain of the Underwriters or their affiliates are lenders under the Existing Facilities, which will be repaid with the net proceeds of the Offering and the amounts to be drawn under the New Facilities. Banco Santander, S.A. is facility agent under the New Facilities,  and will receive customary

fees for its services in that capacity, and certain of the Underwriters or their affiliates are lenders under the New Facilities.

Banco Bilbao Vizcaya Argentaria, S.A. is only participating in the offering of shares outside of the United States under Regulation S of the Securities Act. Banco Bilbao Vizcaya Argentaria, S.A. is not a broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to U.S. nationals or residents.

KKR Capital Markets Limited (an entity of the KKR group, one of our indirect shareholders) provides certain advisory services to us in connection with the Offering and the refinancing of the Existing Facilities Agreement. See "*Related Party Transactions—Related party transactions with our shareholders*".

# SELLING AND TRANSFER RESTRICTIONS

## General

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

The distribution of this prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Offer Shares, or possession or distribution of this prospectus (or any other Offering or publicity material relating to the Offer Shares), in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Offer Shares may be offered for subscription, sale or purchase or be delivered, and this prospectus and any other Offering material in relation to the Offer Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

## United States

Due to the following restrictions, purchasers of Offer Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Offer Shares.

### *Restrictions under the U.S. Securities Act*

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Underwriters may offer Shares (i) in the United States only through their U.S. registered broker affiliates to persons reasonably believed each to be a QIB (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act or (ii) outside the United States in compliance with Regulation S.

In addition, until 40 days after the later of the commencement of the Offering and the last transaction date of the Offering, any offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the U.S. Securities Act.

### *Regulation S*

Each subscriber or purchaser of the Offer Shares outside the United States will be deemed by its acceptance of the Offer Shares to have represented and agreed, on its own behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Offer Shares, that neither the Company or any of the Company's affiliates nor any of the Underwriters, nor any person representing the Company, any of its affiliates or any of the Underwriters, has made any representation to it with respect to the Offering or sale of any Offer Shares, other than the information contained in this prospectus, which prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares, it has had access to such financial and other information concerning the Company and the Offer

Shares as it has deemed necessary in connection with its decision to purchase any of the Offer Shares, and that (terms defined in Regulation S shall have the same meanings when used in this section);

(a) the purchaser understands and acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and may not be offered, sold or otherwise transferred except pursuant from an exception from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities law;

(b) the purchaser, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, is acquiring the Offer Shares in an "offshore transaction" meeting the requirements of Regulation S and was located outside the United States at the time the buy order for the Offer Shares was originated;

(c) the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this prospectus;

(d) the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S; and

(e) the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above stated restrictions.

***Rule 144A***

Each purchaser of the Offer Shares within the United States will be deemed by its acceptance of the Offer Shares to have represented and agreed on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Offer Shares, that neither the Company nor any of the Company's affiliates nor any of the Underwriters, nor any person representing the Company, any of its affiliates or any of the Underwriters, has made any representation to it with respect to the Offering or sale of any Offer Shares, other than the information contained in this prospectus, which prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares, that it has had access to such financial and other information concerning the Company and the Offers shares as it has deemed necessary in connection with its decision to purchase any of the Offer Shares, and that (terms defined in Rule 144A shall have the same meanings when used in this section):

(a) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(b) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A, and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;

(c) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(d) if, prior to the date that is one year after the later of the date of the Offering and the last date on which the Offer Shares were acquired from the Company or any of the Company's affiliates (the "Resale Restriction Termination Date"), the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act, (ii) in an "offshore transaction" complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, or (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available), and (B) in accordance with all applicable securities

laws of the states of the United States and any other jurisdiction and agrees to give any subsequent purchaser of such shares notice of any restrictions on the transfer thereof;

(e) the Offer Shares have not been offered to it by means of any general solicitation or general advertising;

(f) the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for resales of any Offer Shares;

(g) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(h) the Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE " U.S. SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THIS SECURITY; and

(i) the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above stated restrictions.

Each purchaser acknowledges that the Company and the Underwriters will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by such purchaser by its purchase of Offer Shares are no longer accurate, it shall promptly notify the Company and the Underwriters; if it is acquiring Offer Shares as a fiduciary or agent for one or more investor accounts, each purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Terms defined in Rule 144A or Regulation S shall have the same meanings when used in this section.

Each purchaser of the Offer Shares will be deemed by its acceptance of the Offer Shares to have represented and agreed that it is purchasing the Offer Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control.

***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") no shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are Qualified Investors as defined in the Prospectus Directive;
- by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or a Supplement to the prospectus pursuant to Article 16 of the EU Prospectus Directive and each person who initially acquires any shares or to whom an offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters, us and the Selling Shareholder that it is a Qualified Investor within the meaning of the law in that Relevant Member State implementing Article 2(e) of the Prospectus Directive.

For the purpose of the expression an "offer of any shares to the public" in relation to any shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Shares to be offered, so as to enable an investor to decide to acquire any shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to Qualified Investors as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. We, the Selling Shareholder, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Joint Global Coordinators of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Shares in the Offering.

In this section, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

***United Kingdom***

No Shares are being offered to the public in the United Kingdom using this prospectus.

In the United Kingdom, this document is only being distributed to and is only directed at (1) qualified investors, as that term is defined in the Prospectus Directive (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and or (ii) who are high net worth entities within the categories described falling within Article 49(2)(a)-(d) of the Order and (2) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Offer Shares are only available in the United Kingdom, and any invitation, offer or agreement to purchase or otherwise acquire such securities in the United Kingdom will be engaged in only

with the relevant persons. Any person in the United Kingdom who is not a relevant person should not act or rely on this document or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any Shares will be communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to us.

All applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom have been, and will be, complied with.

***Australia***

This document is not a prospectus, product disclosure statement or other disclosure document under Chapter 6D or Part 7.9 of the Corporations Act 2001 (Cth) ("Corporations Act") and has not been and will not be lodged with the Australian Securities and Investments Commission ("ASIC"). This document does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under Chapter 6D or Part 7.9 of the Corporations Act. The Offering is made only to persons to whom it is lawful to offer shares in Australia without disclosure to investors under Chapter 6D of the Corporations Act.

As no formal prospectus, product disclosure statement or other disclosure document will be lodged with ASIC, any offer in Australia of the Offer Shares may only be made to persons who are 'sophisticated investors' within the meaning of section 708(8) of the Corporations Act) or 'professional investors' (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Offer Shares without disclosure to investors under Chapter 6D of the Corporations Act. If any recipient of the document is not a 'sophisticated investor' or a 'professional investor' and does not otherwise fall within one or more of the exemptions contained in section 708 of the Corporations Act, no offer of, or invitation to apply for, the Offer Shares shall be deemed to be made to such recipient and no applications for the Offer Shares will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient.

In addition, the Offer Shares must not be offered for sale in Australia in the period of 12 months after the date of allotment under Offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. An Investor acquiring Offer Shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

By applying for Offer Shares under the document, each person to whom Offer Shares are issued (an "Investor"):

a) confirms that they are a 'sophisticated investor' (within the meaning of section 708(8) of the Corporations Act), a 'professional investor' (within the meaning of section 708(11) of the Corporations Act) or otherwise permitted to invest in the Offer Shares pursuant to one or more exemptions contained in section 708 of the Corporations Act, and (b) a 'wholesale client' (within the meaning of section 761G of the Corporations Act;

b) acknowledges that if any Investor on-sells Offer Shares within 12 months from their issue, the Investor will be required to lodge prospectus, product disclosure statement or other a disclosure document with ASIC unless either:

(i) that sale is to another 'sophisticated investor' or 'professional investor' or is otherwise permitted pursuant to one or more exemptions contained in section 708 of the Corporations Act; or

(ii) the sale offer is received outside Australia; and

c) undertakes not to sell the Offer Shares in any circumstances other than those described in paragraphs (b)(i) and (ii) above for 12 months after the date of issue of such Offer Shares.

This document is not, and under no circumstances is to be construed as, an advertisement or public offering of the Offer Shares in Australia.

The document may only be distributed to investors in Australia and any offer of Offer Shares may only be made to investors in Australia, in each case subject to the conditions set out above, on behalf of each Underwriter by its affiliate holding an Australian Financial Services License permitting such license holder to distribute the document and to offer the Offer Shares to investors in Australia.

***Japan***

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No 25 of 1948, as amended (the "FIEA")). This prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity, organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEA and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

***Switzerland***

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other Offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other Offering or marketing material relating to the Offering, we or the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

***Canada***

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a

misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

***DIFC***

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offering Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The Offer Shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares offered should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor. In relation to its use in the DIFC, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The Offer Shares may not be offered or sold directly or indirectly to the public in the DIFC.

***Colombia***

The Offer Shares have not been and will not be registered in the *Registro Nacional de Valores y Emisores* (the Colombian National Registry of Securities and Issuers) maintained by the *Superintendencia Financiera de Colombia* (the Colombian Superintendency of Finance) and may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except pursuant to an exception from registration as permitted by Colombian law.

## ENFORCEMENT OF CIVIL LIABILITIES

The Company is a Spanish company and our assets are located outside of the United States. In addition, a majority of our current directors and executive officers are resident in Spain. As a result, it may be difficult for shareholders in the United States to effect service of process on, or enforce foreign judgments obtained against, us or these persons in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws. Furthermore, there is doubt that a lawsuit based upon U.S. federal or state securities laws, or the laws of any non-Spanish jurisdiction, could be brought in an original action in Spain and that a foreign judgment based upon such laws would be enforceable in Spain.

## LEGAL MATTERS

The validity of the Shares and certain other matters governed by Spanish law will be passed upon for us by Linklaters, S.L.P., our Spanish counsel, and for the Underwriters by Uría Menéndez Abogados, S.L.P., Spanish counsel to the Underwriters.

Certain other matters governed by English and US federal law will be passed upon for us by Linklaters S.L.P., our English and US counsel, and for the Underwriters by Davis Polk & Wardwell LLP, English and US counsel to the Underwriters.

## AVAILABLE INFORMATION

We are currently neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. For as long as this remains the case, we will furnish, upon written request, to any shareholder, any owner of any beneficial interest in any of the Shares or any prospective purchaser designated by such a shareholder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act, if at the time of such request any of the Offer Shares remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

**Documents on display**

Copies of the following documents are available for inspection in physical form during business hours on weekdays at the Company's registered office at calle Isla Graciosa 7, Parque Empresarial La Marina, San Sebastián de los Reyes, 28700, Madrid, Spain:

(a) the deed of incorporation of the Company;

(b) the bylaws of the Company (which, following Admission, will also be available on Company's website at www.telepizza.com);

(c) the Board Regulations, the General Shareholders' Meeting Regulations and the Internal Code of Conduct of the Company (which, following Admission, will also be available on the CNMV's website at www.cnmv.es and on Company's website at www.telepizza.com);

(d) the Financial Statements for the years ended December 31, 2013, 2014 and 2015 (the 2013 and 2014 Financial Statements in Spanish together with translations into English and the 2015 Financial Statements in both Spanish and English) (which are also available on the Company's website at www.telepizza.com, being the Spanish versions of the Financial Statements also available on the CNMV's website);

(e) this prospectus (which is also available on the CNMV's website at www.cnmv.es and on the Company's website at www.telepizza.com);

(f) the certificate of the resolutions approved by the sole shareholder and the board of directors of the Company in connection with the Offering and the Admission;

(g) the Orderly Sales Agreement (which, following Admission, will also be available on the CNMV's website at www.cnmv.es); and

(h) clause 9.2 of the Reorganization Agreement (which, following Admission, will also be available on the CNMV's website at www.cnmv.es).

The documents referred to in (a) to (h) above are also available for inspection in physical form at the CNMV's premises at: Edison 4, 28006 Madrid, Spain.

Neither our website www.telepizza.com nor any of its contents forms part of or is incorporated into this prospectus, whether by reference or otherwise.

## INDEPENDENT AUDITORS

The Financial Statements as of and for each of the years ended December 31, 2015, 2014 and 2013 included in this prospectus have been audited by KPMG Auditores, S.L., with its address for these purposes at Paseo de la Castellana 95, Edificio Torre Europa, 28046 Madrid (Spain), registered with the Commercial Registry of Madrid, under volume 11,961 and sheet M-188,007 and registered with the Official Registry of Accounting Auditors (ROAC) under number S0702, independent auditors, as stated in their reports included in this prospectus.

On March 31, 2016, our sole shareholder, with the prior favourable report of our Audit and Compliance Committee, approved the designation of KPMG Auditores, S.L. as auditors for the year ended December 31, 2016.

## DEFINITIONS

Unless otherwise specified or the context requires otherwise in this prospectus:

- references to “our”, “us” and “we” refer to the Company and its subsidiaries;
- references to “Admission” refer to the admission of the Shares to trading on the Spanish Stock Exchanges and on the AQS or *Mercado Continuo* of the Spanish Stock Exchanges;
- references to “AQS” or “Automated Quotation System” refer to the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil* or SIBE), or *Mercado Continuo*, of the Spanish Stock Exchanges;
- references to “CIT” refer to corporate income tax;
- references to the “CNMV” refer to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);
- references to the “Co-Managers” refer to Banca IMI S.p.A and ING Bank N.V.;
- references to the “Company” refer to Telepizza Group, S.A.U. (formerly denominated Foodco Pastries Spain, S.A.U.), a company incorporated under the laws of Spain on May 11, 2005 as a limited liability company (*sociedad de responsabilidad limitada*) under the name of Bahíaflora Inversiones, S.L. pursuant to a notarized public deed of incorporation granted before the public notary of Barcelona Mr. Miquel Tarragona Coromina under number 2,399 of his records and registered with the Commercial Registry of Madrid under volume 21,430, page 1 and sheet M-381,118, and holder of Spanish tax identification number A-84342229, with registered office at calle Isla Graciosa 7, Parque Empresarial La Marina, San Sebastián de los Reyes, 28700, Madrid (Spain) and phone number +34 91 6576200;
- references to “euro” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- references to “Euroclear” refer to Euroclear Bank, S.A./N.V., as operator of the Euroclear System;
- references to the “EEA” refer to the European Economic Area;
- references to the “EU” refer to the European Union;
- references to “Foodco Invest” refer to Foodco Invest S.à r.l., a *société à responsabilité limitée* with a share capital of EUR 12,500 with registered office at 5 rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg register of commerce and companies under number B191005;
- references to the “FSMA” refer to the Financial Services and Markets Act 2000;
- references to the “Group” refer to the Company together with its subsidiaries;
- references to “Iberclear” refer to *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*;
- references to “IFRS-EU” refer to International Financial Reporting Standards as adopted by the EU;
- references to the “Joint Bookrunners” refer to the Joint Global Coordinators, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC and Nomura International plc;
- references to the “Joint Global Coordinators” refer to Merrill Lynch International and UBS Limited;
- references to the “Prospectus Directive” refer to Directive 2003/71/EC of November 4, 2003 (and amendments thereto, including Directive 2010/73/EU), and include any relevant implementing measure in each relevant member state of the EEA;

- references to "QIBs" refer to qualified institutional buyers within the meaning of Rule 144A under the Securities Act;
- references to "QSR" refer to quick service restaurants;
- references to "Regulation S" refer to Regulation S under the Securities Act;
- references to "Rule 144A" refer to Rule 144A under the Securities Act;
- references to "store transfer fee" refer to the fee payable by a franchisee to us when we transfer to the franchisee one of our own stores;
- references to the "Underwriters" refer to the Joint Global Coordinators, the Joint Bookrunners, Banco Santander, S.A. as co-lead manager and the Co-Managers;
- references to the "U.S. Securities Act" refer to the United States Securities Act of 1933, as amended;
- references to the "Spanish Companies Act" refer to the reinstated text of the Companies Act approved by Royal Decree 1/2010, of July 2 (*Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio*);
- references to "Spanish GAAP" refer to the Royal Decree 1514/2007, of November 16, approving the Spanish General Accounting Plan (*Plan General de Contabilidad*), the Spanish generally accepted accounting principles;
- references to the "Securities Market Act" refer to the reinstated text of the Securities Market Act approved by Royal Decree 4/2015, of October 23 (*Texto Refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, que aprueba el Texto Refundido de la Ley del Mercado de Valores*);
- references to the "Selling Shareholder" refer to Foodco Finance S.à r.l., a *société à responsabilité limitée* with a share capital of EUR 12,500 with registered office at 5 rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg register of commerce and companies under number B191004;
- references to "Telefood" refer to Telefood S.àr.l., a *société à responsabilité limitée* with a share capital of EUR 12,500 with registered office at 488 route de Longwy, L-1940 Luxembourg, registered with the Luxembourg register of commerce and companies under number B119045; and
- references to "Telepizza Sub" refer to Tele Pizza, S.A.U., a wholly-owned subsidiary of the Company.

## FINANCIAL STATEMENTS

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# Foodco Pastries Spain, S.A.U. and its subsidiaries

(formerly called Foodco Pastries Spain, S.L.U.)

**Consolidated Annual Accounts**

31 December 2015

**Consolidated Directors' Report**

2015

(With Independent Auditors' Report Thereon)

**KPMG Auditores S.L.**
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

## Independent Auditor's Report on the Consolidated Annual Accounts

To the Sole Shareholder of
Foodco Pastries Spain, S.A.U.

**Report on the consolidated annual accounts**

We have audited the accompanying consolidated annual accounts of Foodco Pastries Spain, S.A.U. (formerly named Foodco Pastries Spain, S.L.U.) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

*Directors' responsibility for the consolidated annual accounts*

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Foodco Pastries Spain, S.A.U. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

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N.I.F. B 78510153

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

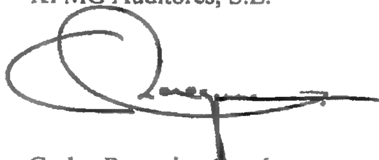
*Opinion*

In our opinion, the accompanying consolidated annual accounts for 2015 present fairly, in all material respects, the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.A.U. and subsidiaries at 31 December 2015 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework in Spain.

**Report on other legal and regulatory requirements**

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors of Foodco Pastries Spain, S.A.U. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2015. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Foodco Pastries Spain, S.A.U. and subsidiaries.

KPMG Auditores, S.L.



Carlos Peregrina García

15 March 2016

FOODCO PASTRIES SPAIN, S.A.U. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2015 and 2014

(Expressed in thousands of Euros)

| Assets | 2015 | 2014 (*) |
|---|---|---|
| Property, plant and equipment (note 8) | 40,158 | 35,902 |
| Goodwill (note 9) | 382,694 | 376,239 |
| Other intangible assets (note 9) | 333,982 | 339,541 |
| Deferred tax assets (note 14) | 11,859 | 11,472 |
| Non-current financial assets (note 10) | 23,711 | 21,030 |
| Total non-current assets | 792,404 | 784,184 |
| Inventories (note 11) | 11,392 | 9,856 |
| Trade and other receivables (note 12) | 34,430 | 43,917 |
| Other current financial assets | 4,516 | 266 |
| Other current assets | 3,672 | 3,381 |
| Cash and cash equivalents (note 13) | 39,946 | 44,905 |
| Subtotal current assets | 93,956 | 102,325 |
| Non-current assets held for sale (note 6) | 130 | 84 |
| Total current assets | 94,086 | 102,409 |
| Total assets | 886,490 | 886,593 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

(*) Restated figures

FOODCO PASTRIES SPAIN, S.A.U. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2015 and 2014

(Expressed in thousands of Euros)

| Equity and Liabilities | 2015 | 2014 (*) |
|---|---|---|
| Share capital (note 15) | 18,000 | 18,000 |
| Share premium | 321,388 | 321,388 |
| Accumulated gains/losses | 23,054 | 24,951 |
| Translation differences | (8,100) | (4,419) |
| Equity attributable to equity holders of the Parent and total equity (note 15) | 354,342 | 359,920 |
| Loans and borrowings (note 18 (a)) | 286,176 | 286,890 |
| Financial liabilities at fair value (note 17) | 215 | (36) |
| Other financial liabilities (note 29) | 96,489 | 84,825 |
| Capital grants (note 21) | - | 471 |
| Deferred tax liabilities (note 14) | 84,747 | 86,905 |
| Provisions | 87 | 237 |
| Other non-current liabilities | 5,274 | 4,929 |
| Total non-current liabilities | 472,988 | 464,221 |
| Loans and borrowings (note 18 (b)) | 4,985 | 4,817 |
| Financial liabilities at fair value (note 17) | - | 2,230 |
| Other financial liabilities (note 29) | 2,182 | 2,460 |
| Trade and other payables (note 22) | 47,515 | 46,938 |
| Current tax liabilities (note 27) | 1,181 | 890 |
| Provisions | 83 | 1,456 |
| Other current liabilities | 3,129 | 3,578 |
| Subtotal current liabilities | 59,075 | 62,369 |
| Liabilities directly associated with non-current assets held for sale (note 6) | 85 | 83 |
| Total current liabilities | 59,160 | 62,452 |
| Total equity and liabilities | 886,490 | 886,593 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.
(*) Restated figures

FOODCO PASTRIES SPAIN, S.A.U. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2015 and 2014

(Expressed in thousands of Euros)

| | 2015 | 2014 (*) |
|---|---|---|
| Revenues (note 23) | 328,899 | 326,521 |
| Merchandise and raw materials used (note 11) | (91,269) | (90,470) |
| Personnel expenses (note 24) | (91,085) | (98,637) |
| Amortisation and depreciation (notes 8 and 9) | (16,609) | (17,403) |
| Other expenses (note 25) | (88,817) | (98,116) |
| Operating profit | 41,119 | 21,895 |
| Finance income | 1,532 | 4,169 |
| Settlement of financial liabilities through the issue of equity instruments (note 15) | - | 128,568 |
| Finance costs | (36,938) | (72,520) |
| Other losses (note 26) | (4,035) | (8,796) |
| Profit before tax from continuing operations | 1,678 | 73,316 |
| Income tax income/(expense) (note 27) | (2,788) | 17,501 |
| Profit/(loss) for the year from continuing operations | (1,110) | 90,817 |
| Post-tax loss on discontinued operations (note 6) | (39) | (80) |
| Profit/(loss) for the year | (1,149) | 90,737 |
| Profit/(Loss) for the year attributable to holders of equity instruments of the Parent | | |
| Continuing operations | (1,110) | 90,817 |
| Discontinued operations | (39) | (80) |
| | (1,149) | 90,737 |
| Earnings / (Loss) per share – basic and diluted (expressed in Euros) | | |
| Profit / (Loss) from continuing operations | (3.08) | 254.78 |
| Profit / (Loss) from discontinued operations | (0.11) | (0.23) |
| Profit / (Loss) for the year | (3.19) | 254.55 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

(*) Restated figures

FOODCO PASTRIES SPAIN, S.A.U. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2015 and 2014

(Expressed in thousands of Euros)

| | 2015 | 2014(*) |
|---|---|---|
| Profit/(loss) for the year | (1,149) | 90,737 |
| Other comprehensive income: | | |
| Items that will be reclassified to profit or loss | | |
| Translation differences of financial statements of foreign operations | (3,681) | (624) |
| Total comprehensive income for the year | (4,830) | 90,113 |
| Total comprehensive income attributable to equity holders of the Parent | (4,830) | 90,113 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

(*) Restated figures

FOODCO PASTRIES SPAIN, S.A.U AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity for the year ended 31 December 2015 and 2014

(Expressed in thousands of Euros)

| | Share capital | Share premium | Accumulated gains/losses | Translation differences | Total equity |
|---|---|---|---|---|---|
| Balances at 31.12.2013 | 17,779 | 236,796 | (268,595) | (3,795) | (17,815) |
| Share capital increase | 221 | 84,592 | (9) | - | 84,804 |
| Shareholder contributions | - | - | | - | 202,767 |
| Monetary contribution | - | - | 157,532 | - | 157,532 |
| Contribution through capitalisation of loans | - | - | 45,235 | - | 45,235 |
| Other movements | - | - | 51 | - | 51 |
| Total comprehensive income | - | - | 90,737 | (624) | 90,113 |
| Balances at 31.12.2014 | 18,000 | 321,388 | 24,951 | (4,419) | 359,920 |
| Other movements | - | - | (748) | - | (748) |
| Total comprehensive income | - | - | (1,149) | (3,681) | (4,830) |
| Balances at 31.12.2015 | 18,000 | 321,388 | 23,054 | (8,100) | 354,342 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

FOODCO PASTRIES SPAIN, S.A.U. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended
31 December 2015 and 2014

(Expressed in thousands of Euros)

| | 2015 | 2014 (*) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit for the year before tax | 1,678 | 73,316 |
| *Adjustments for:* | | |
| Amortisation and depreciation (notes 8 and 9) | 16,609 | 17,403 |
| (Reversal of) impairment losses (notes 8 and 9) | 914 | (1,355) |
| Finance income | (1,532) | (132,737) |
| Finance costs | 38,917 | 72,520 |
| Losses on disposal of property, plant and equipment and other losses (note 26) | 3,121 | 10,151 |
| Deferred capital grants (note 21) | (471) | (426) |
| Change in fair value of financial assets | (1,979) | (149) |
| | 57,257 | 38,723 |
| Change in working capital | | |
| (Increase)/decrease in inventories | (1,536) | 3,598 |
| (Increase)/decrease in trade and other receivables | 9,487 | (6,087) |
| (Increase)/decrease in financial assets | (4,250) | 104 |
| (Increase)/decrease in other current assets | (291) | (212) |
| Increase/(decrease) in trade and other payables | 577 | (762) |
| Increase/(decrease) in provisions | (1,523) | 599 |
| Increase/decrease in other non-current liabilities | 345 | 676 |
| Increase/(decrease) in other current liabilities | (449) | 3,085 |
| | 2,360 | 1,001 |
| Cash from operations | | |
| Income tax paid | (5,042) | (3,338) |
| Net cash from operating activities | 54,575 | 36,386 |
| Cash flows from investing activities | | |
| Increase/(decrease) in other non-current financial assets | (2,681) | 2,858 |
| Proceeds from sale of property, plant and equipment | 3,527 | 9,460 |
| Acquisition of property, plant and equipment (note 8) | (19,058) | (15,566) |
| Acquisition of intangible assets (note 9) | (2,100) | (1,801) |
| Acquisition of business, net of cash acquired (note 7) | (9,734) | (9,407) |
| Net cash used in investing activities | (30,046) | (14,456) |
| Cash flows from financing activities | | |
| Increase/decrease in financial debt | - | (166,084) |
| Interest received | 1,532 | 4,169 |
| Interest paid | (28,077) | (28,382) |
| Shareholder contributions | - | 202,767 |
| Net cash from (used in) financing activities | (26,545) | 12,470 |
| Net cash from (used in) discontinued operations | (85) | 1,789 |
| Increase (decrease) in cash and cash equivalents | (2,101) | 36,189 |
| Cash and cash equivalents | 42,804 | 44,987 |
| Foreign exchange gains/losses on cash and cash equivalents | (2,858) | (82) |
| Cash and cash equivalents at 31 December | 39,946 | 44,905 |

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

(*) Restated figures

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

Foodco Pastries Spain, S.A.U. (the Company or the Parent) was incorporated with limited liability under Spanish law on 11 May 2005 under the name of Bahíaflora Inversiones, S.L. On 30 June 2005 the Parent changed its name to the current one. The Company's registered office is located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, Madrid.

In accordance with the minutes of the decisions taken by the Sole Shareholder on 22 January 2016 set forth in a public deed executed on 5 February 2016, approval was given to transform the Company into a limited liability company and to issue new articles of association to reflect the new corporate structure.

The statutory activity of the Company consists of carrying out economic studies, promoting sales of all types of products on behalf of the Company or third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacturing, distributing and commercialising products for human consumption and leasing machinery and equipment. The aforementioned statutory activities can be entirely or partially carried out, directly or indirectly, through the holding of shares or interests in companies that perform these activities either in Spain or abroad. The Company shall not carry out any activities that are subject to specific legal conditions or requirements without complying in full therewith.

The principal activity of Foodco Pastries Spain, S.A.U. is the holding of the interest in Tele Pizza, S.A. and the rendering of corporate and strategic management-related services on behalf of Tele Pizza, S.A.

The principal activity of its subsidiaries consists of the management and operation of fast-food sales stores and restaurants stores names "telepizza", "Pizza World" and "Jeno's pizza", which sell food for consumption at home and on the premises. At 31 December 2015, this activity is carried out through 461 owned premises and 850 franchises located mainly in Spain, Portugal, Poland, Chile, Guatemala, Colombia, Peru and Ecuador. The Group also carries out its activity through master franchises located in Guatemala, El Salvador, Russia, Angola, Bolivia, Panama and Abu Dhabi.

The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. In addition, the Group owns another six factories in other countries in which it carries out its activity and which also serve as logistics centres. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

(Continúa)

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

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

The subsidiaries and sub-groups comprising the Foodco Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2015, are included in Appendix I attached hereto, which forms an integral part of this note. At 31 December 2015 and 2014 none of the Group companies are listed on a stock exchange. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

The Company is a wholly-owned subsidiary of Foodco Finance, S.à r.l (see note 15). Consequently, the Company is a wholly-owned company, as defined by relevant legislation, and has been filed as such at the Mercantile Registry. Contracts entered into by the Company and its Sole Shareholder relate to a subordinated loan (see note 29).

## (2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Foodco Pastries Spain, S.A.U. and of the consolidated companies. The consolidated annual accounts for 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.A.U. and subsidiaries at 31 December 2015 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, "First-time adoption of International Financial Reporting Standards".

The directors of the Parent consider that the consolidated annual accounts for 2015, authorised for issue on 10 March 2016, will be approved with no changes by the Sole Shareholder.

(Continúa)

(a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments, which are recognised at fair value.
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(b) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

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

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

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).
- The Group tests goodwill and the brand "telepizza" for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (see note 9).

(Continúa)

- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on clients' credit ratings, current market trends and the historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa (see note 12).

- The Group capitalises tax credits when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see note 27).

- The Group has made a number of judgements and estimates relating to the valuation of the capital increases entailing debt-to-equity swaps carried out in 2014 (see notes 15 and 29). These judgements primarily consisted of determining the fair values of the equity instruments issued and the financial liabilities cancelled while taking into account that the Group was engaged in a capital and debt restructuring process.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2015, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated group

All of the shares in the company Burmasa Delivery, S.L. were acquired in 2015, and the company Pizzas del Centro S.A. de C.V. was sold in 2014 (see note 7).

(d) Standards and interpretations issued but not applied

*Standards and interpretations effective since 2015*

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2015 as these changes deal with types of transaction not carried out by the Group.

*Standards and interpretations issued but not applied*

At the date of authorisation for issue of these consolidated annual accounts, the following IFRS have come into force and been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2016 and subsequent years (depending on the effective date of each standard):

- Defined benefit plans: Employee contributions. Effective for annual periods beginning on or after 1 February 2015.

- Improvements Cycle 2010-2012

  - IFRS 2 Definition of vesting, service and market conditions

(Continúa)

- IFRS 3 Subsequent measurement of contingent consideration

- IFRS 8 Disclosure of judgements by management for the aggregation of operating segments, identification of aggregated segments and reconciliation of assets from the operating segments to total assets if reporting to the chief operating decision maker.

- IFRS 13 Measurement of current receivables and payables

- IAS 16 and 13 Methods for the recognition of the revalued amount

- IAS 24 Disclosures on outsourcing of senior management functions to another company

Effective for annual periods beginning on or after 1 February 2015.

- Clarification of acceptable methods of depreciation and amortisation. Effective prospectively from 1 January 2016.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (prospectively, for transactions occurring in periods beginning on or after 1 January 2016).

- Improvements Cycle 2012-2014

  - IFRS 5 Measurement and classification of non-current assets reclassified from held for sale to held for distribution

  - IFRS 7 Disclosures on continuing involvement

  - IAS 19 On the discount rate and currency to be used in the absence of high quality corporate bonds

  - IAS 34 On the use of cross-references to the directors' report in the interim report.

  Effective for annual periods beginning on or after 1 January 2016.

- Disclosure initiatives: Amendments to IAS 1. Effective for annual periods beginning on or after 1 January 2016.

The Group has not early adopted any of these standards and is currently analysing the impact of applying these standards, rectifications and interpretations. Based on its analyses to date, the Group estimates that first-time application will not have a significant impact on the consolidated annual accounts.

(Continúa)

The following are the standards or interpretations not yet adopted by the European Union that which may become compulsory in the next few years and will have the greatest impact on the Group:

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 16 Leases. Effective for annual periods beginning on or after 1 January 2019.

IFRS 16 will probably have the most significant impact. The Group is currently analysing the potential impact of the first-time application of this standard on the consolidated annual accounts. It has not yet completed the process, given the recent publication of this standard and the various transition options established by this standard for first-time application Given that to carry out its activity the Group leases a large number of stores and, to a lesser extent, offices and factories or warehouses, for a period of time longer than a year, the application of IFRS 16 in 2019 is expected to have a significant impact on the Group's accounts.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes for 2015 include comparative figures for 2014, which differ from those reflected in the annual accounts approved by the Sole Shareholder on 25 June 2015 for the reasons outlined in the following paragraph.

The balances in the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows for 2014 have been restated in order to make them comparable with the figures for 2015, mainly due to the fact that Group classified certain assets and liabilities of its subsidiary in Colombia as held for sale and the operations thereof as discontinued operations in the consolidated income statement for 2014, as described in note 6. The aforementioned restatement does not affect the figures presented in the 2013 consolidated annual accounts and, therefore, a third, comparative, balance sheet is not presented.

(Continúa)

Details of assets and liabilities restated and classified as held-for-sale in the previous year are as follows

| | Thousands of Euros |
|---|---|
| Property, plant and equipment | 5,887 |
| Goodwill | 8,144 |
| Other intangible assets | 90 |
| Other non-current assets | 1,959 |
| Inventories | 561 |
| Other current assets | 2,642 |
| Cash and cash equivalents | 356 |
| Total assets | 19,639 |
| Loans and borrowings | 2,557 |
| Other non-current liabilities | 756 |
| Trade and other payables | 3,698 |
| Other current liabilities | 26 |
| Total liabilities | 7,037 |

Details of income and expenses restated and classified as discontinued operations in the previous year are as follows:

| | Thousands of Euros |
|---|---|
| Revenues | 20,983 |
| Expenses | (26,710) |
| Income tax expenses | (2,232) |

In accordance with the Spanish Accounting and Auditing Institute's ruling dated 29 January 2016 on required disclosures in the notes to the annual accounts on the average payment period for suppliers, note 22 does not include comparative information for 2014.

(f) Functional and presentation currency

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

(Continúa)

(3) Application of the Result of the Parent's losses

The board of directors of the Parent has proposed that Foodco Pastries Spain, S.A.U. 's losses for the year ended 31 December 2015 amounting to Euros 12,046,749 be carried forward in their entirety as prior years' losses. This proposal is pending approval by the Sole Shareholder.

The distribution of the Parent's profit for 2014 which totalled Euros 108,319,464, approved by the Sole Shareholder on 25 June 2015, is as follows:

| | Euros |
|---|---|
| Basis of allocation | |
| Profit for the year | 108,319,464 |
| Distribution | |
| Legal reserve | 10,831,946 |
| Prior years' losses | 97,487,518 |
| | 108,319,464 |

(4) Significant Accounting Principles

(a) Subsidiaries

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which Group control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

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

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

(Continúa)

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

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

(b) Business combinations

As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

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

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

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

The excess between the consideration given, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

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

(Continúa)

(c) Foreign currency transactions and balances

(i) *Foreign currency transactions, balances and cash flows*

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

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

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

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

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

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

(ii) *Translation of foreign operations*

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

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

(Continúa)

- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

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

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

(d) Property, plant and equipment

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

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

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

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

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

The depreciable amount is the cost of an asset.

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

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

(Continúa)

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

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

(e) Intangible assets

(i) Goodwill

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

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the stores in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

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

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

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

(Continúa)

- *Computer software*

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

  Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

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

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the "telepizza" brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

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

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

| | |
|---|---|
| Patents and licences | 4 |
| Contractual rights | 30 |
| Computer software | 4 |
| Other intangible assets | 4-10 |
| Administrative concessions | Operating term |

The depreciable amount of intangible assets is measured as the cost of the asset.

Contractual rights arising from the franchise agreements and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues.

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

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(Continúa)

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

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

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

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

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

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

A gain on increases in the fair value less costs of disposal (either due to remeasurement of fair value less costs of disposal or to impairment losses that occurred before classification of the asset as held-for-sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

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

(Continúa)

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

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

(ii) *Discontinued operations*

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 6).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

(Continúa)

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

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

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

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

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

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

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

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

(Continúa)

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

For the purpose of verifying the impairment of intangible assets with indefinite useful lives, primarily comprising the "telepizza" brand, this is considered a global asset and the impairment analysis is therefore carried out by comparing the carrying amount of all the Group's assets with their recoverable amount.

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

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

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

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

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

(Continúa)

(h) Leases

*(i) Classification of leases*

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases.

*(ii) Lessor accounting*

The Group, as lessor, subleases the right to use certain storage facilities and commercial premises to third parties through operating leases.

Assets leased to third parties under operating lease contracts are classified according to their nature, applying the accounting policies set out in note 4 (d).

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

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

Contingent rents are recognised as income when it is probable that they will be obtained.

*(iii) Lessee accounting*

The Group, as lessee, holds the rights to use certain assets under lease contracts.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

(Continúa)

The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

The Group recognises initial direct costs incurred on operating leases as an expense when incurred.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(i) Financial instruments

*(i) Classification of financial instruments*

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

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading, loans and receivables and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

*(ii) Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*(iii)* Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading or which have been designated on initial recognition.

(Continúa)

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal.

The Group does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the consolidated statement of financial position, except when there is a change in the classification of hedging financial instruments.

*(iv)* ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

*(v)* ***Impairment***

In the case of assets carried at amortised cost, the amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less costs of foreclosing and sale, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

(Continúa)

The Group recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed up to the amortised cost the assets would have had if the impairment loss had not been recognised. The impairment loss is reversed against the allowance account.

*(vi) Financial liabilities*

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

*(vii) Derecognition of financial assets*

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

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in other comprehensive income, is recognised in profit or loss.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised as a liability. Transaction costs are recognised in profit or loss using the effective interest method.

*(viii) Derecognition and modifications of financial liabilities*

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

(Continúa)

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised by the Group in profit or loss.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

Payables to financial institutions as a result of the sale of trade liabilities are recognised as trade payables advanced by banks under trade and other payables in the consolidated statement of financial position.

Nonetheless, when a creditor assumes primary responsibility towards the financial institutions, these debts are reclassified to financial liabilities in the consolidated statement of financial position.

The consideration given by the financial institutions in exchange for the right to finance the customers of the Group is recorded in other income in the consolidated income statement (consolidated statement of comprehensive income) when accrued.

(Continúa)

The issue of equity instruments by the Group to settle a financial liability is part of the consideration paid to settle the financial liability. Consequently, the equity instruments issued to fully or partially settle a financial liability are measured at fair value, unless the fair value of the settled liability can be measured more reliably. If the Group settles only a part of the financial liability, a portion of the fair value of the equity instruments issued is allocated to determine whether the remaining part of the financial liability has changed. The difference between the fair value of the equity instruments issued to settle the financial liability or, where appropriate, the fair value of the liability and the carrying amount is recognised in gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement (note 15).

(j) Inventories

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

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

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

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

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

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials and other supplies: weighted average cost.
- Finished goods and work in progress: the weighted average cost of raw materials and other supplies, including the costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.
- Goods for resale: weighted average acquisition cost.

(Continúa)

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

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished products: estimated selling price less costs to sell.
- Work in progress: the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and the revised net realisable value of the inventories.

(k) Cash and cash equivalents

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

The Group classifies cash flows from interest received and paid as financing activities.

(l) Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss providing they do not change the effectiveness of the hedge.

(Continúa)

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

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

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

(n) Employee benefits

*(i) Termination benefits*

Termination benefits are recognised at the earlier of the date when the Group may no longer withdraw the offer of those benefits or the date when the costs of a restructuring entailing the payment of termination benefits are recognised.

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

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

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

(Continúa)

*(ii)* *Short-term employee benefits*

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

Short-term employee benefits are reclassified as long-term if the characteristics of the benefit change or if there is a non-temporary change in expectations of the timing of settlement.

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

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

(o) Provisions

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

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

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

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

(Continúa)

(p) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. When sales discounts are considered likely to be disbursed at the revenue recognition date, they are accounted for as a decrease in revenue.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Sales of goods to customers in cash or sales to franchises and revenue from services rendered are recognised when the Group sells the product or renders the service.

Revenues from royalties and advertising are recognised when the service is rendered and are calculated as a percentage of the sales of the franchise.

Revenues from transfer fees largely reflect the right of the franchisee to open an outlet and are recognised upon signing the contract.

Revenues from leases to franchisees and revenues for personnel management are also recognised when the service is rendered.

The Group does not have significant volumes of product returns.

(q) Income tax

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

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

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

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

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Since 1 January 2007 Foodco Pastries Spain, S.A. has been the parent of a tax Group in Spain, as defined by the consolidated tax regime, which comprises Tele Pizza, S.A.U., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2015.

*(i) Recognition of deferred tax liabilities*

The Group recognises all deferred tax liabilities except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

*(ii) Recognition of deductible temporary differences*

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income.
- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset.

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

*(iii) Measurement of deferred tax assets and liabilities*

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

(Continúa)

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

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

*(iv)* *Offset and classification*

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

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

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

(r) Segment reporting

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

(Continúa)

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

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

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(t) Environmental issues

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

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

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

(Continúa)

(5) Segment Reporting

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

In 2015 the Group modified its operating segments as the financial information used internally to assess their performance ceased to be segmented by country, as had been the case until 2014, and began to be segmented by geographical area and activity as a result of organisational changes carried out by Group management in 2015.

At 31 December 2015 and 2014, the Group comprises the following operating segments:

- Spain
- Rest of Europe
- Latin America
- Master franchise and others

Segment performance is measured based on the profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

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

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | |
| | Spain | Rest of Europe | Latin America | Master franchise and others | Eliminations | Total |
| Revenues | | | | | | |
| Own store sales | 116,361 | 32,577 | 51,174 | - | - | 200,112 |
| Supply sales | 69,157 | 13,042 | 7,694 | 667 | - | 90,560 |
| Royalties | 15,879 | 1,713 | 1,815 | 892 | - | 20,299 |
| Other revenues | 10,076 | 2,035 | 5,192 | 625 | - | 17,928 |
| To other segments | 9,474 | - | - | - | (9,474) | - |
| Total revenues | 220,946 | 49,367 | 65,875 | 2,184 | (9,474) | 328,899 |
| Gross margin | 154,083 | 33,780 | 48,079 | 1,689 | - | 237,631 |
| Amortisation and depreciation | (11,064) | (1,425) | (4,120) | - | - | (16,609) |
| Segment operating profit/(loss) | 27,028 | 7,065 | 5,341 | 1,685 | - | 41,119 |
| Net finance income/(cost) | (33,729) | (211) | (1,466) | - | - | (35,406) |
| Other gains | 9 | 57 | 1 | - | - | 67 |
| Other losses | (3,412) | (424) | (266) | - | - | (4,102) |
| Income tax | (1,941) | 491 | (1,293) | (45) | - | (2,788) |
| Profit/(loss) from continuing operations | (12,045) | 6,978 | 2,317 | 1,640 | - | (1,110) |
| Post-tax loss from discontinued operations | (39) | - | - | - | - | (39) |
| Profit/(loss) for the year attributable to the Parent | (12,084) | 6,978 | 2,317 | 1,640 | - | (1,149) |
| Segment assets | 754,458 | 39,944 | 91,958 | - | - | 886,360 |
| Assets held for sale or from discontinued operations | 130 | - | - | - | - | 130 |
| Group assets | 754,458 | 39,944 | 91,958 | - | - | 886,490 |
| Segment liabilities | 44,784 | 6,678 | 5,662 | - | - | 57,124 |
| Liabilities held for sale or from discontinued operations | 85 | - | - | - | - | 85 |
| Unassigned liabilities | - | - | - | - | - | 829,281 |
| Liabilities and equity | 44,869 | 6,678 | 5,662 | - | - | 886,490 |
| Investments in property, plant and equipment and intangible assets | 18,455 | 2,524 | 9,209 | - | - | 30,188 |

Euros 5,585 thousand of total additions to Group property, plant and equipment in 2015 are for maintenance or replacement, while Euros 24,603 thousand reflects new investment.

(Continúa)

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| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | |
| | Spain | Rest of Europe | Latin America | Master franchise and others | Eliminations | Total |
| Revenues | | | | | | |
| Own store sales | 123,483 | 30,957 | 47,849 | - | - | 202,289 |
| Supply sales | 66,057 | 11,804 | 6,990 | 422 | - | 85,273 |
| Royalties | 14,350 | 1,484 | 1,527 | 490 | - | 17,851 |
| Other revenues | 14,183 | 1,645 | 5,100 | 180 | - | 21,108 |
| To other segments | 10,245 | - | - | - | (10,245) | - |
| Total revenues | 228,318 | 45,890 | 61,466 | 1,092 | (10,245) | 326,521 |
| Gross margin | 159,098 | 31,680 | 44,471 | 802 | - | 236,051 |
| Amortisation and depreciation | (11,474) | (2,241) | (3,688) | - | - | (17,403) |
| Segment operating profit/(loss) | 14,082 | 4,337 | 2,674 | 802 | - | 21,895 |
| Net finance income/(cost) | 60,314 | (454) | 357 | - | - | 60,217 |
| Other gains | 30 | 39 | - | - | - | 69 |
| Other losses | (7,890) | (511) | (464) | - | - | (8,865) |
| Income tax | 19,999 | 170 | (2,638) | (30) | - | 17,501 |
| Profit/(loss) from continuing operations | 86,535 | 3,581 | (71) | 772 | - | 90,817 |
| Post-tax loss from discontinued operations | (80) | - | - | - | - | (80) |
| Profit/(loss) for the year attributable to the Parent | 86,455 | 3,581 | (71) | 772 | - | 90,737 |
| Segment assets | 755,379 | 35,244 | 95,969 | - | - | 886,509 |
| Assets held for sale or from discontinued operations | 84 | - | - | - | - | 84 |
| Group assets | 755,380 | 35,244 | 95,969 | - | - | 886,593 |
| Segment liabilities | 46,695 | 6,575 | 12,654 | - | - | 65,924 |
| Liabilities held for sale or from discontinued operations | 83 | - | - | - | - | 83 |
| Unassigned liabilities | - | - | - | - | - | 820,586 |
| Liabilities and equity | 46,778 | 6,575 | 12,654 | - | - | 886,593 |
| Investments in property, plant and equipment and intangible assets | 10,956 | 1,297 | 6,802 | - | - | 19,055 |

Euros 4,218 thousand of total additions to Group property, plant and equipment and intangible assets in 2014 are for maintenance or replacement, while Euros 14,837 thousand reflects new investment.

(Continúa)

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

The subsidiary in Morocco, which is currently in liquidation, continues to be classified under non-current assets held for sale and its operations are included in discontinued operations in the consolidated income statement.

In 2014 the Group classified the assets and liabilities of its subsidiary in Colombia, as held-for-sale, and its revenues and expenses as profits from discontinued operations, in accordance with the standard, as its sale was expected to take place in 2015. Similarly, the Group had also classified a number of stores in Chile as held-for-sale, based on the decisions of the Steering Committee.

The aforementioned transactions did not take place in 2015 as no agreement was reached with the acquirer and the Group has decided to continue with its operations in Colombia, therefore, the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows for 2014 have been restated as if they have never been thus classified.

(7) Business Combinations

On 30 December 2015, through Tele Pizza, S.A., the Group acquired a 100% interest in Burmasa Delivery, S.L., the franchisee of three stores in Burgos. In 2015 the Group also acquired several stores, primarily in Spain, while in 2014, the Group acquired several stores that were already up and running from franchisees in Spain, Portugal and Chile. These acquisitions of outlets are part of the Group's global strategy, which involves operating the outlets as own stores in various geographic regions rather than as franchises.

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

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Cost of the combination, cash paid | 9,734 | 9,407 |
| Less, fair value of net assets acquired | (1,636) | (1,972) |
| Goodwill (note 9) | 8,098 | 7,435 |

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

(Continúa)

The amounts recognised in 2015 by significant class at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

| | Thousands of Euros |
|---|---|
| | Fair value |
| Intangible assets | 940 |
| Property, plant and equipment | 1,584 |
| Other non-current assets | 20 |
| Inventories | 33 |
| Trade and other receivables | 105 |
| Cash and cash equivalents | 188 |
| Total assets | 2,870 |
| Trade and other payables | (1,046) |
| Total net assets acquired | 1,824 |
| Cash paid | 9,922 |
| Cash and cash equivalents of the acquire | (188) |
| Cash outflow for the acquisition | 9,734 |

Net assets acquired during 2014 total Euros 1,972 thousand and consist entirely of the property, plant and equipment of the stores acquired.

The business combinations are definitive and the fair value of the net assets acquired does not differ from their carrying amount.

The businesses acquired during 2015 have generated revenues and a consolidated income statement for the Group for the period between the acquisition date and the reporting date of Euros 3,533 thousand and Euros 259 thousand (profit), respectively.

Had the acquisition taken place on 1 January 2015, Group revenues and consolidated profit/(loss) for the year ended 31 December 2015 would have amounted to Euros 338,949 thousand and Euros 434 thousand (profit), respectively.

(Continúa)

## (8) Property, Plant and Equipment

Details of and movements in property, plant and equipment of 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 under construction | Other property, plant and equipment | Total |
| Cost | | | | | | |
| Balance at 31.12.13 | 9,653 | 126,106 | 15,392 | 573 | 15,934 | 167,658 |
| Additions | 1 | 7,625 | 663 | 102 | 1,427 | 9,818 |
| Disposals | (1,036) | (26,217) | (2,774) | (187) | (2,477) | (32,691) |
| Transfers non-current asset held for sale | - | 1,072 | 194 | (97) | 62 | 1,231 |
| Other transfers | 357 | (286) | 17 | (164) | 76 | - |
| Exchange losses | (127) | (629) | (288) | (4) | (6) | (1,054) |
| Balances at 31.12.14 | 8,848 | 107,671 | 13,204 | 223 | 15,016 | 144,962 |
| Additions | 32 | 13,811 | 1,679 | 1,259 | 2,277 | 19,058 |
| Disposals | (1,115) | (16,346) | (2,956) | - | (2,106) | (22,523) |
| Other transfers | 5 | 977 | 170 | (1,091) | (61) | - |
| Exchange losses | (158) | (1,264) | (361) | - | (84) | (1,867) |
| Balances at 31.12.15 | 7,612 | 104,849 | 11,736 | 391 | 15,042 | 139,630 |
| Depreciation or impairment | | | | | | |
| Depreciation at 31.12.13 | (4,560) | (91,554) | (10,888) | - | (12,034) | (119,036) |
| Impairment at 31.12.13 | (217) | (8,299) | (14) | - | - | (8,530) |
| Depreciation for the year | (312) | (5,954) | (1,049) | - | (1,289) | (8,604) |
| Disposals | 540 | 20,477 | 2,498 | - | 2,203 | 25,718 |
| Transfers non-current asset held for sale | (29) | (454) | (79) | - | (29) | (591) |
| Other transfers | (302) | 336 | 146 | - | (180) | - |
| Exchange gains(losses) | 50 | 386 | 148 | - | 44 | 628 |
| (Impairment loss)/impairment reversal | (133) | 1,488 | - | - | - | 1,355 |
| Depreciation at 31.12.14 | (4,613) | (76,763) | (9,224) | - | (11,285) | (101,885) |
| Impairment at 31.12.14 | (350) | (6,811) | (14) | - | - | (7,175) |
| Depreciation for the year | (390) | (6,046) | (1,303) | - | (1,300) | (9,039) |
| Disposals | 511 | 12,768 | 1,460 | - | 1,618 | 16,357 |
| Exchange gains/Losses | 116 | 724 | 191 | - | 103 | 1,134 |
| (Impairment loss)/impairment reversal | 349 | 786 | - | - | - | 1,135 |
| Depreciation at 31.12.15 | (4,376) | (69,317) | (8,876) | - | (10,864) | (93,433) |
| Impairment at 31.12.15 | - | (6,027) | (12) | - | - | (6,039) |
| Carrying amount | | | | | | |
| Balance at 31.12.13 | 4,876 | 25,473 | 4,489 | 573 | 3,899 | 39,310 |
| Balance at 31.12.14 | 3,885 | 24,097 | 3,966 | 223 | 3,731 | 35,902 |
| Balance at 31.12.15 | 3,236 | 29,505 | 2,848 | 391 | 4,178 | 40,158 |

(Continúa)

During 2015 and 2014 significant additions to installations and machinery mainly reflect investments related to new stores opened and the purchase of franchised stores. There have also been additions to furniture and scooters. Similarly, in 2014, significant investments were made in lighting, energy efficiency measures and air conditioning.

Other property, plant and equipment include the acquisition of motorcycles and IT equipment for stores.

Disposals in 2015 and 2014 primarily include property, plant and equipment used in stores which have been franchised, closed or sold, and items relating to the termination of rental contracts for certain stores. Disposals in 2014 included the assets of the factory in Ávila which were sold.

The Group receives government grants to finance items of property, plant and equipment (see note 21).

At 31 December 2015 and 2014 the Group has no commitments to acquire items of property, plant and equipment. Assets totalling Euros 1,040 thousand have been pledged as security (Euros 1,100 thousand at 31 December 2014). The Group does not have any significant unused property, plant and equipment.

During 2015 the Group recognised impairment losses totalling Euros 536 thousand (reversal of impairment losses amounting to Euros 1,355 thousand in 2014). Impairment previously recognized and writ en off in 2015 of Euros 1,697 thousand are basically impairments which had been recognised in respect of the stores sold to franchisees during 2015. The impairment losses recognised and reversed are basically due to the impairment of assets used in operations in the Group's stores. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each store. The main assumptions employed to project cash flows are detailed in note 9.

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

Details of the cost of fully depreciated property, plant and equipment at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Technical installations and machinery | 44,422 | 46,675 |
| Other | 14,082 | 16,810 |
| | 58,504 | 63,485 |

(Continúa)

Property, plant and equipment held under finance leases at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Cost of items held under finance leases | 2,535 | 2,651 |
| Accumulated depreciation and impairment losses | (846) | (126) |
| Carrying amount | 1,689 | 2,525 |

Details of the main terms of finance leases in force at 31 December 2015 are as follows:

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| Asset | Contract date | Number of monthly payments | Cash value | Amount of each instalment | Purchase option |
| Machinery (several agreements) | Between May 2012 and June 2014 | 60 | 2,535 | 85 | 71 |
| Less, accumulated depreciation | | | (846) | | |
| Total | | | 1,689 | | |

Details of the main terms of finance leases in force at 31 December 2014 were as follows:

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| Asset | Contract date | Number of monthly payments | Cash value | Amount of each instalment | Purchase option |
| Machinery (several agreements) | Between May 2012 and December 2013 | 60 | 2,651 | 85 | 71 |
| Less, accumulated depreciation | | | (126) | | |
| Total | | | 2,525 | | |

(Continúa)

A summary of the liabilities resulting from these operations at 31 December 2015 and 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Total liability under the contracts | 2,947 | 3,039 |
| Payments made | | |
| In prior years | (482) | - |
| During the year | (414) | (482) |
| Finance lease payables (note 18 (a) and (b)) | 2,051 | 2,557 |

Property, plant and equipment includes assets leased out to third parties under operating leases at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Cost | 4,947 | 5,519 |
| Accumulated depreciation at 1 January | (4,510) | (4,998) |
| Depreciation charge for the year | (91) | (236) |
| Carrying amount | 347 | 285 |

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

However, to calculate the future minimum receivable under non-cancellable operating leases, the Group has applied the same criterion as for the calculation of minimum operating lease payments, therefore taking into account the duration of the sublease agreement due to the Group has committed to sub-leasing the premises to the franchisee for this period (see note 25).

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

Operating lease instalments recognised as income in 2015 and 2014 total Euros 2,413 thousand and Euros 2,922 thousand, respectively. They are recognised as "other revenues".

(Continúa)

Future minimum payments receivable under non-cancellable operating subleases are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Up to 1 year | 5,286 | 4,967 |
| Between 1 and 5 years | 20,089 | 17,739 |
| More than 5 years | 18,818 | 15,509 |
| | 44,193 | 38,216 |

(9) Intangible Assets

Details of goodwill and movements of the consolidated statement of financial position during the year are as follows:

| | Thousands of Euros |
|---|---|
| Cost | |
| Balance at 31.12.2013 | 376,040 |
| Goodwill on business combinations for the year (note 7) | 7,435 |
| Exchange gains/(losses) | 18 |
| Disposals | (1,097) |
| Impairment losses for the year (note 26) | (6,157) |
| Balance at 31.12.2014 | 376,239 |
| Goodwill on business combinations for the year (note 7) | 8,098 |
| Goodwill purchases in business combination | 932 |
| Exchange gains/(losses) | (115) |
| Disposals | (2,082) |
| Impairment losses for the year (note 26) | (378) |
| Balance at 31.12.2015 | 382,694 |

Impairment losses of goodwill in 2015 reflects stores closures and in 2014 it reflects stores closures and also the calculation made of the recoverable amount of each CGU group.

(Continúa)

Details of goodwill by country at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Spain | 267,601 | 262,702 |
| Portugal | 61,311 | 61,511 |
| Chile | 40,672 | 38,958 |
| Colombia | 8,144 | 8,144 |
| Poland | 4,620 | 4,620 |
| Other | 346 | 304 |
| | 382,694 | 376,239 |

The recoverable amount of each group of CGUs is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the groups of CGUs operate.

The discount rate assumption used when calculating value in use is as follows:

| | 2105 | | | | |
|---|---|---|---|---|---|
| | Spain | Portugal | Chile | Poland | Colombia |
| Discount rate (WACC) | 7.70 % | 8.10 % | 8.40 % | 7.15 % | 8.75 % |
| Growth rate of income in Perpetuity (g) | 1.7 % | 1.40 % | 3.20 % | 1.00 % | 4.00 % |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Spain | Portugal | Chile | Poland | Colombia |
| Discount rate (WACC) | 8.10% | 9.26% | 9.02% | 7.96% | 9.35% |
| Growth rate of income in Perpetuity (g) | 1.70% | 1.50% | 3.30% | 1.70% | 3.15% |

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net annual revenue growth rates of between 2% and 4%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

(Continúa)

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

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

If a sensitivity analysis of goodwill impairment per CGU group were performed, the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or between 50 and 25 basis points in the business operating assumptions, would be as follows:

| | WACC | | g | | Business operating assumptions | |
|---|---|---|---|---|---|---|
| | > 0.5% | >0.25% | <0.5% | <0.25% | +/- 0.50% | +/- 0.25% |
| Poland | 250 | - | 112 | - | 733 | 200 |
| Chile | 4,097 | 1,968 | 3,287 | 1,545 | 5,989 | 2,813 |
| Portugal | - | - | - | - | - | - |
| Colombia | - | - | - | - | 1,190 | 812 |
| Spain | - | - | - | - | | - |
| Impairment | 4,347 | 1,968 | 3,399 | 1,545 | 6,722 | 3,,013 |

(Continúa)

Details of other intangible assets and movement are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Concessions patents and, licences | Trademarks | Contractual and other rights | Other intangible assets | Computer Software | Total |
| Cost | | | | | | |
| Balances at 31.12.13 | 1,270 | 253,502 | 151,359 | 632 | 20,787 | 427,550 |
| Additions | 427 | - | - | 124 | 1,250 | 1,801 |
| Disposals | (114) | - | - | - | (198) | (312) |
| Other transfer | - | - | - | - | 14 | 14 |
| Exchange gains/(losses) | 2 | - | - | 15 | (88) | (71) |
| Balances at 31.12.14 | 1,585 | 253,502 | 151,359 | 771 | 21,765 | 428,982 |
| Additions | 140 | - | - | 45 | 1,915 | 2,100 |
| Disposals | (155) | - | - | (271) | (234) | (660) |
| Exchange gains/(losses) | (2) | - | - | (17) | (99) | (118) |
| Balances at 31.12.15 | 1,568 | 253,502 | 151,359 | 528 | 23,347 | 430,304 |
| Amortisation or impairment | | | | | | |
| Amortisation at 31.12.13 | (887) | (18,526) | (44,798) | (557) | (17,068) | (81,836) |
| Impairment at 31.12.13 | (8) | - | - | - | - | (8) |
| Amortisation of the year | (100) | - | (5,938) | (3) | (1,869) | (7,910) |
| Disposals | 113 | - | - | - | 197 | 310 |
| Other transfers | - | - | - | - | 38 | 38 |
| Exchange gains/(losses) | - | - | - | (6) | (29) | (35) |
| Amortisation at 31.12.14 | (874) | (18,526) | (50,736) | (566) | (18,731) | (89,433) |
| Impairment at 31.12.14 | (8) | - | - | - | - | (8) |
| Amortisation of the year | (181) | - | (5,818) | (6) | (1,565) | (7,570) |
| Disposals | 155 | - | - | 271 | 163 | 589 |
| Other transfers | 129 | - | - | (129) | - | - |
| Exchange gains/(losses) | 2 | - | - | 19 | 79 | 100 |
| Amortisation at 31.12.15 | (769) | (18,526) | (56,554) | (411) | (20,054) | (96,314) |
| Impairment at 31.12.15 | (8) | - | - | - | - | (8) |
| Carrying amount | | | | | | |
| Balance a 31.12.13 | 375 | 234,976 | 106,561 | 75 | 3,719 | 345,714 |
| Balance a 31.12.14 | 703 | 234,976 | 100,623 | 205 | 3,034 | 339,541 |
| Balance a 31.12.15 | 791 | 234,976 | 94,805 | 117 | 3,293 | 333,982 |

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the "telepizza" brand. The original value of this asset was Euros 247,028 thousands and its carrying amount at 31 December 2015 is Euros 228,502 thousands (see note 4 (g)). The "Jeno's pizza" brand also has an indefinite useful life and a value of Euros 6,474 thousand at 31 December 2015.

(Continúa)

In 2006 the Group acquired the "telepizza brand name from Tele Pizza, S.A. through a business combination with the latter. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

The recoverable amount of intangible assets with an indefinite useful life is determined by calculating the value in use. These cash flow projections for these calculations are based on financial budgets approved by the Parent's management for a five-year period. Cash flows beyond the five-year period are extrapolated using specific growth rates for the sector in each country. These growth rates do not exceed the average long-term growth rate of the business.

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the carrying amount of recognised goodwill and intangible assets with an indefinite useful life. The discount rate assumption used when calculating value in use in the periods 2015 and 2014 of intangible assets with an indefinite useful life is as follows:

| | |
|---|---|
| Discount rate (WACC) | 7.35% - 8.35% |
| Growth rate of income in perpetuity (g) | 1.50% - 2.00% |

For its impairment analysis, the Group has applied the upper figure of the discount rate range shown above.

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net revenue growth rates of between 2% and 4%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

If a sensitivity analysis of impairment of intangible assets with an indefinite useful life were performed, the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or between 50 and 25 basis points in the business operating assumptions, would be as follows:

(Continúa)

| | WACC | | g | | Business operating assumptions | |
|---|---|---|---|---|---|---|
| | > 0.5% | >0.25% | <0.5% | <0.25% | +/- 0.50% | +/- 0.25% |
| Impairment | 10,597 | - | 473 | - | 1,938 | - |

As regards contractual rights with franchisees subject to amortisation, there are no indications of the potential impairment of these intangible assets.

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

| | Euros | | | |
|---|---|---|---|---|
| Description of the asset | Remaining useful life | Amortisation for the year | Accumulated Amortisation | Carrying amount |
| 2015 | | | | |
| "Jeno's Pizza" brand | Indefinite | - | - | 6,474 |
| "telepizza brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 21 | 4,296 | 46,290 | 90,225 |
| | | 4,296 | 64,816 | 325,201 |
| 2014 | | | | |
| "Jeno's Pizza" brand | Indefinite | - | - | 6,474 |
| "telepizza" brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 22 | 4,296 | 41,994 | 94,521 |
| | | 4,296 | 60,520 | 329,497 |

At 31 December 2015 and 2014 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Computer software | 16,009 | 12,840 |
| Other | 1,156 | 1,195 |
| | 17,165 | 14,035 |

(Continúa)

(10) Non-current Financial Assets

Details of non-current financial assets at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Security deposits and guarantees | 6,119 | 6,140 |
| Non-current trade receivables | 16,390 | 13,689 |
| Other loans and receivables | 1,202 | 1,201 |
| | 23,711 | 21,030 |

Non-current trade receivables mainly reflect amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

(11) Inventories

Details at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Merchandise | 10,138 | 8,597 |
| Raw materials | 978 | 1,009 |
| Finished goods | 276 | 250 |
| Total inventories | 11,392 | 9,856 |

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

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Net purchases | 92,805 | 86,872 |
| Change in inventories | (1,536) | 3,598 |
| | 91,269 | 90,470 |

The Group has long-term commitments to purchase certain inventories, which if breached will give rise to penalties with a negative effect of approximately Euros 3 million on the consolidated income statement.

At 31 December 2015 and 2014 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(Continúa)

## (12) Trade and Other Receivables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Trade receivables | 34,724 | 44,237 |
| Other receivables | 3,661 | 3,113 |
| Public entities | 3,186 | 4,448 |
| Impairment | (7,141) | (7,881) |
| Trade and other receivables | 34,430 | 43,917 |

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

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

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| *Current* | | |
| Balance at 1 January | (7,881) | (6,239) |
| Charge | (914) | (1,642) |
| Write off | 1,654 | - |
| Balance at 31 December | (7,141) | (7,881) |

## (13) Cash and Cash Equivalents

Details at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Cash in hand and at banks | 39,946 | 34,905 |
| Current bank deposits | - | 10,000 |
| Cash and cash equivalents | 39,946 | 44,905 |

Cash surpluses have been invested in daily and weekly deposits in monetary assets (REPOS, Eurodeposits and promissory notes) at average market interest rates.

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.

(Continúa)

## (14) Deferred Taxes

Details of deferred tax assets are as follows:

| Deferred tax assets | Thousands of Euros | | | |
|---|---|---|---|---|
| | Non-deductible provisions | Tax credits and deductions | Other | Total |
| Balances at 31.12.2013 | 369 | 8,848 | 548 | 9,765 |
| Taken to the income statement (note 27) | 1,850 | (1,285) | 1,142 | 1,707 |
| Balances at 31.12.2014 | 2,219 | 7,563 | 1,690 | 11,472 |
| Taken to the income statement (note 27) | (450) | 1,867 | (1,030) | 387 |
| Balances at 31.12.2015 | 1,769 | 9,430 | 660 | 11,859 |

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards generated by the Group companies Foodco Pastries Spain, S.A., Tele Pizza, S.A. and Mixor, S.A. (see note 27). During 2015, as a result of the merger between Tele Pizza, S.A. and A Tu Hora, S.A., deferred tax assets for the tax loss carryforwards of the latter company amounted to approximately Euros 3,576 thousand.

Since 2012, due to the limitations on the deductibility of finance costs laid down in tax legislation, the tax group of the companies domiciled in Spain has obtained taxable income. Therefore, the Group has recognised deferred tax assets in respect of tax credits for loss carryforwards available for offset because the directors consider these credits to be recoverable, basing this assumption on the Company's five-year business plans, as the tax group in Spain, as mentioned previously, has been achieving taxable income and will continue to do so in the coming years. Based on estimates of the future tax profits of the tax group in Spain, all the tax credits in respect of losses recognised are expected to have been offset by the end of 2018.

Details of deferred tax liabilities are as follows:

| Deferred tax liabilities | Thousands of Euros | | | |
|---|---|---|---|---|
| | Accelerated Depreciation | Intangible assets | Other | Total |
| Balances at 31.12.2013 | 1,496 | 103,763 | 698 | 105,957 |
| Taken to the income statement (note 27) | (923) | (18,314) | 185 | (19,052) |
| Balances at 31.12.2014 | 573 | 85,449 | 883 | 86,905 |
| Taken to the income statement (note 27) | (206) | (1,659) | (293) | (2,158) |
| Balances at 31.12.2015 | 367 | 83,790 | 590 | 84,747 |

(Continúa)

Spanish Income Tax Law 27/2014 of 27 November 2014, approved on 28 November 2014, incorporated wholly new legislation on corporate income tax and entered into force for tax periods beginning on or after 1 January 2015. These amendments included a reduction of the general tax rate from 30% in 2014 to 28% in 2015 and 25% from 2016 onwards.

Furthermore, the limit of 25% for offsetting tax loss carryforwards in 2015 has been raised to 60% for tax periods beginning in 2016 and 70% for 2017 onwards. The deadline of 18 years for offsetting tax loss carryforwards has also been wholly eliminated.

In light of these amendments to tax legislation, the Company has adjusted its deferred tax assets for tax loss carryforwards and temporary differences by Euros 1,542 thousand and its deferred tax liabilities by Euros 16,363 thousand.

## (15) Equity

As part of the Group's debt restructuring process, in 2014 the Parent increased its share capital by Euros 221 thousand, with a share premium of Euros 213,160 thousand, by issuing 4,411 new shares of Euros 50 par value each with a share premium of Euros 48,324.61 each, in accordance with the Sole Shareholder's decision of 20 October 2014. The shares were subscribed and fully paid by the Sole Shareholder, by capitalising the outstanding Euros 107,111 thousand participating loan and Euros 106,269 thousand subordinated loan on 20 October 2014 (see note 29).

Given that this transaction is outside the scope of IFRIC 19, the use of judgement to determine the appropriate accounting treatment is essential, taking into account that in this capital increase, which entailed a debt-for-equity swap, the financial liability was cancelled by the Sole Shareholder in the context of a reorganisation and restructuring process agreed between the different shareholders and the final creditors. Furthermore, because the fair value of the shares issued is significantly lower than the fair value of the cancelled financial liability, the directors have considered it preferable, under the applicable accounting regulations, to recognise the impact of the difference between the carrying amount of the cancelled financial liability and its fair value at the transaction date in the consolidated income statement.

Based on the foregoing, as the fair value of the liabilities settled is less than their carrying amount, the Company recognised a gain of Euros 128,568 thousand in the consolidated income statement for 2014 under gains on settlement of financial liabilities through the issue of equity instruments with a charge to the share premium.

To determine the fair value of the capitalised financial liability the Group has applied a level 3 fair value hierarchy in which the debt repayment capacity has been determined based on the discounted free cash flows obtained from the Group's business plan and taking into account the ranking of the balances owed.

(Continúa)

Moreover, on 20 October 2014 the Company's Sole Shareholder made a monetary contribution of Euros 157,532 thousand. On the same date, the related company Foodco Debt S.à r.l. subscribed a 1.06% capital increase by Tele Pizza, S.A. for an amount of Euros 45,240 thousand through offset of the Group's debt with the Group company (see note 18(a)), and subsequently contributing to the Parent the aforementioned shares that resulted from the share capital increase.

(a) Share Capital

Share capital comprises 360,000 shares of Euros 50 par value each (360,000 shares at 31 December 2014), fully subscribed by Foodco Finance, S.à r.l, with registered office in Luxembourg (see note 1).

On 20 October 2014 the former Sole Shareholder, Telefood S.à r.l., transferred all its shares in Foodco Pastries Spain S.A.U. to Foodco Finance, S.à r.l., which therefore became the Sole Shareholder of the Parent.

Share capital at 31 December 2015 and 2014 is Euros 18,000 thousand.

Like other groups in the sector, the Group controls its capital structure through the leverage ratio. This ratio is calculated as net debt divided by EBITDA (Profit before interest, tax, depreciation and amortisation). Net debt is the sum of financial liabilities less cash and cash equivalents. EBITDA is the sum of the captions of the income statement "Operating profit" plus "depreciation and amortisation". Ratios in 2015 and 2014 are calculated as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Total financial liabilities | 389,832 | 378,992 |
| Less: Cash and cash equivalents | (39,946) | (44,905) |
| Net debt | 349,886 | 334,087 |
| EBITDA | 57,728 | 39,298 |
| Debt ratio | 6.06 | 8.50 |

The financing contract entered into by the Group with financial institutions described in note 18 (a) requires the Company to comply with certain covenants.

The Group complies with all these ratios at 31 December 2015 and 2014.

(b) Share premium

At 31 December 2015 and 2014 this premium is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than its share capital.

(Continúa)

(c) Accumulated gains/losses

- Legal reserve

The Parent is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2015 the Parent has appropriated to this reserve more than the minimum amount required by law. The legal reserve of the Parent amounts to Euros 10,832 thousand at 31 December 2015.

- Other reserves

Other reserves reflect the expenses incurred in increasing share capital in 2008, 2010, 2011, 2013 and 2014, net of the tax effect, and from the monetary and non-monetary contributions received in 2014 totalling Euros 157,615 thousand.

- Other cumulative gains/(losses)

These reflect the results of the Group companies and the respective consolidation adjustments.

(d) Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

(16) Earnings/(Loss) per Share

(a) Basic

Basic earnings/losses per share are calculated by dividing the profit/loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

| | 2015 | 2014 |
|---|---|---|
| Profit/(loss) for the year attributable to equity holders of the Parent (in Euros) | (1,148,968) | 90,736,949 |
| Weighted average number of ordinary shares outstanding (in number of securities) | 360,000 | 356,459 |
| Basic earnings/(losses) per share (in Euros) | (3.19) | 254.55 |

(Continúa)

(b) Diluted

At 31 December 2015 and 2014 diluted earnings/losses per share are the same as basic earnings/losses per share, because ordinary shares have no dilutive effects.

## (17) Current and Non-Current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2015 and 2014 are as follows:

| 2015 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Derivatives* | | | |
| Interest rate swaps | (205,000) | 215 | - |
| Foreign currency swaps | (1,625) | - | - |
| Total derivatives at fair value through profit or loss | (206,625) | 215 | - |

| 2014 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Interest rate derivatives* | | | |
| Interest rate swaps | (530,000) | (36) | 2,230 |
| Total derivatives at fair value through profit or loss | (530,000) | (36) | 2,230 |

In 2014 the Group arranged a new interest rate hedge for Euros 205,000 thousand, which swapped the Euribor rate borne on a loan for a fixed rate of 1.06%. This instrument became effective on 22 December 2014 and expires on 22 December 2017. At 31 December 2015 it has a negative fair value of Euros 215 thousand (positive fair value of Euros 36 thousand at 31 December 2014). The Group also arranged an exchange rate hedge for Euros 1,625 thousand effective as of 15 April 2015 and with an expiry date of 15 April 2016 to hedge part of the Group's transactions in Chilean pesos.

On 14 September 2012 the Group arranged a new interest rate swap with expiry on 22 December 2015 for an initial notional amount of Euros 125,000 thousand. The swap was increased to Euros 325,000 thousand on 23 December 2013 and expired on 31 December 2015. The average interest rate up to 23 December 2013 was 0.32%, increasing thereafter to 0.735% until expiry. At 31 December 2014 it had a positive fair value of Euros 2,216 thousand.

The Group accrued expenses in relation to its derivative financial instruments of Euros 1,964 thousand and Euros 1,697 thousand in 2015 and 2014, respectively.

(Continúa)

(18) Interest-bearing Loans, Borrowings and Bonds

(a) Non-current loans and borrowings

On 12 September 2006 the Group entered into a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also arranged a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Foodco Group to partially finance this acquisition. All loans had a single maturity date, except the Senior Facility, tranche A, which is repayable in instalments.

On 20 October 2014 Foodco Pastries Spain, S.A.U. together with its subsidiary Tele Pizza, S.A. signed an Amendment and Restatement Deed on refinancing the senior debt held by the Group. This refinancing was used to repay the Mezzanine debt, the borrowing costs capitalised to date and a portion of the senior debt. The only outstanding debt of this type was a single tranche amounting to Euros 285,000 thousand and a revolving credit facility for up to Euros 10,000 thousand.

Furthermore, the Sole Shareholder's contribution of Euros 157,532 thousand enabled the Group in 2014 to repay its debt to the banking syndicate. As mentioned above, the portion of the syndicated financing held by the Group with Foodco Debt and the corresponding interest were capitalised through a share capital increase with a premium totalling Euros 45,240 thousand (see note 15).

As a result of this refinancing, the finance costs on the capitalised tranches were canceled. Furthermore, the Group expensed all costs incurred as a result of the refinancing as there was a significant change in the debt.

The finance costs accrued on the syndicated loan amounted to Euros 20,227 thousand and Euros 29,387 thousand in 2015 and 2014, respectively.

Details of payments and the present value of borrowings by maturity are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Principal | Interest | Principal | Interest |
| Less than one year (note 18 (b)) | 884 | 4,101 | 722 | 4,095 |
| Two to five years | 286,176 | - | 1,890 | - |
| Over five years | - | - | 285,000 | - |
| | 287,060 | 4,101 | 287,612 | 4,095 |

(Continúa)

Details of non-current loans and borrowings at 31 December 2015 and 2014 are as follows:

| Type | Final maturity date | Thousands of Euros Limit | Balance at 31.12.2015 | Balance at 31.12.2014 | Margin as % of Euribor |
|---|---|---|---|---|---|
| Senior | | | | | |
| Senior Facility | 2020 | 285,000 | 285,000 | 285,000 | Euribor + 6% |
| Revolving | 2020 | 10,000 | - | - | Euribor + 5.75% |
| Finance lease payables (note 8) | | | 1,176 | 1,890 | - |
| Balance at 31 December | | | 286,176 | 286,890 | |

Although the interest rates are as listed above, the Group has contracted various variable-to-fixed interest rate swaps, which are described in note 17. The floating rate is pegged to the Euribor and has a floor of 1%.

The Group has pledged shares in the Parent and the subsidiaries, Tele Pizza, S.A., Telepizza Chile, S.A., Telepizza Portugal, Telepizza Poland Sp. Z o.o and Luxtor, S.A. as collateral for the aforementioned loan. The Parent is also required to comply with certain covenants (see note 15 (a)).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(b) Current Loans and Borrowings

Details of current loans and borrowings at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros 2015 | 2014 |
|---|---|---|
| Finance lease payables (note 8) | 875 | 667 |
| Accrued interest (note 18 (a)) | 4,101 | 4,095 |
| Other debts | 9 | 55 |
| | 4,985 | 4,817 |

## (19) Employee Benefits

### Termination benefits

During the year ended 31 December 2014, the directors of the Parent and certain subsidiaries approved termination benefits for various employees which were paid in 2015. Therefore, in 2014 a provision of Euros 1,337 thousand was recognised in this respect.

The total expense recognised in 2015 and 2014 for termination benefits is Euros 443 thousand and Euros 1,894 thousand, respectively (see note 24).

(Continúa)

(20) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 3,547 thousand at 31 December 2015 (Euros 3,300 thousand at 31 December 2014). The Group does not expect any significant liabilities to arise from these guarantees.

The Group is not involved in any significant claims or litigation of any type except for certain labour disputes associated with the normal course of business.

(21) Government Grants

Movement in non-refundable government grants is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Grants received | 7,369 | 7,369 |
| Grants taken to income | | |
| In prior years | (6,898) | (6,472) |
| During the year | (471) | (426) |
| Balance at 31 December | - | 471 |

As mentioned in note 8, the Group receives government grants to finance acquisitions of property, plant and equipment, including a grant from the Madrid regional government in 2002 to finance improvement of the preparation and commercialisation of dough and other pizza-related products manufactured in the Daganzo factory (Madrid).

The Group estimates that the conditions initially established for the grants will remain unchanged.

(22) Trade and Other Payables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Trade payables | 35,664 | 34,813 |
| Public entities | 6,249 | 6,741 |
| Other payables | 1,377 | 42 |
| Salaries payable | 4,176 | 5,279 |
| Current guarantees and deposits received | 49 | 63 |
| | 47,515 | 46,938 |

(Continúa)

Trade payables includes balances from reverse factoring arrangements through financial institutions totalling Euros 8,614 thousand at 31 December 2015 (Euros 5,608 thousand at 31 December 2014).

Average Payment Period to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

Details of average payment period to suppliers by the Spanish consolidated companies are as follows:

| | 2015 |
|---|---|
| | Days |
| Average payment period for suppliers | 107 |
| Payment period for transactions settled | 119 |
| Payment period for outstanding transactions | 55 |
| | |
| | Thousands of Euros |
| Total payments made | 121,445 |
| Total payments outstanding | 30,339 |

(23) Revenues

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Own store sales | 200,112 | 202,289 |
| Supply sales | 90,560 | 85,273 |
| Royalties | 20,299 | 17,851 |
| Other revenues | 17,928 | 21,108 |
| | 328,899 | 326,521 |

Other revenues in 2015 and 2014 mainly includes transfer fee, which are collected when a franchise is opened or when an existing franchise agreement is renewed, income from other services provided to franchisees.

(Continúa)

## (24) Personnel Expenses

Details of personnel expenses in 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Salaries and wages | 74,321 | 79,429 |
| Social Security | 15,819 | 16,880 |
| Termination benefits (note 19) | 443 | 1,894 |
| Other employee benefits expenses | 502 | 434 |
| Total personnel expenses | 91,085 | 98,637 |

The average number of full-time equivalent employees in the Group during 2015 and 2014, distributed by category, is as follows:

| | Number | |
|---|---|---|
| | 2015 | 2014 |
| Management | 37 | 34 |
| Store managers | 419 | 450 |
| Other personnel | 4,765 | 4,698 |
| | 5,221 | 5,182 |

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

| | Number | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Male | Female | Male | Female |
| Board members | 9 | - | 9 | - |
| Management | 29 | 6 | 27 | 7 |
| Store managers | 210 | 211 | 161 | 204 |
| Other personnel | 2,908 | 1,996 | 2,186 | 1,889 |
| | 3,156 | 2,213 | 2,383 | 2,100 |

(Continúa)

## (25) Other Expenses

Details of other expenses are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Operating Leases | 25,987 | 27,908 |
| Transport | 11,865 | 9,536 |
| Advertising and publicity | 15,531 | 13,832 |
| Utilities | 12,046 | 12,616 |
| Other expenses | 23,388 | 34,224 |
| | 88,817 | 98,116 |

The Group leases most of the properties at which it carries out its activity, including stores, factories and offices. Most lease contracts for stores stipulate payment of a fixed rent that is increased annually in line with the consumer price index. The exception are stores located in shopping centres, for which both a fixed and variable rental fee are paid base on the revenues.

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

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

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

(Continúa)

Future minimum payments under operating leases at 31 December 2015 and 2014, considering the payments to be accrued based on the lease period set out in the contracts, irrespective of the fact that most of the store lease contracts can be cancelled subject to a short period of notice, are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Less than one year | 19,307 | 16,848 |
| One to five years | 51,149 | 47,866 |
| More than 5 years | 40,819 | 46,570 |
| | 111,275 | 111,284 |

Future minimum payments under non-cancellable operating leases at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Less than one year | 12,202 | 7,613 |
| One to five years | 32,614 | 27,305 |
| More than 5 years | 23,010 | 49,661 |
| | 67,826 | 84,579 |

(26) Other losses

Details at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Losses on sale of property, plant and equipment | (3,121) | (3,994) |
| Impairment losses on goodwill (note 9) | (378) | (6,157) |
| (Impairment losses)/reversals of impairment on property, plant and equipment (note 8) | (536) | 1,355 |
| | (4,035) | (8,796) |

(Continúa)

## (27) Income tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax loss, with the income tax expense recognised in the consolidated income statement for 2015 and 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Pre-tax profit from continuing activities | 1,678 | 73,316 |
| Tax losses not recognised as tax credits | 7,477 | 5,817 |
| | 9,155 | 79,133 |
| Expected Parent tax income/expense at the standard tax rate (28%)/(30%) | 2,563 | 23,740 |
| Non-taxable income at the standard tax rate | - | (38,580) |
| Non-deductible expenses at the standard tax rate | | |
| Interest expense | 4,463 | 9,025 |
| Adjustments for tax credits | (3,576) | - |
| Deductions applied | (439) | - |
| (Income)/expense due to different tax rates | (223) | 3,135 |
| Adjustment for change in tax rate | - | (14,821) |
| Income tax expense/(income) | 2,788 | (17,501) |

Non-taxable income comprises income of Euros 128,568 thousand in the consolidated income statement for 2014 under the heading, Settlement of financial liabilities through the issue of equity instruments and reflects the difference between the fair value of liabilities and their carrying amount.

Non-deductible expenses reflect non-deductible interest of the Group companies in Spain.

(Continúa)

Income tax payable/(recoverable) for 2015 and 2014 is calculated as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Tax expense/(income) | 2,788 | (17,501) |
| Deductible temporary differences (note 14) | 387 | 2,458 |
| Taxable temporary differences (note 14) | 1,701 | 2,988 |
| Recognition (offset) of tax credits (note 14) | (439) | - |
| Reversal of deferred tax liabilities arising on business combinations (note 14) | 457 | 457 |
| Adjustment for change in tax rate | 183 | 14,821 |
| Payments on account | (3,896) | (2,333) |
| Income tax payable | 1,181 | 890 |

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

At 31 December 2015 and 2014 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards in Spain:

| Year | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| 2001 | 3,103 | 3,955 |
| 2002 | 717 | 717 |
| 2003 | 286 | 286 |
| 2004 | 285 | 285 |
| 2005 | 88 | 88 |
| 2008 | 6,036 | 11,998 |
| 2009 | 7,562 | 7,562 |
| 2010 | 628 | 628 |
| 2011 | 14,466 | 14,466 |
| 2012 | 4,782 | 4,782 |
| 2014 | 532 | 756 |
| Total | 38,485 | 45,523 |

(Continúa)

At 31 December 2015 and 2014 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards of Telepizza Portugal:

| Year | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| 2012 | 2,544 | 2,544 |
| 2013 | 37 | 37 |
| Total | 2,581 | 2,581 |

At 31 December 2015 and 2014 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies abroad as follow:

| Year | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| 2009 | 536 | 536 |
| 2010 | 588 | 588 |
| 2011 | 3,743 | 3,743 |
| 2012 | 1,814 | 1,814 |
| 2013 | 1,369 | 1,369 |
| 2014 | 6,376 | 6,376 |
| 2015 (estimated) | 5,120 | - |
| Total | 19,546 | 14,426 |

At 31 December 2015 the Group has not recognised deferred tax assets in respect of non-deductible interest, for which the period of utilisation is indefinite, as follows:

| Year | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| 2012 | 52,643 | 52,643 |
| 2013 | 38,045 | 38,045 |
| 2014 | 48,939 | 48,939 |
| 2015 | 15,940 | - |
| | 155,567 | 139,627 |

(Continúa)

Based on the tax declarations filed by the Group companies during 2015 and in prior years, the Group had the following tax credits pending application:

| | Thousands of Euros | | Available |
|---|---|---|---|
| | 2015 | 2014 | until |
| Environment | - | 25 | 2029 |
| Double taxation deductions | - | 95 | - |
| R&D&i | - | 483 | 2021-2029 |
| | - | 603 | |

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2015, the Company has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2012 (except for income tax, which is open to inspection for 2011).

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

## (28) Commitments

As stated in notes 8 and 9, at 31 December 2015 and 2014 the Group has no commitments relating to investing activities.

## (29) Transactions and Balances with Related Parties

The Parent has obtained a loan from its Sole Shareholder, details of which are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | |
| | Non-current | Current |
| Subordinated loan | 96,489 | 2,182 |

| | Thousands of Euros | |
|---|---|---|
| | 2014 | |
| | Non-current | Current |
| Subordinated loan | 84,825 | 2,460 |

(Continúa)

(i) Participating loan

On 17 July 2006 the Parent obtained a participating loan from its Sole Shareholder for an initial amount of Euros 150,680 thousand, which bears fixed interest at a rate of 16% with a variable tranche based on the Company's profits. The loan was repayable on maturity in 2036.

This loan was reduced on several occasions following successive share capital increases carried out by the Parent in 2008, 2010, 2011 and 2013. On 20 October 2014, through the minutes of the decisions taken, the Sole Shareholder approved the decision to capitalise the entire amount outstanding on this participating loan, together with the accrued interest payable at that date, through a share capital increase for Euros 107,111 thousand, including the share premium (see note 15).

(ii) Subordinated loan

On 17 July 2006 the sole shareholder signed another contract with the Parent to extend a loan of Euros 35,000 thousand to the latter. This loan accrues interest of 12.125% and falls due in 2016. This loan reflected the subordinated loan obtained by the sole shareholder from third parties. On 20 October 2014, through the minutes of the decisions taken, the sole shareholder approved the decision to capitalise this subordinated loan, together with the accrued interest payable at that date, as part of the share capital increase with a share premium for Euros 106,269 thousand (see note 15).

On 20 October 2014 the Company arranged a further subordinated loan with its sole shareholder for an amount of Euros 84,824 thousand, which accrues interest of 14.5% plus a spread of 0.273% and falls due in 2021. This rate of interest will be reduced to 13.5% if any interest payments are made. Interest is settled half-yearly and accrued interest payable is capitalised by increasing the loan principal. At 31 December 2015 and 2014 the accrued interest not capitalised, and therefore payable, on this loan amounts to Euros 2,182 thousand and Euros 2,460 thousand, respectively.

Total interest incurred on the subordinated loan in 2015 amounts to Euros 12,868 thousand.

The Group has not entered into any other contracts with the Sole Shareholder of the Parent.

(Continúa)

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

The directors of the Parent, senior management personnel and the board of directors received remuneration from the Group totalling Euros 2,415 thousand in 2015 (Euros 3,797 thousand in 2014). The Company has extended loans to senior management personnel amounting to Euros 1,200 thousand and has not assumed any guarantee obligations on their behalf. The Company has no pension or life insurance obligations with its former or current directors or senior management personnel. Life insurance premiums of Euros 16 thousand were paid in 2015 for senior management and savings plan contributions amount to Euros 132 thousand.

During 2015 and 2014 the Parent's directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

## (31) Conflicts of Interest Concerning the Directors

Except for the matter detailed in the following paragraph, the directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

During 2015 the director Mr. Steve Winegar, who represents the company Ebitda Consulting, S.L., has reported a conflict of interest relating to the operations carried out by the Group in Poland, as Ebitda Consulting, S.L. is the shareholder of Amrest Z.o.o., a company whose statutory activity (the restaurant business) is similar or identical to that of the Group, and is on the boards of directors of various subsidiaries of Amrest Z.o.o.

## (32) Environmental Information

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

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2015 and 2014.

(Continúa)

(33) Audit Fees

KPMG Auditores, S.L., the auditors of the Group's annual accounts, invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2015 and 2014:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Audit services | 150 | 172 |
| Other assurance services | 5 | 5 |
| | 155 | 177 |

The amounts detailed in the above table include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2015 and 2014:

| | Thousands of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Audit services | 71 | 70 |
| Non-Audit services | 29 | 85 |
| | 100 | 155 |

(34) Subsequent events after 31 December 2015

At the date of authorising these consolidated annual accounts for issue the Parent has launched a process for the public offer for the subscription and sale of Company shares and subsequent listing on the Spanish stock exchanges.

This process will give rise to various expenses for the Company in 2016, which are estimated at approximately Euros 20 million for external advisory, fees payable to underwriting banks, management incentives and other expenses associated with the project.

In addition, the board of directors expects that if the project goes ahead, debt would be refinanced with a view to adjusting financial leverage to the Group new circumstances and existing loans from related parties would be capitalised.

(Continúa)

## (35) Risk Management Policy

### Financial risk factors

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

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

### Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2015 and 2014 is as follows:

| Type of financing | Interest rate | Benchmark | Thousands of Euros | |
|---|---|---|---|---|
| | | | 2015 | 2014 |
| Syndicated loan | Floating | Euribor | 289,101 | 289,095 |
| Subordinated loan | Fixed | - | 98,671 | 87,285 |
| Credit facilities | Floating | Euribor | 9 | 55 |
| Finance leases | Floating | DTF | 2,051 | 2,557 |
| Total | | | 389,832 | 379,532 |

(Continúa)

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

The Group manages cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Group generally obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically (generally on a quarterly basis). The difference is calculated based on the contracted notional principal amount.

The Group has contracted a fixed interest rate swap facility for a two-year period to cover a portion of the drawdowns from the Senior Facility (see note 17).

At 31 December 2015, had interest rates been 10 basis points higher or lower, with the other variables remaining constant, it would not have affected profit for the year, mainly because borrowing costs on variable interest rate debt not covered by the interest rate swap have a floor of 1% and therefore, 1% was the rate paid for variable interest referenced to Euribor.

Currency risk

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

Currency risk mainly arises from three types of transactions:

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

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

During 2015 the Group has arranged an exchange rate derivative instrument to hedge currency risk associated with the transactions in Chilean pesos and considers that possible fluctuations in the exchange rates of the Chilean Peso and the Polish Zloty would not have a significant impact on its consolidated equity.

(Continúa)

At 31 December 2015, had the Euro strengthened/weakened by 10% against the Chilean Peso, the Colombian Peso and the Polish Zloty, with the other variables remaining constant, consolidated post-tax profit would have been Euros 456 thousand higher (Euros 12 thousand higher in 2014), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under other comprehensive income would have increased by Euros 5,981 (Euros 5,184 in 2014), mainly due to translation differences on foreign operations.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Parent to settle market positions relating to non-current investments immediately, thereby ensuring that this financial risk is minimised.

Details of Group exposure to liquidity risk at 31 December 2015 and 2014 are shown below. The tables show the analysis of financial liabilities by remaining contractual maturity dates.

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | |
| | Balance at 31.12.2015 | Future cash flow maturities | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
| Loans and borrowings, financial institutions | | | | | | |
| Principal | 287,060 | 287,060 | 9 | 875 | 286,176 | - |
| Interest | 4,101 | 86,993 | 5,240 | 15,607 | 66,146 | - |
| Loans and borrowings, related parties | | | | | | |
| Principal | 96,489 | 96,489 | - | - | - | 96,489 |
| Interest | 2,182 | 119,059 | - | - | - | 119,059 |
| Derivatives | 215 | 215 | - | - | 215 | - |
| Trade and other payables | 41,266 | 41,266 | 41,266 | - | - | - |
| Total | 431,313 | 631,082 | 46,515 | 16,482 | 352,537 | 215,548 |

(Continúa)

FOODCO PASTRIES SPAIN, S.A.U.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | |
| | Balance at 31.12.2014 | Future cash flow maturities | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
| Loans and borrowings, financial institutions | | | | | | |
| Principal | 287,612 | 287,612 | 180 | 542 | 286,890 | - |
| Interest | 4,095 | 107,282 | - | 15,184 | 92,098 | - |
| Loans and borrowings, related parties | | | | | | |
| Principal | 84,825 | 84,825 | | - | - | 84,825 |
| Interest | 2,460 | 132,206 | | | - | 132,206 |
| Derivatives | 2,194 | 2,194 | - | 2,230 | (36) | - |
| Trade and other payables | 40,197 | 40,197 | 40,197 | - | - | - |
| Total | 421,383 | 654,316 | 40,377 | 17,956 | 378,952 | 217,031 |

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

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

This item does not include approved investments not capitalised under property, plant and equipment under construction at the reporting date.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.

- Cash placements and derivative contracts are with highly solvent entities.

- The average collection period for trade receivables is very short, varying between cash collections at retail stores and collections at one month from sale in the case of franchisees and other customers.

- Customers have adequate credit records, which significantly reduces the likelihood of bad debts.

The Group has recognised impairment losses of Euros 7,141 thousand for credit risks associated with financial assets. Euros 914 thousand have been recognised in the consolidated income statement for 2015.

(Continúa)

Appendix I

FOODCO PASTRIES SPAIN, S,A.U. AND SUBSIDIARIES
Details of Shareholdings in Group Companies
31 December 2015 and 2014

(Expressed in thousands of Euros)

| | Registered office | Percentage ownership | Capital | Reserves | Profit/(loss) | Total shareholders' equity |
|---|---|---|---|---|---|---|
| Tele Pizza S.A. (1) | Madrid | 100% | 7,800 | 333,978 | 33,116 | 374,895 |
| Mixor, S.A. (3) | Madrid | 100% | 3,215 | 3,783 | (12) | 6,987 |
| Circol, S.A. (3) | Madrid | 100% | 1,085 | 3,233 | 226 | 4,544 |
| Grupo Telepizza Chile (2) | Santiago de Chile | 100% | 3,065 | 45,245 | 6,039 | 54,349 |
| Grupo Telepizza Portugal (2) | Lisbon | 100% | 1,900 | 15,498 | 4,600 | 22,038 |
| Telepizza Poland Sp, Z o.o. (1) | Warsaw | 100% | 9,319 | (9,435) | (439) | (554) |
| Telepizza Maroc, S.A. (3) (4) | Casablanca | 100% | 59 | (793) | - | (735) |
| Burmasa Delivery S.L. (3) | Madrid | 100% | 355 | (24) | - | 331 |
| Lubasto Holding, B.V. (3) | Amsterdam | 100% | 27 | - | (32) | (1) |
| Telepizza Guatemala (3) | Guatemala | 100% | 1 | 184 | 555 | 739 |
| Luxtor, S.A. (1) | Avila | 100% | 6,128 | 12,675 | 10,258 | 29,061 |
| Telepizza Ecuador S,A, (3) | Quito | 100% | 1,548 | (556) | (204) | 787 |
| Cozicharme, LDA (2) | Lisbon | 100% | 5 | (28,145) | (3,827) | (31,977) |
| Bazigual, SGPS, LDA (2) | Lisbon | 100% | 5 | (141) | 695 | 559 |
| Inverjenos S.A.S. (1) | Bogotá | 100% | 1,471 | 6,935 | (6,257) | 2,149 |
| Telepizza Shanghai S.A.(3) | Shanghai | 100% | 100 | 20 | (25) | 95 |
| Telepizza Andina (3) | Lima | 100% | 8,043 | (2,627) | (630) | 4,786 |

*(1) Audited*
*(2) The main companies of the subgroup have been audited*
*(3) Unaudited*
*(4) Dormant companies*

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2015, in conjunction with which it should be read.

FOODCO PASTRIES SPAIN, S.A.U
AND SUBSIDIARIES

Consolidated Directors Report

## 1. The Group's Position and Business Performance

In 2015 the macroeconomic context of our main market, **Spain**, was characterised by the consolidation of the recovery in the main economic indicators.

GDP accelerated its rate of growth in 2015, reaching 3.2%, reinforcing the positive trend that began in 2014, when growth was 1.4%. Household spending is estimated to have risen by 3.1% in 2015, ahead of the 2.3% increase posted in 2014.

The unemployment rate has continued to improve, falling from 23.7% in 2014 to 20.9% in 2015.

These signs of recovery are expected to continue throughout 2016, and all the above indicators are set to improve.

Euribor (the principal benchmark rate for mortgage loans) remained at consistently low levels throughout 2015, declining through the year from 0.33% at the start to 0.06% by the end of 2015.

The **Portuguese** economy began to show signs of a recovery in 2014 after a slowdown of several years during which measures taken to reduce the public deficit eroded consumer confidence and total expenditure. This recovery has been borne out in 2015, as the expected improvements in the main economic indicators have begun to emerge. Portugal's GDP is estimated to have grown by 1.7% in 2015 while household spending is estimated at 2.5%. The unemployment rate saw an improvement, having declined from 14.2% to 12.1% year-on-year. This positive trend is expected to be maintained throughout 2016.

The **Polish** economy registered growth in 2015, with a 3.5% increase in both GDP and household spending. The unemployment rate also improved slightly during the year, decreasing from 9.1% in 2014 to 8.4% in 2015. This trend is expected to continue throughout 2016.

The **Chilean** GDP continued to grow in 2015, rising 2.3% during the year. Similarly, household spending continued to grow, recording an increase of 1.9%. At 2015 year end, the unemployment rate was 6.6%, similar to that for the previous year. Lastly, the macroeconomic scenario is expected to remain at these levels in 2016.

GDP in **Colombia** has continued to rise, and is expected to grow at a 2.9% pace in 2015. Its unemployment rate remains close to 9.0%. Growth of household consumption is estimated at 3.3%. This positive trend is expected to be maintained throughout 2016.

**Peru**, where the Group began operating in 2011 and has continued to expand its presence ever since, also presents an upward trend of macroeconomic growth. In 2015 the Peruvian GDP rose by 2.9% while household spending increased by 3.5%. The unemployment rate remained stable, ending the year at 6.2%. These indicators are expected to be even slightly better in 2016.

In **Ecuador**, the country where the Group began operations in November 2012 and continued to expand its presence significantly, the macroeconomic situation in 2015 reflects lower growth than in previous years. GDP growth for 2015 is estimated at 1.1%, and household spending increased by 0.8%. Unemployment has stayed at a similar level to 2014, ending 2015 at 5.3%. In 2016 growth is expected to resume the same pace as in prior years.

FOODCO PASTRIES SPAIN, S.A.U.
AND SUBSIDIARIES

Consolidated Directors Report

**Activity of the Group**

Foodco Pastries Spain, S.A.U. is the Parent of the Foodco Group, which holds a 100% interest in the Telepizza Group.

The Group primarily carries out its activity in the prepared food home delivery sector, mainly pizza delivery, through its main brand "telepizza" and also, to a lesser degree, the "Pizza World" brand.

The activity of its subsidiaries consists of the management and operation of fast-food sales stores and restaurants stores names "telepizza" and "Pizza World" for consumption at home and on the premises. At 31 December 2015, this activity is carried out through owned premises and franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador.

The Group also carries out its activities through master franchises in the United Arab Emirates, Guatemala, El Salvador, Panama, Bolivia, Russia and Angola.

The Group operates 1,311 stores.

Through its factory in Daganzo (Madrid), Tele Pizza, S.A. produces dough and supplies ingredients to all the stores in Spain and Portugal that are directly operated by the Telepizza Group or through its franchises.

Chain sales, which comprise sales made to the public by own stores, franchises and master franchises, amounted to Euros 492 million in 2015 compared with the Euros 451 million achieved in 2014, representing growth of 9.1%. Chain sales are an indicator used in the sector to measure the performance of the business.

The reasons for this growth in sales compared with the prior year are the excellent performance of the international activity, particularly in those countries in which the Group operates under the master franchise regime, and the consolidation of the recovery of growth in Spain.

| | Millions of Euros | |
|---|---|---|
| | 2015 | 2014 |
| Sales to the public at stores | 200 | 202 |
| Sales to the public at franchises and master franchises | 292 | 249 |
| Chain sales | 492 | 451 |

Own store sales are those reflected in note 23 to the accompanying consolidated annual accounts.

The sales of the franchisees and master franchisees are obtained from commercial reports. These sales relate directly to the Royalties and advertising income line of the details provided in note 23, which reflects the percentage of sales that the Company bills to the franchisees and master franchisees in respect of Royalties and advertising fees.

**Activity in the domestic market**

The Group carries out its activity through the "telepizza" and "Pizza World" brands, and holds a leading position in the sector. Telepizza is the leader in the pizza home delivery segment in Spain, positioned far ahead of its nearest competitor in terms of both size and sales (*source: TNS*).

The Group's main market is Spain, where sales total Euros 318.5 million, accounting for 64.8% of the chain's sales. Sales in Spain have grown 5.8% in 2015 compared with the previous year, when they amounted to Euros 300.9 million, this helped to fuel the recovery of the Spanish market and supported the upward trend observed throughout 2015.

The chain's sales comprise own store sales (extracted directly from our financial statements) plus the franchise and master franchise sales reported by the franchisees and master franchisees and to which the royalties they pay us are applied.

Activity in Spain in recent years has suffered the effects of the macroeconomic environment and the crisis that commenced in 2008 and undermined household spending and employment. However, the main economic indicators already began to show signs of improvement in 2014, with promising trends in GDP, household spending and unemployment, and 2015 has served to confirm the consolidation of the macroeconomic recovery.

During 2015 Telepizza continued to adapt its activity and product range to the competitive environment to take advantage of the upturn in household spending.

Telepizza has continued to consolidate its reputation as an innovative brand by launching new products and sidelines.

Its commercial policy aimed at strengthening the emotional bond with customers, specifically families, has been maintained, introducing more choices for children.

Telepizza also strengthened its leading position in the online sales segment and continues to develop and improve its digital platforms. This purchase method is now available at virtually all of the brand's stores in Spain.

Another strategy that has continued to have positive effects in 2015 has been to open stores in smaller towns based on a specifically designed outlet model. This new format requires significantly lower levels of investment than the traditional format, thereby adding flexibility to the expansion strategy.

Telepizza's industrial division boasts state-of-the-art technology for manufacturing dough for pizza, which has allowed the Group to make ongoing improvements in productivity and stock management flexibility, guaranteeing a uniform, high-quality product. Within this area, the logistics platform is of particular importance as it supplies Telepizza stores with products, making at least two or three deliveries per week.

This year the emphasis has been on product quality, channelling investment into continuing to make improvements in that area.

Lastly, the success of the brand is based on two key factors: the quality of the product, freshly made and to meet customers tastes, and of the service, which covers most of Spain. The Company has made an effort to raise consumer satisfaction levels in these two areas in 2015.

## Activity in the international market

Activity in international markets has seen an overall positive performance and strong growth.

International sales totalled Euros 173.3 million in 2015 (Euros 150 million in 2014), representing 35.2% of the Group's total chain sales. This figure represents growth of 15.5% compared with the prior year.

Telepizza operates directly in Portugal, Poland, Chile, Colombia, Peru and Ecuador. The Group also carries out its activities through master franchises in Central America, the United Arab Emirates, Panama, Bolivia and, since the end of 2014, Russia and Angola.

The strategy in these countries is based on adapting to local preferences and characteristics, as well as exporting improvements and successful strategies implemented in the domestic market.

In 2015 the Group experienced growth in its operations in Russia and Angola through the master franchise format, and expanded its operations in Latin America.

Chain sales are broken down, by geographical area, as follows:

- Rest of Europe: Euros 66.0 million (Euros 60.9 million in 2014), in Portugal and Poland, an increase of 8.3% vs. 2014.

- Latin America: Euros 75.3 million in Chile (Euros 69.3 million in 2014), Colombia, Peru and Ecuador, a gain of 8.6% compared with the previous year.

- Master franchises: Euros 32.1 million (Euros 19.8 million in 2014), a 61.9% rise on 2014, in Guatemala, El Salvador, United Arab Emirates, Panama, Bolivia, Russia and Angola.

## Group financial information

Operating income totalled Euros 328.9 million (Euros 326.5 million in 2014), 0.6% higher than in 2014. Growth of operating revenues has been lower than that of the chain's sales due to the transfer of owned stores to franchises.

The gross operating margin was Euros 237.6 million (Euros 236.1 million in 2014), 72.3% of net sales and 0.7% higher than in 2014. The sales margin has remained in line with the previous year despite the Company's increased efforts aimed at improving products, as mentioned previously.

Operating profit amounted to Euros 41.1 million (Euros 21.9 million in 2014), representing a margin of 12.5%, up 87.8% compared to 2014. The costs incurred in the refinancing arranged in 2014 have led to a reduction in the Company's EBIT. Excluding these refinancing costs, EBIT would have grown by 14.2%.

The net finance expense totalled Euros (35.4) million (Euros 51.4 million in 2014), mainly for interest on Group bank loans. The Group's finance costs totalled Euros 36,9 million in 2015 (Euros 72.5 million in 2014), whilst finance income amounted to Euros 1,5 million (4.1 million en 2014). Thanks to the aforementioned refinancing, finance costs have been reduced by 47.6% . However, after recognising finance income of Euros 128.6 million to settle financial liabilities in 2014, net finance income has fallen by 158.7% in 2015.

Therefore, as a result of the recognition of the aforementioned finance income in 2014, the Group posted a consolidated loss of Euros (1.1) million in 2015 (Euros 90.7 million in 2014), Euros (91.9) million less than in 2014.

The Company's losses do not stem from its operations but rather from the financing structure.

The Company has a new instrument to hedge interest rates for an amount of Euros 205 million at a fixed rate of 1.06%. This swap became effective on 22 December 2015 and will expire on 22 December 2017.

2. **Outlook**

During 2015 the Company continued to operate in a fiercely competitive environment. The macroeconomic recovery in Europe shows signs of consolidating and the consumer confidence index for the domestic market has improved. The sales policy adopted has to boost sales and, in certain cases, such as in Spain and Portugal, sales have outperformed the market.

Operations in Latin America have benefited from a favourable macroeconomic environment as the Company's expansion helped bolster sales.

In 2014 master franchise agreements were introduced in Russia and Angola, and 2015 has seen them grow.

The measures taken to improve product and service quality, the effort on the sales front, and efficiency gains made both in 2015 and in prior years, have led to a partial offset of the impact of growing competition on sales and operating profit and, more importantly, have put the Company in a position to achieve its targets from 2016 on.

In 2016 the Group aims to continue to expand its activity within the macroeconomic growth scenarios expected for all the countries in which it operates.

**SPAIN**

The outlook for Spain's economy in 2016 is that it will continue to grow. The current consensus for 2016 indicates GDP growth of 2.6%, a drop in unemployment to 20% and a 2.6% gain in household spending.

With these improvements on the horizon, Telepizza is confident that it will benefit from its position of market leadership, buoyed by the improvements initiated in 2015 and the experience of recent years, when changes were made to its strategy to adapt to market conditions, and from the efficiency

improvements introduced. In addition, new projects in the areas of efficiency and innovation will reinforce its position in the market.

In 2016 Telepizza will continue to apply a sales policy based on adapting its product range to the circumstances, increasing coverage in the domestic market and making the most of tried and tested tools such as online sales, providing greater support for mobile devices, and launching new products.

**INTERNATIONAL**

In 2016, Telepizza will continue to work to strengthen its position in the international markets in which it operates, calling on its experience of managing these markets and developing the master franchise formula in new markets.

All these activities will be carried out following the basic principle of profitability.

The master franchise will continue to provide a channel for opening operations in new territories.

## 3. R&D&i

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

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

In 2015 Telepizza launched three new types of pizza in Spain, in addition to new products that offer consumers other options.

The common aim of these product launches was to reinforce the idea of variety, offering something new to consumers, as well as to provide a qualitative improvement in the range of products.

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

## 4. Risk Management Policy

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

The Group's activities are exposed to various **financial risks**: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and

aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

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

The Group carries out exhaustive monitoring of trends in benchmark interest rates in order to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The Group has contracted a fixed interest rate swap facility for a two-year period for the Senior Facility.

As the Foodco Group operates internationally, fluctuations in **exchange rates** for financial or commercial transactions in foreign currencies are another fundamental financial risk to which the Group is exposed.

The Group has contracted a foreign currency derivative to hedge a portion of its operations carried out in Chilean Pesos and does not consider that possible fluctuations in the exchange rates of the Chilean Peso and the Polish Zloty could have a significant impact on its consolidated equity.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Company to settle market positions relating to non-current investments immediately, ensuring that this financial risk is minimised.

Credit risk

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

## 5. Own shares

At 31 December 2015 no Foodco Pastries Spain, S.A.U. shares or rights over shares were held by any Foodco Group company and, consequently, the Group has no voting or profit-sharing rights relating to own shares.

## 6. Average payment period for suppliers

In 2015 the average payment period for suppliers is 107 days.

## 7. Significant events after 31 December 2015

FOODCO PASTRIES SPAIN, S.A.U.
AND SUBSIDIARIES

Consolidated Directors Report

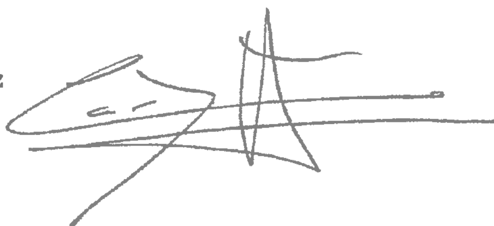
At the date of authorising these consolidated annual accounts for issue the Parent has launched a public offer for the subscription and sale of Company shares and subsequent listing on the Spanish stock exchanges.

# SIGNATURE PAGE

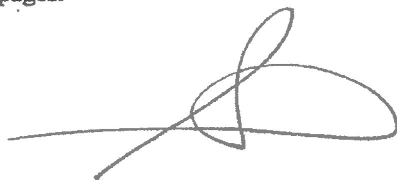
The Board of Directors of the Company Foodco Pastries Spain, S.A. in the meeting held on 10 March 2016 and in compliance with the requirements set out in article 253.2 of the Spanish Companies Act and in article 37 of the Code of Commerce, draw up the consolidated annual accounts and the management report of Foodco Pastries Spain, S.A. and the companies within its group corresponding to fiscal year beginning on 1 January 2015 and ending on 31 December 2015. The annual accounts are formed by the annexed documents preceding to this page.

For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Carlos Mallo Álvarez signs this document:

Mr Carlos Mallo Alvarez
Chairman and Director



I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.



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For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Telmo Ribeiro Valido signs this document:

Mr Telmo Ribeiro Valido
Director - Secretary

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.

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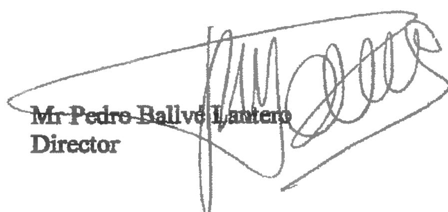
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Pedro Ballvé Lantero signs this document:



Mr Pedro Ballvé Lantero
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.

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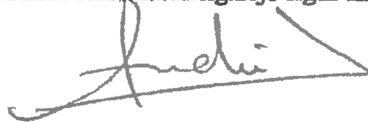
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Andrés Federico Rebuelta Melgarejo signs this document:



Mr Andrés Federico Rebuelta Melgarejo
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.

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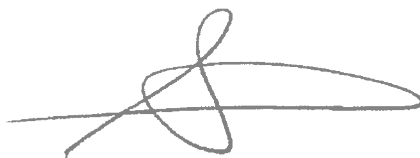
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Mark Alistair Porterfield Brown signs this document:

Mr Mark Alistair Porterfield Brown
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.



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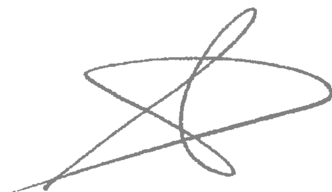
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Alejo Vidal-Quadras de Caralt signs this document:

Mr Alejo Vidal-Quadras de Caralt
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.



SIGNATURE PAGE

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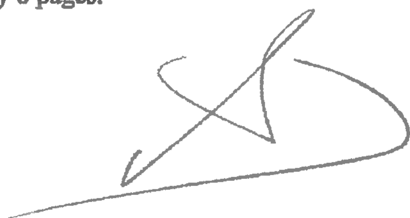
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Luis Bach Terricabras signs this document:

Mr Luis Bach Terricabras
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.



SIGNATURE PAGE

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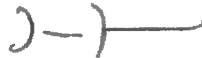
For the purposes of complying with the provisions of article 253.2 of the Spanish Companies Act, Mr. Javier Gaspar Pardo de Andrade signs this document:

Mr Javier Gaspar Pardo de Andrade
Director

I, Mr Alejandro Ortiz Vaamonde, in my condition of Vice-secretary of the Board of Directors, hereby certify that the signature which is above the name is authentic and corresponds to a member of the Board of Directors of the Company, and to the Signature page which is formed by 8 pages.



# FOODCO PASTRIES SPAIN, S.L.
# AND SUBSIDIARIES

Consolidated Annual Accounts and Directors' Report

31 December 2014

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

**KPMG Auditores S.L.**
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Sole Shareholder of
Foodco Pastries Spain, S.L.

**Report on the consolidated annual accounts**

We have audited the accompanying consolidated annual accounts of Foodco Pastries Spain, S.L. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

*Directors' responsibility for the consolidated annual accounts*

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Foodco Pastries Spain, S.L. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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N.I.F. B-78510153

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

*Opinion*

In our opinion, the accompanying consolidated annual accounts for 2014 present fairly, in all material respects, the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L. and subsidiaries at 31 December 2014 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework in Spain.

**Report on other legal and regulatory requirements**

The accompanying consolidated directors' report for 2014 contains such explanations as the Directors of Foodco Pastries Spain, S.L. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2014. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Foodco Pastries Spain, S.L. and subsidiaries.

KPMG Auditores, S.L.

*(Signed on the original in Spanish)*

Carlos Peregrina García

13 March 2015

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| Assets | 2014 | 2013 |
|---|---|---|
| Property, plant and equipment (note 7) | 30,015 | 39,311 |
| Goodwill (note 8) | 368,095 | 376,040 |
| Other intangible assets (note 8) | 339,451 | 345,714 |
| Other financial assets (note 9) | 19,862 | 23,888 |
| Total non-current assets | 757,423 | 784,953 |
| Inventories (note 10) | 9,295 | 13,454 |
| Trade and other receivables (note 11) | 41,743 | 37,830 |
| Other current financial assets | 266 | 370 |
| Other current assets | 2,913 | 3,169 |
| Cash and cash equivalents (note 12) | 44,549 | 8,798 |
| Subtotal current assets | 98,766 | 63,621 |
| Non-current assets held for sale (note 5) | 19,723 | 1,953 |
| Total current assets | 118,489 | 65,574 |
| Total assets | 875,912 | 850,527 |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| Equity and Liabilities | 2014 | 2013 |
|---|---|---|
| Share capital | 18,000 | 17,779 |
| Share premium | 321,388 | 236,796 |
| Accumulated gains/(losses) | 24,951 | (268,595) |
| Translation differences | (4,419) | (3,795) |
| Equity attributable to equity holders of the Parent and total equity (note 14) | 359,920 | (17,815) |
| Loans and borrowings (note 17 (a)) | 285,000 | 504,229 |
| Financial liabilities at fair value (note 16) | (36) | 2,329 |
| Capital grants (note 20) | 471 | 1,163 |
| Deferred tax liabilities (note 13) | 75,468 | 96,192 |
| Provisions | 237 | 237 |
| Group companies (note 28) | 84,825 | 192,924 |
| Other non-current liabilities | 4,929 | 3,987 |
| Total non-current liabilities | 450,894 | 801,061 |
| Loans and borrowings (note 17 (b)) | 4,150 | 14,411 |
| Financial liabilities at fair value (note 16) | 2,230 | 14 |
| Trade and other payables (note 21) | 43,240 | 47,700 |
| Group companies (note 28) | 2,460 | 2,753 |
| Current tax liabilities (note 26) | 890 | 970 |
| Provisions | 1,456 | 857 |
| Other current liabilities | 3,552 | 493 |
| Subtotal current liabilities | 57,978 | 67,198 |
| Liabilities directly associated with non-current assets held for sale (note 5) | 7,120 | 83 |
| Total current liabilities | 65,098 | 67,281 |
| Total equity and liabilities | 875,912 | 850,527 |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2014 | 2013 (*) |
|---|---|---|
| Revenues (note 22 (a)) | 290,196 | 302,996 |
| Other income (note 22 (b)) | 15,762 | 10,323 |
| Total income | 305,958 | 313,319 |
| Merchandise and raw materials used (note 10) | (84,721) | (70,166) |
| Personnel expenses (note 23) | (92,347) | (97,682) |
| Amortisation and depreciation (notes 7 and 8) | (15,389) | (16,386) |
| Other expenses (note 24) | (88,023) | (88,676) |
| Results from operating activities | 25,478 | 40,409 |
| Finance income | 3,839 | 7,041 |
| Settlement of financial liabilities through the issue of equity instruments (note 14) | 128,568 | - |
| Finance costs | (69,956) | (63,320) |
| Other losses (note 25) | (8,796) | (44,160) |
| Profit/(loss) before tax from continuing operations | 79,133 | (60,030) |
| Income tax income/(expense) (note 26) | 19,733 | (23,745) |
| Profit/(loss) for the year from continuing operations | 98,866 | (83,775) |
| Post-tax loss on discontinued operations (note 5) | (8,129) | (979) |
| Profit/(loss) for the year | 90,737 | (84,754) |
| Profit/(loss) for the year attributable to equity holders of the Parent | | |
| Continuing operations | 98,866 | (83,775) |
| Discontinued operations | (8,129) | (979) |
| | 90,737 | (84,754) |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2014 | 2013 |
|---|---|---|
| Profit/(loss) for the year | 90,737 | (84,754) |
| Other comprehensive income: | | |
| Items that will be reclassified to profit or loss | | |
| Translation differences of financial statements of foreign operations | (624) | (7,754) |
| Total comprehensive income for the year | 90,113 | (92,508) |
| Total comprehensive income attributable to equity holders of the Parent | 90,113 | (92,508) |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | Share capital | Share premium | Accumulated losses | Translation differences | Total equity |
|---|---|---|---|---|---|
| Balances at 31/12/2012 | 14,979 | 183,596 | (183,905) | 3,959 | 18,629 |
| Share capital increase | 2,800 | 53,200 | - | - | 56,000 |
| Other movements | - | - | 64 | - | 64 |
| Profit/(loss) for the year | - | - | (84,754) | (7,754) | (92,508) |
| Balances at 31/12/2013 | 17,779 | 236,796 | (268,595) | (3,795) | (17,815) |
| Share capital increase | 221 | 84,592 | (9) | - | 84,804 |
| Shareholder contributions | - | - | 202,767 | - | 202,767 |
| Other movements | - | - | 51 | - | 51 |
| Profit/(loss) for the year | - | - | 90,737 | (624) | 90,113 |
| Balances at 31/12/2014 | 18,000 | 321,388 | 24,951 | (4,419) | 359,920 |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended
31 December 2014 and 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2014 | 2013 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit/(loss) for the year before tax | 79,133 | (59,664) |
| *Adjustments for:* | | |
| Amortisation and depreciation (notes 6 and 7) | 15,389 | 17,457 |
| (Reversal of) impairment losses (notes 6 and 7) | (1,355) | 2,112 |
| Finance income | (132,407) | (5,530) |
| Finance costs | 69,956 | 61,999 |
| Losses on disposal of property, plant and equipment and other losses (note 25) | 10,151 | 42,264 |
| Deferred capital grants (note 20) | (426) | (529) |
| Change in fair value of financial assets | (149) | - |
| | 40,292 | 58,109 |
| Change in working capital | | |
| (Increase)/decrease in inventories | 4,159 | (271) |
| (Increase)/decrease in trade and other receivables | (3,913) | 1,419 |
| (Increase)/decrease in financial assets | 104 | (184) |
| (Increase)/decrease in other current assets | 256 | (3,498) |
| Assets held for sale and discontinued operations | (4,058) | 430 |
| Increase/(decrease) in trade and other payables | (4,460) | (7,388) |
| Increase/(decrease) in trade provisions | 599 | (77) |
| Increase/(decrease) in other current liabilities | 3,059 | (1,563) |
| Increase/(decrease) in non-current liabilities held for sale and discontinued operations | 7,037 | - |
| | 2,783 | (11,132) |
| Cash from operations | | |
| Income tax paid | 1,071 | (3,558) |
| Post-tax loss on discontinued operations | (8,129) | (1,206) |
| | (9,200) | (4,774) |
| Net cash from (used in) operating activities | 33,875 | 42,203 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment and intangible assets | 3,989 | 4,537 |
| Acquisition of property, plant and equipment (note 6) | (9,819) | (12,481) |
| Acquisition of intangible assets (note 7) | (1,752) | (1,265) |
| Acquisition of goodwill (note 8) | (7,435) | (1,375) |
| Net cash from (used in) investing activities | (15,017) | (10,584) |
| Cash flows from financing activities | | |
| Increase/decrease in other non-current financial assets | 4,026 | (9,661) |
| Increase/decrease in other non-current liabilities | 676 | 1,511 |
| Increase/decrease in financial debt | (166,084) | (15,355) |
| Interest received | 3,839 | 834 |
| Interest paid | (28,382) | (25,046) |
| Changes in reserves | 51 | 64 |
| Contributions | 202,767 | - |
| Net cash from (used in) financing activities | 16,893 | (47,653) |
| Increase (decrease) in cash and cash equivalents at 31 December | 35,751 | (16,034) |

The accompanying notes form an integral part of the consolidated annual accounts for 2014.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Foodco Pastries Spain, S.L. (the Company) was incorporated with limited liability under Spanish law on 11 May 2005 under the name of Bahíaflora Inversiones, S.L. On 30 June 2005 the Company changed its name to the current one. The Company's registered office is located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, Madrid.

The Company's statutory activity consists of the incorporation and the direct or indirect management and control of other companies; the acquisition, disposal, holding and operation of properties, vehicles of all types and eras, ceramic objects for all manner of applications and uses, minerals of all types and values, all kinds of intellectual works, such as literary, scientific, audiovisual, musical, translations, computer programs and photographs; securities in general, excluding activities attributed exclusively to other entities by special legislation and, particularly, the Securities Market Law; the negotiation and operation of patents, trademarks, licences, know-how and copyrights; brokerage in commercial, business and real estate operations not restricted by law to certain entities or professionals; and the rendering of all related services. The Company may carry out all or part of these activities indirectly through ownership of shares or interests in companies with a similar or identical statutory activity. All activities with special legal requirements which cannot be met by the Company are excluded from this activity.

The principal activity of Foodco Pastries Spain, S.L. is the holding of the interest in Tele Pizza, S.A. and the rendering of corporate and strategic management-related services on behalf of Tele Pizza, S.A.

The principal activity of its subsidiaries consists of the management and operation of fast-food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2014, this activity is carried out through owned premises and franchises located mainly in Spain, Portugal, Poland, Chile, Guatemala, Colombia, Peru and Ecuador. Other activities include the production or purchase of dairy products derived from cheese and, through its factory in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain that are directly operated by the Telepizza Group or through its franchises.

The franchise activity consists mainly of advising on the management of outlets owned by third parties that operate under the telepizza and Pizza World brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group focuses its activity on promotional and advertising activities for all the outlets operating under the aforementioned brand names in Spain.

The subsidiaries and sub-groups comprising the Foodco Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2014, are included in Appendix I attached hereto, which forms an integral part of this note. At 31 December 2014 and 2013 none of the Group companies is listed on the stock exchange. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

(Continúa)

The Company is a solely-owned subsidiary of Foodco Finance, S.à.r.l. (see note 14). Consequently, the Company is a solely-owned company, as defined by relevant legislation, and has been filed as such at the Mercantile Registry. Contracts entered into by the Company and its sole shareholder relate to one subordinated loan (see note 28).

## (2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Foodco Pastries Spain, S.L. and of the consolidated companies. The consolidated annual accounts for 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L. and subsidiaries at 31 December 2014 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The directors of the Parent consider that the accompanying consolidated annual accounts, authorised for issue on 5 March 2015, will be approved with no changes by the sole shareholder.

### (a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments, which are recognised at fair value.
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

### (b) Judgements and relevant accounting estimates used

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

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

(Continúa)

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).

- The Group tests goodwill and the brand for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

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

- The Group capitalises the tax credits it considers likely to be offset in the foreseeable future based on business plans for each tax jurisdiction in which it operates.

- Although estimates are calculated by the Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated group

Pizzas del Centro S.A. de C.V. was sold during 2014 whilst Proyburgos was sold in 2013.



(Continúa)

(d) Standards and interpretations issued but not applied

*Standards and interpretations effective since 2014*

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2014 as these changes deal with types of transaction not carried out by the Group.

*Standards and interpretations issued but not applied*

At the date of publication of these consolidated annual accounts, the following IFRS, amendments and IFRIC interpretations have been issued but not yet entered into force:

- Defined benefit plans: Employee contributions Effective for annual periods beginning on or after 1 July 2014. (1 February 2015 IFRS-EU)

- Improvements Project 2010-2012

  - IFRS 2 Definition of vesting, service and market conditions
  - IFRS 3 Subsequent measurement of contingent consideration
  - IFRS 8 Disclosure of judgements by management for the aggregation of operating segments, identification of aggregated segments and reconciliation of assets from the operating segments to total assets if reporting to the chief operating decision maker.
  - IFRS 13 Measurement of current receivables and payables
  - IAS 16 and 13 Methods for the recognition of the revalued amount
  - IAS 24 Disclosures on outsourcing of senior management functions to another company

  Effective for annual periods beginning on or after 1 July 2014 (1 February 2015 IFRS-EU).

- Improvements Project 2011-2013

  - IFRS 1 Definition of IFRSs applicable
  - IFRS 3 Scope of the exemption for joint ventures
  - IFRS 13 Scope of the exemption for applying portfolio measurement criteria to contracts for the purchase or sale of goods.
  - IAS 40 Clarification of the interaction between IAS 40 and IFRS 3 to identify a business

(Continúa)

Effective for annual periods beginning on or after 1 July 2014 (1 January 2015 IFRS-EU).

The Group has not early adopted any of these standards and is currently analysing the impact of applying these standards, rectifications and interpretations. Based on its analyses to date, the Group estimates that first-time application will not have a significant impact on the consolidated annual accounts.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2014 include comparative figures for 2013, which formed part of the annual accounts approved by the sole shareholder on 20 June 2014.

The balances in the consolidated income statement for 2013 have been restated in order to make them comparable with the figures for 2014 as the Group classified certain operations as discontinued operations in the consolidated income statement for 2014, as described in note 5.

(f) Functional and presentation currency

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

## (3) Distribution of Profit of the Parent

The board of directors of the Parent will propose to the sole shareholder that the Euros 108,319,464 profit for the year ended 31 December 2014 be transferred to offset prior years' losses.

| | Euros |
|---|---|
| Basis of distribution | |
| Profit for the year | 108,319,464 |
| Distribution | |
| Legal reserve | 10,831,946 |
| Prior years losses | 97,487,518 |
| | 108,319,464 |

## (4) Accounting Principles

### (a) Subsidiaries

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

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

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

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

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

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

### (b) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

(Continúa)

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

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

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

The excess between the consideration given, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

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

(c) Foreign currency transactions and balances

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

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

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

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

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

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

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

Translation of foreign operations

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

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

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

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

(d) Property, plant and equipment

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

(Continúa)

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

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

Property, plant and equipment are depreciated by allocating the acquisition cost less the residual value on a straight-line basis over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 33 |
| Technical installations and machinery | 3-15 |
| Other installations, equipment and furniture | 10 |
| Information technology equipment | 4 |
| Other | 4 – 6 |

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

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

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

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

(e) Intangible assets

(i) Goodwill

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

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

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

In 2006 the Group acquired the Telepizza brand name from Tele Pizza, S.A. through the business combination with the latter. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

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

- *Computer software*

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

Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

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

(Continúa)

In 2009 the Group re-estimated the useful life of the telepizza brand and of other intangible assets arising from contractual rights obtained in the merger with Medimosal, S.L.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the telepizza brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

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

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

| | |
|---|---|
| Contractual rights | 30 |
| Customer databases | 11 |
| Patents and licences | 4 |
| Leaseholds | 10 |
| Computer software | 4 |
| Administrative concessions | Operating term |

The depreciable amount is the cost of an asset less any residual value. The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

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

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

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

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

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



(Continúa)

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

A gain on increases in the fair value less costs of disposal (either due to remeasurement of fair value less costs of disposal or to impairment losses that occurred before classification of the asset as held for sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

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

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

(ii) *Discontinued operations*

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

(Continúa)

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

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal group(s) constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 5).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

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

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

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

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

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

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

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

(Continúa)

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

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

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

After an impairment loss is recognised or reversed, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

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

(h) Leases

(i) Lessor accounting records

The Group, as lessor, transfers the right to use certain storage facilities and commercial premises to third parties through operating leases.

Leases which do not transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as operating leases.

The Group assesses the economic substance of contracts to identify any implicit leases. A contract is or contains a lease if compliance with the agreement depends on the use of a specific asset or assets. In these cases, at the inception of the lease the Group separates future lease payments receivable and the consideration relating to the lease from those for the rest of the items included in the agreement, based on their fair values. Lease payments are recognised by applying the criteria set out in this note.

Assets leased to third parties under operating lease contracts are presented according to their nature, applying the accounting policies set out in note 4 (d).

(Continúa)

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

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

Contingent rents are recognised as income when it is probable that they will be received.

(ii) Lessee accounting records

The Group also has rights to use certain properties through lease contracts.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

  The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

  Contingent rents are recognised as an expense when it is probable that they will be incurred.

(Continúa)

(i) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss and loans and other receivables. Investments are classified based on the purpose for which they were acquired and the characteristics of the instruments.

Acquisitions and sales of financial assets are accounted for at the trading date, when the Group undertakes to purchase or sell the asset.

Financial assets and financial liabilities at fair value through profit or loss

The Group has classified in this category derivative financial instruments held for trading which are not designated as hedging instruments as they do not meet the conditions to be considered effective.

Financial assets are recognised at fair value. Transaction costs directly attributable to the acquisition are recorded as an expense in the consolidated income statement.

Unrealised and realised gains and losses arising from changes in fair value are recognised in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of not discounting is immaterial, are measured at their nominal amount.

Impairment

At each reporting date the Group assesses whether objective evidence exists of the impairment of a financial asset or group of financial assets, as a result of one or more events occurring subsequent to the initial recognition of the asset with an impact on the estimated future cash flows associated with the financial asset or group of financial assets that can be reliably estimated.

The Group recognises impairment of loans and receivables when estimated future cash flows are reduced or delayed due to debtor insolvency. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the provision. Reversals of impairment are also recognised against the provision.

(Continúa)

In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss and can be reversed in subsequent years if the decrease in the impairment loss can be related objectively to an event occurring after the impairment was recognised. However, the loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recorded.

Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any gain or loss deferred in recognised income and expense within other comprehensive income, is recognised in profit or loss.

(j) Inventories

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

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

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

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

Sales returns are recognised at purchase price, except where the net realisable value is lower, in which case they are recognised at that amount.

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

(Continúa)

Income from grants on assets for production is not recognised as a reduction in the production cost of inventories.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials and other supplies: weighted average cost.
- Finished goods and work in progress: the weighted average cost of raw materials and other supplies, including the costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.
- Goods for resale: weighted average acquisition cost.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished goods: estimated selling price less costs to sell.
- Work in progress: estimated selling price of the related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and the revised net realisable value of the inventories.

(k) Cash and cash equivalents

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

The Group classifies cash flows from interest received and paid as financing activities.

(Continúa)

(l) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as held for trading or financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs. After initial recognition, liabilities classified under this category and external financing are measured at amortised cost using the effective interest method

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

A financial liability, or part of a financial liability, is derecognised when the Group has settled the obligations stipulated in the contract, or when these have been extinguished or have expired.

(i) *Derecognition and modifications of financial liabilities*

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

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(Continúa)

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

Payables to financial institutions as a result of the sale of trade liabilities are recognised as trade payables advanced by banks under trade and other payables in the consolidated statement of financial position.

Nonetheless, when a creditor assumes primary responsibility towards the financial institutions, these debts are reclassified to loans and borrowings in the consolidated statement of financial position.

The consideration given by the financial institutions in exchange for the right to finance the customers of the Group is recorded in other income in the consolidated income statement (consolidated statement of comprehensive income) when accrued.

The issue of equity instruments by the Group to settle a financial liability is part of the consideration paid to settle the financial liability. Consequently, the equity instruments issued to fully or partially settle a financial liability are measured at fair value, unless the fair value of the settled liability can be measured more reliably. If the Group settles only a part of the financial liability, a portion of the fair value of the equity instruments issued is allocated to determine whether the remaining part of the financial liability has changed. The difference between the fair value of the equity instruments issued to settle the financial liability or, where appropriate, the fair value of the liability and the carrying amount is recognised in gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement.

(m) Interest and foreign currency swaps

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

Hedge accounting has not been applied to these financial instruments as they do not meet the conditions to be considered effective. Changes in the fair value of these derivatives are therefore recognised in profit and loss as finance costs under change in fair value of financial instruments.

(Continúa)

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

- Capital grants: non-refundable government grants awarded as monetary assets are initially recorded under liabilities at the original amount received or at fair value. Income from capital grants is recognised under other income on a straight-line basis over the useful life of the items of property, plant and equipment for which the grants have been received.

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

(o) Employee benefits

(i) Termination benefits

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

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

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

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

(ii) Short-term employee benefits

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

(Continúa)

Short-term employee benefits are reclassified to long term if the characteristics of the benefit change or if there is a non-temporary change in expectations of the timing of settlement.

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

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

(p) Provisions

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

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

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

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

(q) Revenue recognition

Revenue from the sale of goods or provision of services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. When sales discounts are considered likely to be disbursed at the revenue recognition date, they are accounted for as a decrease in revenue.

Sales of goods to customers in cash or sales to franchises and revenue from services rendered are recognised when the Group sells the product or renders the service.

(Continúa)

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

The Group does not have significant volumes of product returns.

(r) Income tax

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

Current tax is the estimated amount of income tax payable or recoverable in respect of the consolidated taxable income or tax loss for the year. Current tax assets or liabilities are measured using enacted tax rates and tax laws.

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

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

Since 1 January 2007 Foodco Pastries Spain, S.L. has been the parent of a tax group, as defined by the consolidated tax regime, which comprises Tele Pizza, S.A., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2014.

(i) Recognition of taxable temporary differences

Deferred tax liabilities derived from taxable temporary differences are recognised in all cases except where:

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

- They are associated with investments in subsidiaries and jointly controlled entities over which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

Deferred tax assets derived from deductible temporary differences are recognised provided that:

(Continúa)

- It is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

- The temporary differences are associated with investments in subsidiaries and jointly controlled entities that will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary differences can be offset.

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

(iii) Measurement

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

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

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

(iv) Offset and classification

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

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

(Continúa)

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

(s) Segment reporting

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

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

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

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(u) Environmental issues

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

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

(Continúa)

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

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

The Group has classified the assets and liabilities of its Colombian subsidiary, a separate business segment, as held for sale in accordance with the relevant standard. The sales transaction is expected to be effective in 2015.

The Group has also classified under this category a number of outlets in Chile, based on the decisions of the Steering Committee. The sales transaction is expected to be effective in 2015.

Details of assets and liabilities held for sale in relation to the discontinued operation are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| *Assets held for sale:* | | |
| Technical installations and machinery | 5,887 | 1,795 |
| Goodwill (note 8) | 8,144 | - |
| Other intangible assets | 89 | 125 |
| Other non-current assets | 1,960 | - |
| Inventories | 560 | 33 |
| Other current assets | 2,728 | - |
| Cash | 355 | - |
| Total assets | 19,723 | 1,953 |
| *Liabilities directly associated with non-current assets held for sale:* | | |
| Loans and borrowings | 2,557 | - |
| Trade and other payables | 3,698 | - |
| Other current liabilities | 864 | 83 |
| Total liabilities | 7,120 | 83 |

(Continúa)

Details of the post-tax loss of discontinued operations disclosed in the consolidated income statement relating to the discontinued operation are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Revenue | 21,980 | 29,596 |
| Expenses | (27,877) | (30,436) |
| Pre-tax loss of discontinued operations | (5,897) | (840) |
| Income tax | (2,232) | (138) |
| Post-tax loss of discontinued operations | (8,129) | (979) |

(6) Business Combinations

During 2014 the Group acquired a number of businesses already in operation from franchises in Spain, Portugal and Chile, while in 2013 it purchased an outlet in Spain, three in Portugal and two in Chile.

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

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Cost of the combination, cash paid | 9,407 | 1,612 |
| Less, fair value of net assets acquired | (1,972) | (237) |
| Goodwill (note 8) | 7,435 | 1,375 |

(Continúa)

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## (7) Property, Plant and Equipment

Details of property, plant and equipment and movement 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 under construction | Other property, plant and equipment | Total |
| Cost | | | | | | |
| Balance at 31/12/2012 | 13,087 | 140,178 | 15,898 | 485 | 19,521 | 189,169 |
| Additions | 354 | 8,106 | 2,067 | 195 | 1,759 | 12,481 |
| Disposals | (2,303) | (20,149) | (1,686) | (42) | (5,029) | (29,209) |
| Transfers to assets held for sale | - | (2,393) | (225) | | (29) | (2,647) |
| Other transfers | (732) | 744 | (155) | (57) | 200 | - |
| Exchange gains/(losses) | (756) | (1,945) | (511) | (7) | (485) | (3,704) |
| Balances at 31/12/2013 | 9,650 | 124,541 | 15,388 | 574 | 15,937 | 166,090 |
| Additions | 10 | 7,616 | 663 | 102 | 1,428 | 9,819 |
| Disposals | (1,036) | (26,217) | (2,774) | (188) | (2,477) | (32,692) |
| Transfers to assets held for sale | - | (4,384) | (1,682) | (97) | (52) | (6,215) |
| Other transfers | 348 | (277) | 17 | (164) | 76 | - |
| Exchange gains/(losses) | (124) | (606) | (288) | (4) | (6) | (1,028) |
| Balances at 31/12/2014 | 8,848 | 100,673 | 11,324 | 223 | 14,096 | 135.9735 |
| Depreciation or impairment | | | | | | |
| Depreciation at 31/12/2012 | (6,453) | (101,481) | (11,077) | (6) | (15,949) | (134,966) |
| Impairment at 31/12/2012 | - | (6,310) | (12) | - | (93) | (6,415) |
| Depreciation for the year | (508) | (6,263) | (1,100) | - | (1,303) | (9,174) |
| Disposals | 2,024 | 15,079 | 1,227 | 5 | 4,592 | 22,927 |
| Transfers to assets held for sale | - | 846 | 68 | - | 16 | 930 |
| Exchange gains/(losses) | 465 | (967) | 431 | 1 | 167 | 97 |
| Impairment | (217) | (1,989) | - | - | (93) | (2,299) |
| Depreciation at 31/12/2013 | (4,472) | (90,852) | (10,451) | - | (12,477) | (118,252) |
| Impairment at 31/12/2013 | (217) | (8,299) | (11) | - | | (8,527) |
| Depreciation for the year | (381) | (5,885) | (1,049) | - | (1,289) | (8,604) |
| Disposals | 540 | 20,478 | 2,498 | - | 2,204 | 25,720 |
| Transfers to assets held for sale | - | 1,465 | 259 | - | 40 | 1,764 |
| Exchange gains/(losses) | 23 | 371 | 148 | (1) | 45 | 586 |
| Other transfers | 28 | (29) | 146 | 2 | (147) | - |
| Impairment | (133) | 1,486 | 1 | - | - | 1,355 |
| Depreciation at 31/12/2014 | (4,262) | (74,452) | (8,449) | 1 | (11,624) | (98,786) |
| Impairment at 31/12/2014 | (350) | (6,813) | (10) | - | - | (7,173) |
| Carrying amount | | | | | | |
| At 31/12/2012 | 6,634 | 32,387 | 4,809 | 479 | 3,479 | 47,788 |
| At 31/12/2013 | 4,961 | 25,390 | 4,926 | 574 | 3,460 | 39,311 |
| At 31/12/2014 | 4,236 | 19,408 | 2,865 | 224 | 3,282 | 30,015 |

(Continúa)

During 2014 there have been additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets, the acquisition of franchise outlets and investments in lighting, energy efficiency and air conditioning. Additions have also been made to furniture and motorcycles.

During 2013 there were additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets and relocation of existing outlets. There were also additions to machinery and other property, plant and equipment mainly due to the investment in computer equipment, replacement of lighting systems as well as machinery and other property, plant and equipment in the Daganzo factory and in the subsidiary Luxtor.

Other property, plant and equipment include the acquisition of motorcycles and IT equipment for outlets.

Disposals include the assets of the factory in Ávila following their sale. Disposals also include property, plant and equipment used in outlets which have been franchised, closed or sold and items relating to the termination of rental contracts for certain outlets.

The Group receives government grants to finance items of property, plant and equipment (see note 20).

At 31 December 2014 and 2013 the Group has no commitments to acquire items of property, plant and equipment. Assets totalling 1,100 thousand have been pledged as security. The Group does not have any significant unused property, plant and equipment.

During 2014 the Group has reversed impairment losses totalling Euros 1,355 thousand (recognition of impairment losses amounting to Euros 2,111 thousand in 2013). These reversals and losses are basically due to the impairment of assets used in operations in the Group's outlets. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each outlet. The main assumptions employed to project cash flows are detailed in note 7.

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

Details of the cost of fully depreciated property, plant and equipment at 31 December 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Technical installations and machinery | 46,675 | 55,919 |
| Other | 16,810 | 15,255 |
| | 63,485 | 71,174 |

(Continúa)

Property, plant and equipment held under finance leases at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Cost of items held under finance leases | - | 4,372 |
| Accumulated depreciation and impairment losses | - | (1,274) |
| Carrying amount | - | 3,098 |

Details of the main terms of finance leases in force at 31 December 2013 are as follows:

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| Asset | Contract date | Number of monthly payments | Cash value | Amount of each instalment | Purchase option |
| Commercial premises | 03/92-12/03 | 120-180 | 1,623 | 26 | 125 |
| Less, accumulated depreciation | | | (1,274) | | |
| Total | | | 349 | | |
| Machinery and other | 12/13 | 41-56 | 2,749 | 95 | 26 |
| Less, accumulated depreciation | | | - | | |
| Total | | | 2,749 | | |

A summary of the liabilities resulting from these transactions at 31 December 2013 is as follows:

| | Thousands of Euros |
|---|---|
| | 2013 |
| Total liability under the contracts | 6,254 |
| Payments made | |
| In prior years | (3,426) |
| During the year | (79) |
| Finance lease payables (note 17 (a) and (b)) | 2,749 |

During 2014 assets held under finance lease and the corresponding lease payables have been transferred to assets and liabilities held for sale (see note 5).

(Continúa)

Details of assets leased out to third parties under operating leases at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Cost | 5,519 | 6,352 |
| Accumulated depreciation at 1 January | (4,998) | (5,448) |
| Depreciation charge for the year | (236) | (196) |
| Carrying amount | 285 | 708 |

Future minimum payments receivable under non-cancellable operating leases are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Up to 1 year | 2,366 | 812 |
| Between 1 and 5 years | 7,327 | 6,959 |
| More than 5 years | 2,111 | 15,081 |
| | 11,804 | 22,852 |

(8) Intangible Assets

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

| | Thousands of Euros |
|---|---|
| Cost | |
| Balance at 31/12/2012 | 415,396 |
| Goodwill on business combinations for the year (note 6) | 1,375 |
| Exchange gains/(losses) | (209) |
| Disposals | (1,621) |
| Impairment losses for the year (note 25) | (38,901) |
| Balance at 31/12/2013 | 376,040 |
| Goodwill on business combinations for the year (note 6) | 7,435 |
| Exchange gains/(losses) | 18 |
| Disposals | (1,097) |
| Transfers (note 5) | (8,144) |
| Impairment losses for the year (note 25) | (6,157) |
| Balance at 31/12/2014 | 368,095 |

(Continúa)

Transfers reflect the goodwill in Colombia which at 31 December 2014 has been classified under non-current assets held for sale.

Details of goodwill by country at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Spain | 262,702 | 264,516 |
| Portugal | 61,511 | 61,858 |
| Poland | 4,620 | 4,620 |
| Chile | 38,958 | 36,633 |
| Colombia | - | 8,144 |
| Other | 303 | 269 |
| | 368,095 | 376,040 |

The amount of a CGU is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the CGUs operate.

The discount rate assumption used when calculating value in use is as follows:

| | Spain | Portugal | Chile | Poland |
|---|---|---|---|---|
| Discount rate | 8.10% | 9.26% | 9.02% | 7.96% |
| Growth rate of income in perpetuity | 1.7% | 1.5% | 3.3% | 1.70% |

To calculate the value in use of the different CGUs over the five-year budget period, the directors used net revenue growth rates of between 0% and 5%, without considering any outlet openings or acquisitions and depending on the features of each market.

These assumptions have been used to analyse each CGU within the business segment.

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

A variation of 10 basis points in the discount rate used or in the growth rate of income in perpetuity would result in impairment of Euros 10,900 thousand and Euros 9,300 thousand on goodwill, respectively.

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Details of other intangible assets and movement are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Concessions, patents and licences | Trademarks | Contractual and other rights | Other intangible assets | Computer software | Total |
| Cost | | | | | | |
| Balances at 31/12/2012 | 1,209 | 253,502 | 151,359 | 721 | 19,971 | 426,762 |
| Additions | 70 | - | - | - | 1,197 | 1,267 |
| Disposals | (6) | - | - | (57) | (140) | (203) |
| Other transfers | - | - | - | (19) | 19 | - |
| Transfers to assets held for sale | - | - | - | - | (13) | (13) |
| Exchange gains/(losses) | (3) | - | - | (13) | (247) | (263) |
| Balances at 31/12/2013 | 1,270 | 253,502 | 151,359 | 632 | 20,787 | 427,550 |
| Additions | 427 | - | - | 124 | 1,246 | 1,797 |
| Disposals | (114) | - | - | - | (198) | (312) |
| Other transfers | - | - | - | - | 14 | 14 |
| Transfers to assets held for sale | - | - | - | - | (182) | (182) |
| Exchange gains/(losses) | 2 | - | - | 6 | (90) | (82) |
| Balances at 31/12/2014 | 1,585 | 253,502 | 151,359 | 762 | 21,577 | 428,785 |
| Amortisation or impairment | | | | | | |
| Amortisation at 31/12/2012 | (885) | (18,526) | (38,844) | (609) | (15,051) | (73,915) |
| Impairment at 31/12/2012 | (8) | - | - | - | - | (8) |
| Amortisation for the year | - | - | (5,960) | (5) | (2,317) | (8,282) |
| Disposals | 6 | - | - | 57 | 143 | 206 |
| Exchange gains/(losses) | - | - | 6 | - | 157 | 163 |
| Amortisation at 31/12/2013 | (887) | (18,526) | (44,798) | (557) | (17,068) | (81,836) |
| Impairment at 31/12/2013 | (8) | - | - | - | - | (8) |
| Amortisation for the year | (100) | - | (5,818) | (3) | (1,940) | (7,861) |
| Disposals | 114 | - | - | - | 196 | 310 |
| Transfers to assets held for sale | - | - | - | - | 96 | 96 |
| Exchange gains/(losses) | - | - | - | (6) | (29) | (35) |
| Amortisation at 31/12/2014 | (873) | (18,526) | (50,616) | (566) | (18,745) | (89,326) |
| Impairment at 31/12/2014 | (8) | - | - | - | - | (8) |
| Carrying amount | | | | | | |
| Balance at 31/12/2012 | 316 | 234,976 | 112,515 | 112 | 4,920 | 352,839 |
| Balance at 31/12/2013 | 383 | 234,976 | 106,561 | 75 | 3,719 | 345,714 |
| Balance at 31/12/2014 | 704 | 234,976 | 100,743 | 196 | 2,832 | 339,451 |

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the telepizza brand. The original value of this asset was Euros 247,028 thousand and its carrying amount is Euros 228,502 thousand at 31 December 2014.

(Continúa)

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the net value of the goodwill recognised.

Details of residual amortisation, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

| | Euros | | | |
|---|---|---|---|---|
| Description of the asset | Remaining useful life | Amortisation for the year | Accumulated amortisation | Carrying amount |
| 2014 | | | | |
| Telepizza brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 22 | 4,296 | 41,994 | 94,521 |
| | | 4,296 | 60,520 | 323,023 |
| 2013 | | | | |
| Telepizza brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 23 | 4,296 | 37,698 | 98,817 |
| | | 4,296 | 56,224 | 327,319 |

At 31 December 2014 and 2013 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Computer software | 12,840 | 11,104 |
| Other | 1,195 | 1,085 |
| | 14,036 | 12,189 |

(Continúa)

## (9) Non-current Financial Assets

Details of non-current financial assets at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Deposits and guarantees | 6,107 | 6,102 |
| Non-current trade receivables | 12,554 | 16,385 |
| Other loans and receivables | 1,201 | 1,401 |
| | 19,862 | 23,888 |

Non-current trade receivables mainly reflect amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

## (10) Inventories

Details at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Merchandise | 8,036 | 9,307 |
| Raw materials | 1,009 | 2,365 |
| Finished goods | 250 | 1,782 |
| Total inventories | 9,295 | 13,454 |

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

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Net purchases | 80,562 | 70,329 |
| Change in inventories | 4,159 | (163) |
| | 84,721 | 70,166 |

At 31 December 2014 and 2013 the Group had no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(Continúa)

## (11) Trade and Other Receivables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Trade receivables | 43,428 | 33,765 |
| Other receivables | 2,386 | 4,408 |
| Public entities | 3,810 | 5,896 |
| Impairment | (7,881) | (6,239) |
| Trade and other receivables | 41,743 | 37,830 |

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

An analysis of the changes in allowance accounts related to impairment of financial assets due to credit risk is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| *Current* | | |
| Balance at 1 January | (6,239) | (5,518) |
| Charges | (1,642) | (721) |
| Application/reversal | - | - |
| Balance at 31 December | (7,881) | (6,239) |

## (12) Cash and Cash Equivalents

Details at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Cash in hand and at banks | 34,549 | 8,798 |
| Current bank deposits | 10,000 | - |
| Cash and cash equivalents | 44,549 | 8,798 |

Cash surpluses have been invested in daily and weekly deposits in monetary assets (REPOS, Eurodeposits and promissory notes) with average market rates.

(Continúa)

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.

## (13) Deferred Tax

Details of deferred tax assets are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| Deferred tax assets | Non-deductible provisions | Tax credits and deductions | Other | Total |
| Balances at 31/12/2012 | 2,321 | 29,060 | 755 | 32,136 |
| Taken to the income statement (note 26) | (1,952) | (20,212) | (207) | (22,371) |
| Balances at 31/12/2013 | 369 | 8,848 | 548 | 9,765 |
| Taken to the income statement (note 26) | 1,850 | (1,285) | 351 | 916 |
| Balances at 31/12/2014 | 2,219 | 7,563 | 899 | 10,681 |

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards generated by the subsidiaries Foodco Pastries Spain, S.L., Tele Pizza, S.A. and A Tu Hora, S.A.

Details of deferred tax liabilities are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| Deferred tax liabilities | Accelerated depreciation | Intangible assets | Other | Total |
| Balances at 31/12/2012 | 2,733 | 104,907 | 94 | 107,734 |
| Taken to the income statement (note 27) | (1,237) | (1,144) | 604 | (1,777) |
| Balances at 31/12/2013 | 1,496 | 103,763 | 698 | 105,957 |
| Taken to the income statement (note 27) | (923) | (18,314) | (571) | (19,808) |
| Balances at 31/12/2014 | 573 | 85,449 | 127 | 86,149 |

Spanish Income Tax Law 27/2014 of 27 November 2014, approved on 28 November 2014, incorporates wholly new legislation on corporate income tax and enters into force for tax periods beginning on or after 1 January 2015. These amendments include a reduction of the general tax rate from 30% at present to 28% in 2015 and 25% from 2016 onwards.

(Continúa)

Furthermore, the limit of 25% for offsetting tax loss carryforwards in 2015 has been increased to 60% for tax periods beginning in 2016 and 2017 onwards. The deadline of 18 years for offsetting tax loss carryforwards has also been wholly eliminated.

In light of these amendments to tax legislation, the Company has adjusted its deferred tax assets for tax loss carryfowards and temporary differences by Euros 1,542 thousand and its deferred tax liabilities by Euros 16,363 thousand.

## (14) Equity

As part of the Group's debt restructuring process, in 2014 the Parent increased its share capital by Euros 221 thousand, with a share premium of Euros 213,160 thousand, by issuing 4,411 new shares of Euros 50 par value each with a share premium of Euros 48,324.6053 each, in accordance with the sole shareholder's decision of 20 October 2014. The shares were subscribed and fully paid by the sole shareholder, by capitalising the outstanding Euros 107,111 thousand participating loan and Euros 106,269 thousand subordinated loan on 20 October 2014 (see note 28).

As a result of the equity instruments issued to settle the aforementioned financial liability, the Company has recognised income totalling Euros 128,568 thousand to reflect the difference between the fair value of the liability and its carrying amount under gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement for 2014.

Moreover, on 20 October 2014 the Company's sole shareholder made a monetary contribution of Euros 157,532 thousand. On the same date, the related company Foodco Debt S.à.r.l subscribed a 1.06% capital increase by Tele Pizza, S.A. for an amount of Euros 83,055 with a share premium of Euros 45,156,953 (see note 17(a)).

In 2013 the Company increased its share capital by Euros 2,800 thousand, with a share premium of Euros 53,200 thousand, by creating 56,000 new shares of Euros 50 par value each with a share premium of Euros 950 each, in accordance with the sole shareholder's decision of 2 August 2013. The shares were subscribed and fully paid by the sole shareholder, by partially capitalising the Euros 56,000 participating loan extended by the latter (see note 28).

### (a) Capital

Share capital is comprised of 360,000 shares of Euros 50 par value each (355,589 shares at 31 December 2013), fully subscribed by Foodco Finance, S.à.r.l., with registered office in Luxembourg (see note 1).

On 20 October 2014 the former sole shareholder, Telefood S.à.r.l, transferred all its shares in Foodco Pastries Spain S.L. to Foodco Finance, S.à.r.l, which therefore became the sole shareholder of the Parent.

Share capital was Euros 18,000 thousand at 31 December 2014 and Euros 17,779 thousand at 31 December 2013.

(Continúa)

Like other groups in the sector, Foodco controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by EBITDA. Net debt is the sum of financial debt less cash and cash equivalents. EBITDA is calculated as operating profit plus depreciation and amortisation. Ratios in 2014 and 2013 are calculated as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Total debt | 376,435 | 618,328 |
| Less: Cash and cash equivalents | (44,549) | (8,798) |
| Net debt | 331,886 | 609,530 |
| EBITDA | 40,867 | 58,638 |
| Debt ratio | 8.12 | 10.39 |

The financing contract entered into by the Group with financial institutions described in note 17 (a) requires the Company to comply with certain covenants.

The Company complies with all these ratios at 31 December 2014 and 2013.

(b) Share premium

At 31 December 2014 and 2013 this premium is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than share capital.

(c) Other reserves

Legal reserve

The Company is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2014 and 2013 the Parent has not appropriated any amount to this legal reserve.

Other reserves

Other reserves reflect the expenses incurred in increasing share capital in 2008, 2010, 2011, 2013 and 2104, net of the tax effect, and from the monetary and non-monetary contributions received in 2014 totalling Euros 157,615 thousand.

(Continúa)

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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

## (15) Earnings/(Loss) per Share

### (a) Basic

Basic earnings/loss per share are calculated by dividing the profit/loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

| | Euros | |
|---|---|---|
| | 2014 | 2013 |
| Profit/(loss) for the year attributable to equity holders of the Parent (in Euros) | 90,736,949 | (84,753,784) |
| Weighted average number of ordinary shares outstanding | 356,459 | 323,063 |
| Basic earnings/(loss) per share (in Euros) | 254.55 | (262.34) |

### (b) Diluted

At 31 December 2014 and 2013 the diluted earning/loss per share is the same as the basic earning/loss per share.

## (16) Current and Non-current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2014 and 2013 are as follows:

| 2014 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Interest rate derivatives* | | | |
| Interest rate swaps | (530,000) | 36 | (2,230) |
| Total derivatives at fair value through profit or loss | (530,000) | 36 | (2,230) |

| 2013 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Interest rate derivatives* | | | |
| Interest rate swaps | (325,000) | (2,329) | (14) |
| Total derivatives at fair value through profit or loss | (325,000) | (2,329) | (14) |

(Continúa)

In 2014 the Company arranged a new interest rate hedge for Euros 205,000 thousand, which swapped the Euribor rate borne on a loan for a fixed rate of 1.06%. This instrument became effective on 22 December 2014 and expires on 22 December 2017. At 31 December 2014 it has a positive fair value of Euros 36 thousand.

On 14 September 2012 the Group arranged a new interest rate swap which expires on 22 December 2015 for an initial notional amount of Euros 125,000 thousand. On 23 December 2013 the notional amount was increased to Euros 325,000 thousand and the expiry extended to 31 December 2015. The average interest rate up to 23 December 2013 was 0.32%, increasing thereafter to 0.735% until expiry. At 31 December 2014 it has a negative fair value of Euros 2,216 thousand (Euros 2,329 thousand at 31 December 2013).

The Group accrued expenses of Euros 1,697 thousand in 2014 and Euros 4,565 thousand in 2013 in relation to its derivative financial instruments.

## (17) Interest-bearing Loans, Borrowings and Bonds

### (a) Non-current loans and borrowings

On 12 September 2006 the Group entered into a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also arranged a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Foodco Group to partially finance this acquisition. All loans had a single maturity date, except the Senior Facility, tranche A, which is repayable in instalments.

On 22 June 2012 the Group company, Foodco Debt, S.a.r.l. acquired Euros 40,698 thousand of the senior debt of the syndicated loan, specifically: Tranche A, tranche B, tranche C, the CAPEX facility and the Revolving A line. This debt accrued interest. On 20 October 2014 Foodco Debt, S.a.r.l increased the share capital of Tele Pizza, S.A. by capitalising this debt and interest accrued for a total of Euros 45,157 thousand (see note 14).

On 20 October 2014 Foodco Pastries Spain, S.L. together with its subsidiary Tele Pizza, S.A. signed an Amendment and Restatement Deed on refinancing the senior debt held by the Group. Through this refinancing, the Mezzanine debt, the borrowing costs capitalised to date and a portion of the senior debt have been repaid. The only outstanding debt of this type is a single tranche amounting to Euros 285,000 thousand.

Furthermore, the sole shareholder's contribution of Euros 157,532 thousand has enabled the Group to repay its debt to the banking syndicate. As mentioned above, the portion of the syndicated financing held by the Group with Foodco Debt and the corresponding interest have been capitalised through the share capital increase with a premium totalling Euros 45,240 thousand (see note 14).

(Continúa)

As a result of this refinancing, the finance costs on the capitalised tranches have been expensed. Furthermore, the Group has expensed all the costs incurred as a result of the refinancing as there has been a significant change in the debt.

The finance costs accrued on the syndicated loan amounted to Euros 29,387 thousand and Euros 33,418 thousand in 2014 and 2013, respectively (see note 20).

Consequently, at 31 December 2014 and 2013 non-current borrowings comprise mainly the syndicated loans. Details of payments and the present value of borrowings by maturity are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Principal | Interest | Principal | Interest |
| Less than one year (note 17 (b)) | 55 | 4,095 | 13,682 | 729 |
| Between two and five years | 285,000 | - | 504,229 | - |
| | 285,055 | 4,095 | 517,911 | 729 |

Details of non-current loans and borrowings at 31 December 2014 and 2013 are as follows:

| Type | Final maturity date | Thousands of Euros: Limit | Balance at 31/12/2014 | Balance at 31/12/2013 | Margin as % of Euribor |
|---|---|---|---|---|---|
| **Senior** | | | | | |
| Senior | 2021 | 285,000 | 285,000 | - | EURIBOR+6% |
| Tranche A | 2014/2016 | 60,000 | - | 9,383 | EURIBOR+4.125 |
| Tranche B | 2014/2016 | 135,000 | - | 133,789 | EURIBOR+4.500 |
| Tranche C | 2015/2016 | 135,000 | - | 133,789 | EURIBOR+4.500 |
| CAPEX facility | 2014/2015 | 25,000 | - | 5,778 | EURIBOR+4.125 |
| Revolving A | 2015 | 20,000 | - | 18,440 | EURIBOR+3.750 |
| Second Lien | 2016 | 65,000 | - | 65,000 | EURIBOR+6.000 |
| | | 440,000 | 285,000 | 366,179 | |
| **Mezzanine** | 21/09/2016 | 100,000 | - | 151,715 | 3.500 |
| Finance lease payables (note 7) | | | - | 2,057 | - |
| Less, loan arrangement costs | | - | - | (3,419) | |
| Less, current portion (note 17 (b)) | | - | - | (12,303) | |
| Balance at 31 December | | 540,000 | 285,000 | 504,229 | |

(Continúa)

Although the interest rates are as listed above, the Group has contracted various variable-to-fixed interest rate swaps, which are described in note 16.

The Group has pledged all Telepizza Group assets as collateral to secure the loan obtained to acquire the Tele Pizza, S.A. shares and bonds. The Parent is also required to comply with certain covenants (see note 14 (a)).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(b) Current loans and borrowings

Details of current loans and borrowings at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Limit | Drawn down | Limit | Drawn down |
| Credit facilities | - | 55 | 878 | 687 |
| Finance lease payables (note 7) | | - | | 692 |
| Accrued interest (note 17 (a)) | | 4,095 | | 729 |
| Senior Facility Tranche B (note 17 (a)) | | - | | 9,386 |
| CAPEX facility (note 17 (a)) | | - | | 788 |
| Senior Facility Tranche A (note 17 (a)) | | - | | 2,129 |
| | | 4,150 | | 14,411 |

(18) Employee Benefits

Termination benefits

During the year ended 31 December 2014, the directors of the Parent and certain subsidiaries approved termination benefits for various employees to be paid in 2015. A provision of Euros 1,337 thousand was recognised in this respect. In 2013 this provision amounted to Euros 846 thousand.

The total expense recognised in 2014 for termination benefits is Euros 1,868 thousand (see note 23).

(19) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 3,300 thousand at 31 December 2014 (Euros 4,088 thousand at 31 December 2013). The Group does not expect any significant liabilities to arise from these guarantees.

(Continúa)

## (20) Government Grants

Movement in non-refundable government grants is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Grants received | 7,369 | 7,635 |
| Grants taken to income | | |
| In prior years | (6,472) | (5,943) |
| During the year | (426) | (529) |
| Balance at 31 December | 471 | 1,163 |

As mentioned in note 7, the Group receives government grants to finance acquisitions of property, plant and equipment, including a grant from the Madrid regional government in 2002 to finance improvement of the preparation and commercialisation of dough and other pizza-related products manufactured in the Daganzo factory (Madrid).

The Group estimates that the conditions initially established for the grants will remain unchanged.

## (21) Trade and Other Payables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Trade payables | 31,921 | 40,181 |
| Public entities | 6,161 | 4,924 |
| Other payables | 42 | 171 |
| Salaries payable | 5,053 | 2,343 |
| Current guarantees and deposits received | 63 | 81 |
| | 43,240 | 47,700 |

At 31 December 2014 trade payables include Euros 5,608 thousand payable to financial institutions for confirming transactions (Euros 5,817 thousand at 31 December 2013).

(Continúa)

Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Thousands of Euros | % | Thousands of Euros | % |
| Within maximum legal period | 92,987 | 55% | 67,913 | 37% |
| Other | 114,865 | 45% | 115,912 | 63% |
| Total payments for the year | 207,852 | 100% | 183,825 | 100% |
| Weighted average late payment days (*) | 57 | - | 58 | - |
| Late payments exceeding the maximum legal period at the reporting date | 11,058 | - | 15,160 | - |

(22) Operating Income

(a) Revenues

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Outlet sales to customers | 183,012 | 208,291 |
| Wholesale factory sales to franchisees and other sales | 84,508 | 73,424 |
| Other services | 22,677 | 21,281 |
| | 290,196 | 302,996 |

(b) Other operating income

In 2014 and 2013 other operating income mainly includes income from advertising and other services provided to franchisees, as well as other income (see note 1).

(Continúa)

## (23) Personnel Expenses

Details of personnel expenses in 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Salaries and wages | 73,495 | 74,428 |
| Social Security | 16,575 | 17,700 |
| Termination benefits (note 18) | 1,868 | 2,527 |
| Other employee benefits expenses | 409 | 3,027 |
| Total personnel expenses | 92,347 | 97,682 |

The average number of full-time equivalent employees in the Group during 2014 and 2013, distributed by category, is as follows:

| | Number | |
|---|---|---|
| | 2014 | 2013 |
| Management | 33 | 45 |
| Outlet managers | 365 | 393 |
| Other personnel | 4,072 | 4,567 |
| | 4,470 | 5,005 |

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

| | Number | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Male | Female | Male | Female |
| Board members | 8 | - | 3 | 1 |
| Management | 27 | 7 | 37 | 8 |
| Outlet managers | 161 | 204 | 176 | 216 |
| Other personnel | 2,186 | 1,889 | 2,329 | 2,238 |
| | 2,382 | 2,100 | 2,545 | 2,463 |

(Continúa)

## (24) Other Expenses

Details of other expenses are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Operating leases | 22,753 | 24,739 |
| Transport | 9,266 | 12,826 |
| Advertising and publicity | 12,962 | 14,865 |
| Utilities | 11,272 | 14,881 |
| Other expenses | 31,770 | 21,365 |
| | 88,023 | 88,676 |

The Group leases certain storage installations and commercial establishments from third parties under operating leases.

Future minimum payments under non-cancellable operating leases at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Less than one year | 7,613 | 12,683 |
| One to five years | 27,305 | 40,061 |
| More than five years | 49,661 | 20,964 |
| | 84,579 | 73,708 |

## (25) Other Losses

Details at 31 December 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Losses on sale of property, plant and equipment | (3,994) | (3,363) |
| Goodwill (note 8) | (6,157) | (38,901) |
| Impairment losses (recognised)/reversed on property, plant and equipment (note 7) | 1,355 | (2,112) |
| | (8,796) | (44,376) |

(Continúa)

## (26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit/loss, with the income tax expense recognised in the consolidated income statement for 2014 and 2013 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Loss for the year from continuing operations, before income tax | 79,133 | (59,664) |
| Tax losses not recognised as tax credits | - | - |
| | 79,133 | (59,664) |
| Expected Parent tax income/expense at the standard tax rate (30%) | 23,740 | (17,899) |
| Non-taxable income at the standard tax rate | (38,580) | - |
| Non-deductible expenses at the standard tax rate | | |
| Finance costs | 9,025 | 11,413 |
| Goodwill consolidation | - | 9,953 |
| Write-off tax credits | - | 19,013 |
| (Income)/expense due to different tax rates | 637 | 180 |
| Adjustment for change in tax rate | (14,821) | - |
| Tax expense in foreign subsidiaries | 266 | 1,224 |
| Effective tax rate / Income tax expense/(income) | (19,733) | 23,884 |

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Income tax payable/(recoverable) for 2014 and 2013 is calculated as follows: | | |
| Tax expense/(income) | (19,733) | 23,884 |
| Deductible temporary differences (note 13) | 2,458 | (2,159) |
| Taxable temporary differences (note 13) | 2,988 | 633 |
| Recognition (offset) of tax credits (note 13) | - | (20,212) |
| Reversal of deferred tax liabilities arising on business combinations (note 13) | 457 | 1,144 |
| Adjustment for change in tax rate | 14,821 | - |
| Payments on account | (101) | (2,320) |
| Income tax payable | 890 | 970 |

(Continúa)

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

At 31 December 2014, the Group has the following tax loss carryforwards:

| 2014 | |
|---|---|
| Thousands of Euros | |
| Year | Amount |
| 2001 | 3,955 |
| 2002 | 717 |
| 2003 | 286 |
| 2004 | 285 |
| 2005 | 88 |
| 2008 | 11,998 |
| 2009 | 7,562 |
| 2010 | 628 |
| 2011 | 14,466 |
| 2012 | 4,782 |
| 2014 | 756 |
| Total | 45,523 |

Based on the tax declarations filed by the Group companies during 2014 and in prior years, the Group had the following tax credits pending application:

| | Thousands of Euros | Available until |
|---|---|---|
| Environment | 25 | 2029 |
| Double taxation deductions | 95 | |
| For R&D&i | 483 | 2021-2029 |
| | 603 | |

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2014 the Company has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2012 except for income tax, which is also open to inspection for 2011, as the prior periods were inspected by the taxation authorities in 2012-2013.

(Continúa)

On 21 June 2013 the Company received the definitive assessments from the tax inspection, which were signed on an uncontested basis, giving rise to the adjustment of the tax credit for tax losses and the related effect on the deferred tax asset recognised.

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

## (27) Commitments

As stated in notes 7 and 8, at 31 December 2014 and 2013 the Group has no commitments relating to investing activities.

## (28) Related Party Balances and Transactions

The sole shareholder has extended the following subordinated loan to the Parent (two loans extended by the sole shareholder at 31 December 2013):

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2014 | |
| | Non-current | Current |
| Subordinated loan | 84,825 | 2,460 |
| | 84,825 | 2,460 |

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | |
| | Non-current | Current |
| Participating loan | 97,202 | 2,486 |
| Subordinated loan | 96,002 | 267 |
| | 193,204 | |
| Loan arrangement costs | (280) | - |
| | 192,924 | 2,753 |

### (i) Participating loan

On 17 July 2006 the Company obtained a participating loan from its sole shareholder for an initial amount of Euros 150,680 thousand, which bears fixed interest at a rate of 16% with a variable tranche based on the Company's profits. The loan is repayable on maturity in 2036. This loan was reduced by Euros 85,700 thousand on 21 July 2008 following the share capital increase carried out by the Company.

(Continúa)

On 24 September 2010 the shareholders at their annual general meeting resolved to increase share capital through the creation of 6,000 new shares, with a share premium, by partially capitalising a Euros 3,000 thousand participating loan from the Group.

On 8 February 2011 the shareholders at their annual general meeting resolved to increase share capital through the creation of 78,000 new shares, with a share premium, by partially capitalising a Euros 39,000 thousand participating loan from the Group.

On 1 January 2013, the fixed interest rate on the participating loan was reduced from 16% to 9.3% by way of an agreement entered into between the two companies.

On 2 August 2013 the shareholders at their annual general meeting resolved to increase share capital through the creation of 56,000 new shares, with a share premium, by partially capitalising a Euros 56,000 thousand participating loan from the Group (see note 8).

On 20 October 2014, in accordance with the minutes of the decisions taken, the sole shareholder approved the decision to capitalise this participating loan, together with the accrued interest payable at that date, for an amount of Euros 7,423,484 (Euros 2,486 thousand in 2013), as part of the share capital increase with a share premium for Euros 107,111 thousand (see note 14).

During 2013 the Company capitalised borrowing costs totalling Euros 14,788 thousand. At 31 December 2013, the accrued uncapitalised interest, and therefore payable, amounted to Euros 2,486 thousand.

(ii) Subordinated loan

On 17 July 2006 the sole shareholder signed another contract with the Company to extend a loan of Euros 35,000 thousand to the latter. This loan accrues interest of 12.125% and falls due in 2016. This loan reflects the subordinated loan obtained by the sole shareholder from third parties.

On 20 October 2014, in accordance with the minutes of the decisions taken, the sole shareholder approved the decision to capitalise this subordinated loan, together with the accrued interest payable at that date, for an amount of Euros 10,280,084 (Euros 267 thousand in 2013), as part of the share capital increase with a share premium for Euros 106,270 thousand (see note 8).

During 2013 the Company capitalised borrowing costs totalling Euros 11,140 thousand. At 31 December 2013 the accrued interest not capitalised, and therefore payable, on this loan amounted to Euros 266,929.

(Continúa)

On 20 October 2014 the Company arranged a further subordinated loan with its sole shareholder for an amount of Euros 84,824,950, which accrues interest of 14.5% and falls due in 2021. At 31 December 2014 the accrued interest not capitalised, and therefore payable, on this loan amounts to Euros 2,460 thousand.

The Group has not entered into any other contracts with the sole shareholder of the Parent.

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

The directors of the Parent and senior management personnel and the board of directors received remuneration from the Group totalling Euros 3,797 thousand in 2014 (Euros 1,628 thousand in 2013). The Company has not granted any loans or advances to the directors or senior management personnel, or extended any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors or senior management personnel.

Furthermore, the Parent has not extended any loans or advances to members of the board and has no pension commitments with these parties at 31 December 2014 and 2013.

During 2014 and 2013 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

## (30) Conflicts of Interest concerning the Directors

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

## (31) Environmental Information

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

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2014 and 2013.

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## (32) Audit Fees

KPMG Auditores, S.L., the auditors of the annual accounts of the Group, have invoiced the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Audit services | 172 | 137 |
| Other assurance services | 5 | 6 |
| | 177 | 143 |

The amounts detailed in the above table include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

| | Thousands of Euros | |
|---|---|---|
| | 2014 | 2013 |
| Audit services | 70 | 73 |
| | 70 | 73 |

## (33) Segment Reporting

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

At 31 December 2014 and 2013, the Group comprises the following operating segments:

- Spain
- Portugal
- Poland
- Chile
- Colombia
- Peru

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- Rest of the world

Segment performance is measured based on the pre-tax profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

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

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Spain | Portugal | Poland | Chile | Colombia | Rest of the world | Eliminations | Total |
| Operating income | | | | | | | | |
| From third parties | 217,705 | 31,680 | 14,632 | 35,793 | | 5,654 | - | 305,464 |
| From other segments | 6,076 | - | - | - | - | | (6,076) | - |
| Total operating income | 223,781 | 31,680 | 14,632 | 35,793 | - | 5,654 | (6,076) | 305,464 |
| Profit/(loss) | | | | | | | | |
| Segment operating profit/(loss) | 14,829 | 4,736 | (267) | 6,629 | - | (449) | - | 25,478 |
| Net finance cost/income | 60,319 | (231) | (223) | 2,737 | - | (151) | - | 62,451 |
| Other gains | 30 | - | 39 | - | - | - | - | 69 |
| Other losses | (7,891) | (228) | (282) | (464) | - | - | - | (8,865) |
| Income tax | 19,938 | 171 | - | (406) | - | 61 | - | 19,733 |
| Profit/(loss) from continuing operations | 87,225 | 4,448 | (733) | 8,496 | | (570) | | 98,866 |
| Post-tax loss of discontinued operations | (86) | - | - | (592) | (7,451) | - | - | (8,129) |
| Attributable to the Parent | 87,139 | 4,448 | (733) | 7,904 | (7,451) | (570) | - | (86,959) |
| Segment assets | 744,615 | 27,515 | 7,728 | 70,410 | - | 14,064 | - | 864,333 |
| Assets held for sale or from discontinued operations | | - | - | 768 | 10,728 | 83 | - | 11,579 |
| Group assets | 744,615 | 27,515 | 7,728 | 71,177 | 10,729 | 14,147 | - | 875,912 |
| Segment liabilities | 46,695 | 4,061 | 2,514 | 4,931 | - | 686 | - | 58,887 |
| Liabilities held for sale or from discontinued operations | - | - | - | - | 7,037 | 83 | - | 7,120 |
| Unassigned liabilities | - | - | - | - | - | | - | 809,905 |
| Group liabilities | 46,695 | 4,061 | 2,514 | 4,931 | 7,037 | 769 | - | 875,912 |
| Investments in property, plant and equipment and intangible assets | 5,325 | 802 | 377 | 4,974 | - | 1,128 | - | 12,606 |

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| | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Spain | Portugal | Poland | Chile | Colombia | Rest of the world | Eliminations | Total |
| Operating income | | | | | | | | |
| From third parties | 225,867 | 30,080 | 15,571 | 36,795 | - | 5,007 | - | 313,320 |
| From other segments | 11,991 | - | - | - | - | | (11,991) | - |
| Total operating income | 237,858 | 30,080 | 15,571 | 36,795 | - | 5,007 | (11,991) | 313,320 |
| Profit/(loss) | | | | | | | | |
| Segment operating profit/(loss) | 27,003 | 4,682 | (40) | 8,698 | - | 65 | - | 40,410 |
| Net finance cost/income | (56,792) | (262) | (242) | 1,425 | - | (99) | - | (55,970) |
| Other gains | 1,821 | 1,296 | - | - | - | - | - | 3,117 |
| Other losses | (44,925) | (1,210) | (342) | (800) | - | - | - | (47,277) |
| Income tax | (22,659) | (8) | - | (1,057) | - | (21) | - | (23,745) |
| Profit/(loss) from continuing operations | (95,552) | 4,498 | (624) | 8,266 | - | (55) | - | (83,467) |
| Post-tax loss of discontinued operations | (12) | - | - | (618) | (657) | - | - | (1,287) |
| Attributable to the Parent | (95,564) | 4,498 | (624) | 7,648 | (657) | (55) | - | (84,754) |
| Segment assets | 729,008 | 26,954 | 8,107 | 60,649 | 10,923 | 12,965 | - | 848,606 |
| Assets held for sale or from discontinued operations | 544 | - | - | 780 | 480 | 116 | - | 1,920 |
| Group assets | 729,552 | 26,954 | 8,107 | 61,429 | 11,403 | 13,081 | - | 850,526 |
| Segment liabilities | 51,638 | 4,434 | 2,491 | 2,558 | 4,865 | 472 | - | 66,458 |
| Liabilities held for sale or from discontinued operations | - | - | - | - | - | - | - | |
| Unassigned liabilities | - | - | - | - | - | - | - | 784,068 |
| Group liabilities | 51,638 | 4,434 | 2,491 | 2,558 | 4,865 | 472 | - | 850,526 |
| Investments in property, plant and equipment and intangible assets | 6,685 | 1,320 | 393 | 1,873 | 4,204 | 610 | - | 15,085 |

(Continúa)

## (34) Risk Management Policy

### Financial risk factors

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

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

### Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2014 and 2013 is as follows:

| Type of financing | Interest rate | Benchmark | Thousands of Euros | |
|---|---|---|---|---|
| | | | 2014 | 2013 |
| Syndicated loan | Floating | Euribor | 289,095 | 514,475 |
| Credit facilities | Floating | Euribor | 55 | 688 |
| Finance leases | Floating | Euribor | - | 2,748 |
| Total | | | 289,150 | 517,911 |

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

(Continúa)

FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Group has contracted a fixed interest rate swap facility for a two-year period for the Senior Facility.

Currency risk

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

Currency risk mainly arises from three types of transactions:

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

The Group does not consider that possible fluctuations in the exchange rates of the Chilean Peso and the Polish Zloty could have a significant impact on its consolidated equity.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Company to settle market positions relating to non-current investments immediately, ensuring that this financial risk is minimised.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.
- Cash placements and derivative contracts are with highly solvent entities.
- The average collection period for trade receivables is very short, varying between cash collections at retail outlets and collections at one month from sale in the case of franchises and other customers.
- Customers have adequate credit records, which significantly reduces the possibility of bad debts.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES
Details of Shareholdings in Group Companies
31 December 2014

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | Registered office | Percentage ownership | Capital | Reserves | Profit/(loss) | Total equity |
|---|---|---|---|---|---|---|
| Tele Pizza S.A. (1) | Madrid | 100.00% | 7,800 | 371,977 | (40,332) | 339,445 |
| Mixor, S.A. (1) | Madrid | 100.00% | 3,215 | 3,903 | (120) | 6,998 |
| Circol, S.A. (3) | Madrid | 100.00% | 1,085 | 2,891 | 342 | 4,318 |
| Telepizza Chile Group (2) | Santiago de Chile | 100.00% | 3,065 | 42,110 | 6,044 | 51,219 |
| Telepizza Portugal Group (2) | Lisbon | 100.00% | 1,900 | 13,204 | 3,418 | 18,522 |
| Telepizza Poland Sp. Z o.o. (1) | Warsaw | 100.00% | 9,319 | (8,024) | (1,417) | (122) |
| Telepizza Maroc, S.A. (3) (4) | Casablanca | 100.00% | 59 | (781) | - | (722) |
| A Tu Hora, S.A. (1) | Madrid | 100.00% | 450 | (9,483) | 398 | (8,635) |
| Lubasto Holding, B.V. (3) | Amsterdam | 100.00% | 27 | (150) | (13) | (136) |
| Telepizza Guatemala (3) | Guatemala | 100.00% | 1 | 139 | 429 | 569 |
| Luxtor, S.A. (1) | Avila | 100.00% | 6,128 | 12,675 | 8,660 | 27,463 |
| Telepizza Ecuador S.A. (3) | Quito | 100.00% | 536 | (236) | (235) | 65 |
| Cozicharme, LDA | Lisbon | 100.00% | 5 | (23,858) | (4,296) | (28,149) |
| Bazigual, SGPS,LDA | Lisbon | 100.00% | 5 | (89) | (52) | (136) |
| Inverjenos S.A.S. (1) | Bogotá | 100.00% | 549 | 7,329 | (8,035) | (157) |
| Telepizza Shanghai S.A. | Shanghai | 100.00% | 100 | 1 | (33) | 68 |
| Telepizza Andina (3) | Lima | 100.00% | 5,786 | (58) | (712) | 5,016 |

*(1) Audited*
*(2) The main companies of the subgroup have been audited*
*(3) Unaudited*
*(4) Dormant companies*

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2014, in conjunction with which it should be read.

FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Directors' Report

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

**DR starts here The Group's Position and Business Performance**

In 2014 the macroeconomic context of our main market, **Spain**, was characterised by a slight improvement in the main economic indicators.

The country's GDP has witnessed an upturn of 1.4% in 2014 after having shrunk by 1.2% in 2013. . The trend for the year has been one of improvement, with GDP having grown by 2.0% in the last quarter. Household spending is estimated to have risen by 2.3% in 2014, compared with the 2.1% decrease in 2013.

The unemployment rate has slightly improved, falling from 26.4% in 2013 to 24.4% in 2014. Deflation stood at 0.2% at the end of 2014.

These signs of recovery are expected to continue throughout 2015, and all the above indicators are set to improve.

Euribor (the principal benchmark rate for mortgage loans) remained at consistently low levels throughout 2014, standing at 0.33% at year end, compared to 0.54% at the end of 2013.

The **Portuguese** economy has seen a slowdown in recent years and suffered the effects of various measures aimed at reducing the public deficit which had a negative effect on consumer confidence and total expenses. However, the improvements forecast in the main economic indicators began to emerge in 2013. Portugal's GDP is estimated to have grown by 1.7% in 2014 compared with a 1.4% shrinkage in 2013. Household spending is expected to rise by 2.1% in 2014, compared to the 3.3% fall in 2013. The unemployment rate saw an improvement, having declined from 15.3% to 14.2% year-on-year. Lastly, price increases have been brought under control, with inflation reaching -0.2%, compared to 0.4% in 2013. This positive trend is expected to be maintained throughout 2015.

The **Polish** economy maintained its growth in 2014, with a 3.3% increase in GDP, compared with the 1.7% rise in 2013. The unemployment rate also improved during the year, decreasing from 10.3% in 2013 to 9.1% in 2014. Lastly, the CPI declined from 0.9% in 2013 to 0.1% in 2014. This positive trend is expected to be maintained throughout 2015.

The **Chilean** GDP continued to grow in 2014, albeit to a lesser extent than in the prior year, as GDP growth is estimated at 1.9% for 2014, compared with the 4.2% rise in 2013. Household spending also rose by a further 0.9%, compared to the 5.5% increase in 2013. The unemployment rate at year end was 6.5%, similar to that for 2013. Inflation for 2014 stood at 4.5% in 2014. Growth in 2015 is expected to be similar to that witnessed in 2013.

GDP in **Colombia** has continued to rise, and is expected to grow by 5%, slightly faster than in 2013. The unemployment rate in 2014 has been estimated at 9.1%. The growth in household consumption is estimated at 5.2%, slightly higher than in 2013. Inflation for the year was 3.7%. This positive trend is expected to be maintained throughout 2015.

**Peru**, where the Group began operating in 2011, also presents a trend of macroeconomic growth. GDP grew by 2.6% in 2014. Household consumption is estimated at 4.3%. Inflation stood at 3.2% compared to 2.8% in 2012. The unemployment rate fell from 7.5% in 2013 to 6.0% in 2014. These indicators are expected to be even more optimistic in 2015.

**Ecuador**, where the Group began operating in November 2012, also presents a scenario of macroeconomic growth. GDP growth for 2014 is estimated at 4.2%, similar to that in the prior year, whilst household spending increased by 3.9%. Inflation stood at 3.7% compared to 4.3% in 2012. The unemployment rate stood at 5.0% in 2014. This growth is expected to be maintained throughout 2015.

**Activity of the Group**

Foodco Pastries Spain, S.L. is the Parent of the Foodco Group, which holds a 100% interest in the Telepizza Group.

The Group primarily carries out its activity in the prepared food home delivery sector, mainly pizza delivery, through its main brand Telepizza and also the Pizza World brand.

The activity of its subsidiaries consists of the management and operation of fast-food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2014, this activity is carried out through owned premises and franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador.

The Group also carries out its activities through master franchises in the United Arab Emirates, Guatemala, El Salvador, Panama, Bolivia and, since 2014, Russia and Angola.

The Group operates 1,268 outlets.

Through its factory in Daganzo (Madrid), Tele Pizza, S.A. produces dough and supplies ingredients to all the outlets in Spain and Portugal that are directly operated by the Telepizza Group or through its franchises.

In 2014 the Company signed a long-term strategic agreement for cheese supplies for its pizzas, whereby it sold the assets of Luxtor to Irish Dairy Board (IDB), which will supply cheese products, on an exclusive basis, to the Telepizza Group's entire network of outlets.

**Activity in the domestic market**

The Group carries out its activity through the Telepizza and Pizza World brands, and holds a leading position in the sector. Telepizza is the leader in the pizza delivery segment in Spain, positioned far ahead of its nearest competitor in terms of both size and sales (*source: TNS*).

The Group's main market is Spain, where 66.7% of the chain's sales are generated. In addition to the Telepizza brand, the Group operates the Pizza World brand in Spain.

Activity in Spain in recent years has suffered the effects of the macroeconomic environment and the crisis, which commenced in 2008, which has had a negative impact on household spending and employment. However, the main economic indicators have shown signs of improvement in 2014, with promising trends in GDP, household spending and unemployment.

During 2014 Telepizza has continued to adapt its activities and products to the competitive environment marked by restricted household spending.

The Company has been very active in adapting its marketing initiatives to the macroeconomic environment and responding to pressure from competitors.

The three new types of pizza and three special versions for specific periods launched during the year have strengthened the recognised variety of the brand.

The Group has continued its policy of theming products to both national holidays and days of the week, with such initiatives as Martes Locos (Crazy Tuesdays), which serve to strengthen the emotional bond with customers, specifically families, with greater choices for children.

The brand also strengthened its leading position in the online sales segment and continues to develop and improve its digital platforms. This purchase method is now available at virtually all of the Group's outlets in Spain.

Another strategy that has continued to have positive effects in 2014 has been to open outlets in smaller towns based on a specifically designed outlet model. This new format requires significantly lower levels of investment than the traditional format, thereby adding flexibility to the expansion strategy.

Telepizza's industrial division boasts state-of-the-art technology for manufacturing dough for pizza, which has allowed the Group to make ongoing improvements in productivity and stock management flexibility, guaranteeing a uniform, high-quality product. Within this area, the logistics platform is of particular importance as it supplies Telepizza outlets with products, making at least two or three deliveries per week.

The agreement with IDB is aimed at achieving operating efficiency and improving quality, response capabilities and flexibility in stock management for one of the Company's key ingredients. This will also enable the Company to focus its resources on its strategy of international consolidation and to diversify sales channels.

Lastly, the success of the brand is based on two key factors: the quality of the product, freshly made and to meet customers' tastes, and of the service, which covers most of Spain.

**Activity in the international market**

Activity in international markets has seen an overall positive performance.

In 2014 the Group began operating in Russia and Angola through the master franchise format.

International sales represent 33.3% of the Group's total chain sales.

Telepizza operates directly in Portugal, Poland, Chile, Colombia, Peru and Ecuador, and through master franchise agreements in Central America and the United Arab Emirates and, since late 2013, in Panama and Bolivia, as well as the markets entered into during 2014.

The strategy in these countries is based on adapting to local preferences and characteristics, as well as exporting improvements and successful strategies implemented in the domestic market.

**Group financial information**

Operating income totalled Euros 305.96 million, down 2.3% on 2013, as a result of lower sales by owned outlets.

The gross operating margin was Euros 221.24 million, 72.3% of net sales and 9.0% lower than in 2013.

Operating profit amounted to Euros 25.48 million, representing a margin of 8.3%, up 37% compared to 2013 (operating profit of Euros 40.41 million).

The costs incurred in the refinancing arranged in 2014 have led to a reduction in the Company's EBIT.

The Group's finance costs totalled Euros 69.96 million in 2014, whilst finance income amounted to Euros 3.84 million, giving a net finance cost of Euros 66.12 million, mainly due to interest on bank loans.

The consolidated loss reported by the Group is Euros 51.89 million, Euros 32.87 million lower than the loss incurred in 2013, primarily due to an accounting adjustment in 2013 to a tax credit derived from an inspection of 2007 to 2010 by the taxation authorities. This tax inspection had a very limited impact of Euros 0.5 million on cash flows.

In November 2014 the Company contracted a new instrument to hedge interest rates for an amount of Euros 205 million at a fixed rate of 1.06%. This swap became effective on 22 December 2015 and expires on 22 December 2017.

## 2. Outlook

During 2014 the Company continued to operate in a fiercely competitive environment. The green shoots of recovery emerging across Europe have been tempered by the ongoing limited household spending. However, the sales policy adopted has successfully mitigated the impact of the drop in consumer spending and in certain cases, such as Portugal, the Group has outperformed the market.

However operations in Latin America have benefited from a more favourable macroeconomic environment.

In 2014 master franchise agreements were introduced in Russia and Angola.

The measures taken to improve sales and efficiency both in 2014 and in prior years have led to a partial offset of the impact of the household spending crisis and greater competition on profits and sales, and will help the Company to achieve its targets for 2015.

In 2015 the Group aims to continue to expand its activity within the macroeconomic growth scenarios expected for all the countries in which it operates.

The main risk and uncertainty surrounding the Group's activities is the trend in household spending and the restaurant sector in each country.

**SPAIN**

The Spanish economy shows signs of moderate recovery in 2015. Current forecasts point to GDP growth of 2.2% and a rise of 2.7% in household spending.

With these improvements on the horizon, Telepizza will benefit from the experience of recent years, when changes were made to its strategy to adapt to market conditions, and from the improvements in efficiency introduced.

In 2015 Telepizza will continue to apply a sales policy based on adapting its offer to the circumstances, as well as increasing coverage through the outlet model for smaller towns and making the most of consolidated tools such as online sales, providing greater support for mobile devices, and launching new products.

**INTERNATIONAL**

In 2015, Telepizza will continue to work to strengthen its position in the international markets in which it operates, calling on its experience of managing these markets and developing the master franchise formula in new markets.

All these activities will be carried out following the basic principle of profitability.

The **Portuguese** economy is expected to improve in 2015, although the market will continue to be unfavourable as a result of the impact of the austerity measures introduced by the government. Nevertheless, growth of 1.5% in GDP is expected. Telepizza hopes to repeat the positive results obtained in the prior year thanks to its commercial strategy.

Sounds levels of continued growth in GDP and household spending are forecast in Poland. GDP and consumer spending are forecast to rise by 3.2% and 3.1%, respectively, in line with 2014. Telepizza plans to continue expanding its presence in this country.

The economies of the **LatAm** countries in which the Group operates are expected to continue to witness growth of close to 4% in terms of GDP and household spending. The Group therefore expects sales to grow as a result of its activities in this region.

## 3. R&D&i

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

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

In 2014 Telepizza launched nine three types of pizza in Spain.

The common aim of these product launches was to reinforce the idea of variety, offering something new to consumers, as well as to provide a qualitative improvement in the range of products.

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

## 4. Own shares

At 31 December 2014 no Foodco Pastries Spain, S.L. shares or rights over shares were held by any Foodco Group company and, consequently, the Group has no voting or profit-sharing rights relating to own shares.

## 5. Significant events after 31 December 2014

No significant events have occurred subsequent to the 2014 year end that are worthy of mention at the date of this directors' report.

# Foodco Pastries Spain, S.L.U.

## Consolidated Annual Accounts

December 31, 2013

## 2013 Director's Report

(With Auditors' Report Thereon)

(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

**KPMG Auditores S.L.**
Torre Europa
Paseo de la Castellana, 95
28046 Madrid

## Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Sole Shareholder of
Foodco Pastries Spain, S.L.U.

We have audited the consolidated annual accounts of Foodco Pastries Spain, S.L.U. (the Parent) and subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in note 2 to the accompanying consolidated annual accounts, the Company's directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L.U. and subsidiaries at 31 December 2013 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the applicable financial information reporting framework.

The accompanying consolidated directors' report for 2013 contains such explanations as the Directors of the Parent consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2013. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Foodco Pastries Spain, S.L.U. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Tatiana Marcinova

24 March 2014

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N.I.F. B-78510153

# FOODCO PASTRIES SPAIN, S.L.U. AND SUBSIDIARIES

Consolidated Annual Accounts and Directors' Report

31 December 2013

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2013 and 2012

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| Assets | 2013 | 2012 |
|---|---|---|
| Property, plant and equipment (note 7) | 39.311 | 47.788 |
| Goodwill (note 8) | 376.040 | 415.396 |
| Other intangible assets (note 8) | 345.714 | 352.837 |
| Other financial assets (note 9) | 23,888 | 14,227 |
| Total non-current assets | 784,953 | 830,248 |
| Inventories (note 10) | 13.454 | 13.183 |
| Trade and other receivables (note 11) | 37.830 | 39.249 |
| Other current financial assets | 370 | 186 |
| Other current assets | 3,169 | 5,445 |
| Cash and cash equivalents (note 12) | 8,798 | 24,832 |
| Subtotal current assets | 63,621 | 82,895 |
| Non-current assets held for sale (note 5) | 1,953 | 656 |
| Total current assets | 65,574 | 83,551 |
| Total assets | 850,527 | 913,799 |

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2013.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2013 and 2012

(Expressed in thousands of Euros)

| Equity and Liabilities | 2013 | 2012 |
|---|---|---|
| Share capital | 17,779 | 14,979 |
| Share premium | 236.796 | 183.596 |
| Accumulated losses | (268,595) | (183.905) |
| Translation differences | (3,795) | 3,959 |
| Equity attributable to equity holders of the Parent and total equity (note 14) | (17,815) | 18,629 |
| Borrowings (note 17 (a)) | 504,229 | 495.382 |
| Financial liabilities at fair value (note 16) | 2.329 | 2.467 |
| Capital grants (note 20) | 1,163 | 1.692 |
| Deferred tax liabilities (note 13) | 96,192 | 75.598 |
| Provisions | 237 | 237 |
| Group companies (note 28) | 192,924 | 222.891 |
| Other non-current liabilities | 3,987 | 2.476 |
| Total non-current liabilities | 801,061 | 800.743 |
| Borrowings (note 17 (b)) | 14,411 | 24,127 |
| Financial liabilities at fair value (note 16) | 14 | 4,572 |
| Trade and other payables (note 21) | 47,700 | 55,088 |
| Group companies (note 28) | 2,753 | 6,319 |
| Current tax liabilities (note 26) | 970 | 1.248 |
| Provisions (note 18) | 857 | 934 |
| Other current liabilities | 493 | 2.056 |
| Subtotal current liabilities | 67,198 | 94,344 |
| Liabilities directly associated with non-current assets held for sale (note 5) | 83 | 83 |
| Total current liabilities | 67,281 | 94,427 |
| Total equity and liabilities | 850,527 | 913,799 |

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2013

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2013 and 2012

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2013 | 2012 (*) |
|---|---|---|
| Revenues (note 22 (a)) | 326,226 | 345,824 |
| Other income (note 22 (b)) | 10,582 | 12,725 |
| Total income | 336,808 | 358,549 |
| Merchandise and raw materials used (note 10) | (74,276) | (82,398) |
| Personnel expenses (note 23) | (104,861) | (110,742) |
| Amortisation and depreciation (notes 7 and 8) | (17,456) | (20,962) |
| Other expenses (note 24) | (99,034) | (107,174) |
| Operating profit | 41,181 | 37,273 |
| Finance income | 5,530 | 1,299 |
| Finance costs | (61,999) | (72,516) |
| Other losses (note 25) | (44,376) | (22,435) |
| Loss before tax of continuing operations | (59,664) | (56,379) |
| Income tax income/(expense) (note 26) | (23,884) | 24,487 |
| Loss for the year of continuing operations | (83,548) | (31,892) |
| Loss on discontinued operations (note 5) | (1,206) | (869) |
| Loss for the year | (84,754) | (32,761) |
| Loss for the year attributable to equity holders of the Parent | | |
| Continuing operations | (83,548) | (31,892) |
| Discontinued operations | (1,206) | (869) |
| | (84,754) | (32,761) |

(*) Restated amounts

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2013.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2013 and 2012

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2013 | 2012 |
|---|---|---|
| Loss for the year | (84,754) | (32,761) |
| Other comprehensive income: | | |
| Items that will be reclassified to profit or loss | | |
| Translation differences on financial statements of foreign operations | (7,754) | 3,091 |
| Comprehensive losses for the year | (92,508) | (29,670) |
| Total comprehensive income attributable to equity holders of the Parent | (92,508) | (29,670) |

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2013

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended
31 December 2013 and 2012

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss for the year before tax | (59,664) | (57,232) |
| *Adjustments for:* | | |
| Amortisation and depreciation (notes 7 and 8) | 17,457 | 21,269 |
| (Reversal of) impairment losses (notes 7 and 8) | 2,112 | 18,637 |
| Changes in provisions for non-current liabilities | - | 108 |
| Exchange gains/losses | - | 1,660 |
| Finance income | (5,530) | (1,820) |
| Finance costs | 61,999 | 71,521 |
| Losses on disposal of property, plant and equipment and other losses (note 25) | 42,264 | 3,766 |
| Deferred capital grants (note 20) | (529) | (328) |
| Change in fair value of financial assets | - | 1,545 |
| | 58,109 | 59,125 |
| Change in working capital | | |
| (Increase)/decrease in inventories | (271) | 656 |
| (Increase)/decrease in trade and other receivables | 1,419 | (10,260) |
| (Increase)/decrease in financial assets | (184) | - |
| (Increase)/decrease in other current assets | (3,498) | (641) |
| Assets held for sale and discontinued operations | 430 | - |
| Increase/(decrease) in trade and other payables | (7,388) | 10,214 |
| Increase/(decrease) in trade provisions | (77) | - |
| Increase/(decrease) in other current liabilities | (1,563) | 1,011 |
| Increase/(decrease) in non-current liabilities held for sale and discontinued operations | - | 1,193 |
| | (11,132) | 2,174 |
| Cash generated from operations | | |
| Income tax paid | (3,568) | (2,290) |
| Post-tax loss on discontinued operations | (1,206) | - |
| | (4,774) | (2,290) |
| Net cash from operating activities | 42,203 | 59,009 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment and intangible assets | 4,537 | - |
| Acquisition of property, plant and equipment (note 7) | (12,481) | (12,123) |
| Acquisition of intangible assets (note 8) | (1,265) | (2,312) |
| Acquisition of goodwill (note 8) | (1,375) | (690) |
| Net cash from investing activities | (10,584) | (15,125) |
| Cash flows from financing activities | | |
| Decrease in other non-current financial assets | (9,661) | (5,829) |
| Increase/decrease in other non-current liabilities | 1,511 | - |
| Decrease in financial debt | (15,355) | (13,588) |
| Interest received | 834 | 1,820 |
| Interest paid | (25,046) | (31,421) |
| Changes in reserves | 64 | (431) |
| Net cash generated by financing activities | (47,653) | (49,449) |
| Decrease in cash and cash equivalents at 31 December | (16,034) | (5,565) |

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2013.

FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended
31 December 2013 and 2012

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | Share capital | Share premium | Accumulated losses | Translation differences | Total Total equity |
|---|---|---|---|---|---|
| Balances at 31/12/2011 | 14,979 | 183,596 | (150,712) | 868 | 48,731 |
| Share capital increase | - | - | - | - | - |
| Other movements | - | - | (432) | - | (432) |
| Loss for the year | - | - | (32,761) | 3,091 | (29,670) |
| Balances at 31/12/2012 | 14,979 | 183,596 | (183,905) | 3,959 | 18,629 |
| Capital increase | 2,800 | 53,200 | - | - | 56,000 |
| Other movements | - | - | 64 | - | 64 |
| Loss for the year | - | - | (84,754) | (7,754) | (92,508) |
| Balances at 31/12/2013 | 17,779 | 236,796 | (268,595) | (3,795) | (17,815) |

# FOODCO PASTRIES SPAIN, S.L. AND SUBSIDIARIES

Details of Shareholdings in Group companies
31 December 2013

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

| | Registered offices | Percentage ownership | Capital | Reserves | Profit/(loss) | Total Total equity |
|---|---|---|---|---|---|---|
| Tele Pizza S.A. (1) | Madrid | 100.00% | 7,717 | 87,043 | (2,031) | 93,005 |
| Mixor, S.A. (1) | Madrid | 100.00% | 3,215 | 3.951 | (48) | 7,118 |
| Circol, S.A. (3) | Madrid | 100.00% | 1,085 | 2.767 | 124 | 3,975 |
| Telepizza Chile Group (2) | Santiago de Chile | 100.00% | 3,065 | 37.140 | 5,509 | 45,714 |
| Telepizza Portugal Group (2) | Lisbon | 100.00% | 1,900 | 12,387 | 2,427 | 16,713 |
| Telepizza Poland Sp. Z o.o. (1) | Warsaw | 100.00% | 9,319 | (8.346) | (1,332) | 359 |
| Pizzas del Centro, S.A. de C.V. (3) (4) | Mexico City | 100.00% | 1,624 | (2.280) | - | (655) |
| Telepizza Maroc, S.A. (3) (4) | Casablanca | 100.00% | 59 | (763) | - | (704) |
| A Tu Hora, S.A. (1) | Madrid | 100.00% | 450 | (8.287) | (1,166) | (9,003) |
| Lubasto Holding, B.V. (3) | Ámsterdam | 100.00% | 27 | (125) | (9) | (107) |
| Telepizza Guatemala (3) | Guatemala | 100.00% | - | 94 | 347 | 441 |
| Luxtor, S.A. (1) | Avila | 100.00% | 6.128 | 12.675 | 7,239 | 26,042 |
| Telepizza Ecuador S.A. (3) | Quito | 100.00% | 50 | (30) | (181) | (161) |
| Cozicharme, LDA | Lisbon | 100.00% | 5 | (20.769) | (3,089) | (23,853) |
| Bazigual, SGPS,LDA | Lisbon | 100.00% | 5 | (82) | (7) | (84) |
| Inverjenos S.A.S. (1) | Bogota | 100.00% | 499 | 2,960 | (890) | 2,569 |
| Telepizza Uruguay S.A. | Montevideo | 100.00% | 10 | | 496 | 506 |
| Telepizza Shanghai S.A. | Shanghai | 100.00% | 100 | 1 | 12 | 113 |
| Telepizza Andina (3) | Lima | 100.00% | 4.383 | (977) | (737) | 2,669 |

*(1) Audited*
*(2) The main companies of the subgroup have been audited*
*(3) Unaudited*
*(4) Dormant companies*

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2013, in conjunction with which it should be read.

FOODCO PASTRIES SPAIN, S.L.U.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2013
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Foodco Pastries Spain, S.L. (the Company) was incorporated with limited liability under Spanish law on 11 May 2005 under the name of Bahíaflora Inversiones, S.L. On 30 June 2005 the Company changed its name to the current one. The Company's registered offices are located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, Madrid.

The Company's statutory activity consists of the incorporation and the direct or indirect management and control of other companies; the acquisition, disposal, holding and operation of properties, vehicles of all types and eras, ceramic objects for all manner of applications and uses, minerals of all types and values, all kinds of intellectual works, such as literary, scientific, audiovisual, musical, translations, computer programs and photographs; securities in general, excluding activities attributed exclusively to other entities by special legislation and, particularly, the Securities Market Law; the negotiation and operation of patents, trademarks, licences, know-how and copyrights; brokerage in commercial, business and real estate operations not restricted by law to certain entities or professionals; and the rendering of all related services. The Company may carry out all or part of these activities indirectly through ownership of shares or interests in companies with a similar or identical statutory activity. All activities with special legal requirements which cannot be met by the Company are excluded from this activity.

The principal activity of Foodco Pastries Spain, S.L.U. is the holding of the interest in Tele Pizza, S.A., the indirect holding of other investees thereof and the rendering of corporate and strategic management-related services on behalf of Tele Pizza, S.A.

The principal activity of Tele Pizza, S.A. and its subsidiaries (the tele Pizza Group) consists of the management and operation of fast-food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2013, this activity is carried out through premises owned by the Company and franchises located mainly in Spain, Portugal, Poland, Chile, Guatemala, Colombia and Peru. Other activities include the production of dairy products derived from cheese and holding shares. Through its factory in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain that are directly operated by the Telepizza Group or through its franchises.

The franchise activity consists mainly of advising on the management of outlets owned by third parties that operate under the Telepizza and Pizza World brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group focuses its activity on promotional and advertising activities for all the outlets operating under the aforementioned brand names in Spain.

The subsidiaries and sub-groups comprising the Foodco Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2013, are included in Appendix I attached hereto, which forms an integral part of this note. At 31 December 2013 and 2012 none of the Group companies are listed on the stock exchange. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

The Company is a solely-owned subsidiary of Telefood, S.à.r.l. (see note 14). Consequently, the Company is a solely-owned company, as defined by relevant legislation, and has been filed as such at the Mercantile Registry. Contracts entered into by the Company and its sole shareholder relate to two loans, a participating loan and a subordinated loan (see note 28).

## (2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Foodco Pastries Spain, S.L. and of the consolidated companies. The consolidated annual accounts for 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Foodco Pastries Spain, S.L. and subsidiaries at 31 December 2013 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The directors of the Parent consider that the accompanying consolidated annual accounts, authorised for issue on 5 March 2014, will be approved with no changes by the sole shareholder.

### (a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on the historical cost basis, except for the following:

- Derivative financial instruments, which are recognised at fair value.
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### (a) Judgements and accounting estimates used

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

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

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).

- The Group tests goodwill and the brand for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Cash flow discounting calculations are based on the 5-year projections of the budgets approved by management. The flows take into consideration past experience and represent management's best estimate of future market performance. Cash flows subsequent to the fifth year are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

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

- The Group capitalises the tax credits it considers likely to be offset in the foreseeable future based on business plans for each tax jurisdiction in which it operates.

- Although estimates are calculated by the Company's directors based on the best information available at 31 December 2013, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated group

Proyburgos was sold in 2013.

During 2012 Telepizza Ecuador and Telepizza Shanghai were incorporated and have been included in the consolidated Group.

(d) New standards and interpretations

*Standards and interpretations effective since 2013*

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2013 as these changes deal with types of transaction not carried out by the Group.

*Standards and interpretations issued and not applied*

At the date of publication of these consolidated annual accounts, the following IFRS, amendments and IFRIC interpretations have been issued, although their application is not compulsory:

- IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014.
- IAS 28 Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2014.
- IAS 32 Financial instruments: Presentation: Amendment to disclosures regarding the settlement of financial assets and financial liabilities. The standard applies to years starting on or after 1 January 2014.
- Amendment to IAS 39: Novation of derivatives and continuation of hedge accounting. Effective for annual periods beginning on or after 1 January 2014.

The Group has not early adopted any of these standards and is currently analysing the impact of applying these standards, rectifications and interpretations. Based on its analyses to date, the Group estimates that first-time application will not have a significant impact on the consolidated annual accounts.

The Group has opted not to apply prospectively any of the IFRS already issued which have not yet come into effect.

(e) Comparative information

The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2013 include comparative figures for 2012, which formed part of the annual accounts approved by the sole shareholder on 28 June 2013.

The balances in the consolidated income statement for 2012 have been restated in order to making them comparable with the figures for 2013 as the Group classified certain operations as discontinued operations in the consolidated income statement for 2012, as described in note 5.

### (f) Functional and presentation currency

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

## (3) Application of Parent's Losses

The board of directors of the Parent will propose to the sole shareholder at the annual general meeting that the Euros 44,256,690 loss for the year ended 31 December 2013 be carried forward as accumulated losses.

## (4) Significant Accounting Principles

### (a) Subsidiaries

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Information on subsidiaries forming the consolidated Group is included in Appendix I of note 1.

Transactions and balances with group companies and significant unrealised gains or losses have been eliminated upon consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred. The subsidiaries' accounting policies have been adapted to Group accounting policies, for like transactions and other events in similar circumstances.

The reporting date and period of the financial statement of the subsidiaries used in the consolidation process coincide with the financial statements of the Parent.

(b) Business combinations

As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 "Business combinations" revised in 2008 to transactions carried out as of 1 January 2010.

The Group applies the purchase method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree.

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

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

Assets and liabilities assumed are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, operating or accounting policies and other factors that exist at the acquisition date, except for leases and insurance contracts.

The excess between the consideration transferred, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Where applicable, any shortfall, after evaluating the consideration transferred, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

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

(c) Foreign currency transactions and balances

Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in Euros, the parent's functional and presentation currency, rounded off to the nearest thousand.

Foreign currency transactions, balances and cash flows

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

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

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

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

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

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

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

Translation of foreign operations

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

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

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

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

(d) Property, plant and equipment

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

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

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

Property, plant and equipment are depreciated by allocating the acquisition cost less the residual value on a straight-line basis over their estimated useful lives, as follows:

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

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

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

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

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

(e) Intangible assets

Goodwill

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

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the stores in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

Intangible assets acquired in business combinations

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

In 2006 the Group acquired the Telepizza brand name through this business combination. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

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

- *Computer software*

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

Computer software maintenance costs are expensed as incurred.

Useful life and amortisation rates

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

In 2009 the Group re-estimated the useful life of the Telepizza brand and of other intangible assets arising from contractual rights obtained in the merger with Medimosal, S.L.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the Telepizza brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

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

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

| | |
|---|---|
| Contractual rights | 30 |
| Customer databases | 11 |
| Patents and licences | 4 |
| Leaseholds | 10 |
| Computer software | 4 |
| Administrative concessions | Operating term |

The depreciable amount of intangible assets is measured as the cost of the asset, less any residual value. The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

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

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

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

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

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell or disposal costs and are not depreciated. Impairment losses on initial classification and subsequent remeasurement of assets classified as held for sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

A gain on increases in the fair value less costs to sell or disposal costs (either due to remeasurement of fair value less costs to sell or disposal costs or to impairment losses that occurred before classification of the asset as held for sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

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

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

(ii) *Discontinued operations*

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less costs to sell or distribute or disposal costs or on the disposal of the assets or disposal group(s) constituting the discontinued operation on the face of the consolidated income statement (consolidated statement of comprehensive income). The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 5).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

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

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

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

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

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

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

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

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

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

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

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

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

(h) Leases

(i) Lessor accounting records

The Group, as lessor, transfers the right to use certain storage facilities and commercial premises to third parties through operating leases.

Leases which do not transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as operating leases.

The Group assesses the economic substance of contracts to identify any implicit leases. A contract is or contains a lease if compliance with the agreement depends on the use of a specific asset or assets. In these cases, at the inception of the lease the Group separates the payments receivable and considerations relating to the lease from those for the rest of the items included in the agreement, based on their fair values. Lease payments are recognised by applying the criteria set out in this note.

Assets leased to third parties under operating lease contracts are classified according to their nature, applying the accounting policies set out in note 4 (d).

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

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

Contingent rents are recognised as income when it is probable that they will be received.

(ii) Lessee accounting records

The Group also has rights to use certain properties through lease contracts.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- *Finance leases*

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(i) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss and loans and other receivables. Investments are classified based on the purpose for which they were acquired and the characteristics of the instruments.

Acquisitions and sales of financial assets are accounted for at the trading date, when the Group undertakes to purchase or sell the asset.

Financial assets and financial liabilities at fair value through profit or loss

The Group has classified in this category derivative financial instruments held for trading which are not designated as hedging instruments as they do not meet the conditions to be considered effective.

Financial assets are recognised at fair value. Transaction costs directly attributable to the acquisition are recorded as an expense in the consolidated income statement.

Unrealised and realised gains and losses arising from changes in fair value are recognised in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of not discounting is immaterial, are measured at their nominal amount.

Impairment

At each reporting date the Group assesses whether objective evidence exists of the impairment of a financial asset or group of financial assets, as a result of one or more events occurring subsequent to the initial recognition of the asset with an impact on the estimated future cash flows associated with the financial asset or group of financial assets, if this can be reliably estimated.

The Group recognises impairment of loans and receivables when estimated future cash flows are reduced or delayed due to debtor insolvency. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the provision. Reversals of impairment are also recognised against the provision.

In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss and can be reversed in subsequent years if the decrease in the impairment loss can be related objectively to an event occurring after the impairment was recognised. However, the loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recorded.

Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any gain or loss deferred in recognised income and expense within other comprehensive income, is recognised in profit or loss.

(j) Inventories

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

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

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

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

Sales returns are recognised at purchase price, except where the net realisable value is lower, in which case they are recognised at that amount.

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

Income from grants on assets for production is not recognised as a reduction in the production cost of inventories.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials and other supplies: weighted average cost.

- Finished goods and work in progress: the weighted average cost of raw materials and other supplies, including the costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

- Goods for resale: weighted average acquisition cost.

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

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

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

- Work in progress: the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and the revised net realisable value of the inventories.

(k) Cash and cash equivalents

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

The Group classifies cash flows from interest received and paid under financing activities.

(l) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as held for trading or financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs. After initial recognition, liabilities classified under this category and external financing are measured at amortised cost using the effective interest method

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

A financial liability, or part of a financial liability, is derecognised when the Group has settled the obligations stipulated in the contract, or when these have been extinguished or have expired.

Reverse factoring

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised in the consolidated statement of financial position as trade payables factored by financial institutions in trade and other payables until they have been settled, extinguished or have expired.

The consideration given by the financial institutions in exchange for trade notes and invoices supporting Group payables is recorded in other income in the consolidated statement of comprehensive income.

(m) Interest rate swaps

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

Hedge accounting has not been applied to these financial instruments as they do not meet the conditions to be considered effective. Changes in the fair value of these derivatives are therefore recognised in profit and loss as finance expenses under change in fair value of financial instruments.

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

- Capital grants: non-refundable government grants awarded as monetary assets are initially recorded under liabilities at the original amount received or at fair value. Income from capital grants is recognised under other income on a straight-line basis over the useful life of the items of property, plant and equipment for which the grants have been received.

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

(o) Employee benefits

Termination benefits

Termination benefits are recognised at the earlier of either the date when the Group may no longer withdraw the offer or when the costs of a restructuring entailing the payment of termination benefits are recognised.

With regard to termination benefits resulting from the decision of an employee to accept an offer, it is considered that the Group may no longer withdraw the offer either when the employee accepts the offer or when a restriction arises on the Group's ability to withdraw the offer, whichever occurs sooner.

With regard to termination benefits for involuntary redundancies, it is considered that the Group may no longer withdraw the offer when it has informed the affected employees or the trade union representatives of the plan and when the actions required to implement the redundancy would not suggest any significant deviations from the plan, which stipulates the number of employees to be terminated, their professional category or functions, place of employment, expected termination date and termination benefits that they will receive in sufficient detail for them to determine the type and amount of the remuneration they will receive when they are dismissed.

If the Group expects to settle the termination benefits in full within twelve months of the reporting date, the liability is discounted using the market yield on high quality corporate bonds.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which are expected to be settled within twelve months after the end of the period in which the employees render the service for which this right was accrued.

Short-term employee benefits are reclassified to long-term if the characteristics of the remuneration are changed or if there is a definitive change in the expected settlement date.

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

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

(p) Provisions

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

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

The tax effect and gains on the expected disposals of assets are not taken into account in measuring a provision.

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

(q) Revenue recognition

Revenue from the sale of goods or provision of services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. When sales discounts are considered likely to be disbursed at the revenue recognition date, they are accounted for as a decrease in revenue.

Sales of goods to customers in cash or sales to franchises and income from services rendered are recognised when the Group sells the product or renders the service.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

The Group does not have significant volumes of product returns.

(r) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination, and that transaction or event will have no impact on profit or loss or on any equity accounts.

Current tax is the estimated amount of income tax payable or recoverable in respect of the consolidated taxable income or consolidated tax loss for the year. Current tax assets or liabilities are measured using enacted tax rates and tax laws.

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

Since 1 January 2007 Foodco Pastries Spain, S.L. has been the parent of a tax group, as defined by the consolidated tax regime, which comprises Tele Pizza, S.A., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2011.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.

- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated Group companies, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(iii) Measurement

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

The carrying amounts of deferred tax assets are reviewed by the Group at each reporting date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilised.

Deferred tax assets that do not meet these conditions are not recognised in the consolidated statement of financial position. At the end of each reporting period, the Group reassesses unrecognised deferred tax assets.

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

(iv) Offset and classification

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

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right, when they relate to income taxes levied by the same taxation authority and on the same taxable entity and when the taxation authority permits the Group to make or receive a single net payment, or to recover the assets and settle the liabilities simultaneously in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

(s) Segment reporting

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

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

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

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

(u) Environmental issues

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

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

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

(5) Discontinued Operations

The Group has classified certain assets and liabilities as held for sale as they are expected to be sold in 2014. These assets are mainly outlets located in Spain, Chile and Colombia.

Details of assets and liabilities held for sale and other comprehensive income in relation to the discontinued operation are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| *Assets held for sale:* | | |
| Technical installations and machinery | 1,629 | 490 |
| Other property, plant and equipment | 166 | 46 |
| Other intangible assets | 125 | 120 |
| Inventories | 33 | - |
| Total assets | 1,953 | 656 |
| *Liabilities directly associated with non-current assets held for sale:* | | |
| Other current liabilities | 83 | 83 |
| Total liabilities | 83 | 83 |

Details of the post-tax loss of discontinued operations disclosed in the consolidated statement of comprehensive income are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Revenues | 4,193 | 5,064 |
| Expenses | (5,399) | (5,934) |
| Pre-tax loss of discontinued operations | (1,206) | (869) |

(6) Business Combinations

During 2013 the Group acquired one outlet in Spain, three in Portugal and two in Chile, while in 2012 it acquired two outlets in Portugal.

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

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Cost of the combination, cash paid | 1,612 | 562 |
| Less, fair value of net assets acquired | (237) | (57) |
| Goodwill (note 8) | 1,375 | 505 |

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## (7) Property, Plant and Equipment

Details of and movement in property, plant and equipment 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 under construction | Other property, plant and equipment | Total |
| Cost | | | | | | |
| Balance at 31/12/2011 | 12,666 | 141,393 | 15,796 | 473 | 19,326 | 189,654 |
| Additions | 1,421 | 7,686 | 842 | 236 | 1,851 | 12,036 |
| Disposals | (1,481) | (10,805) | (1,141) | (34) | (1,994) | (15,455) |
| Other transfers | (31) | 297 | 40 | (215) | 25 | 116 |
| Exchange gains | 512 | 1,607 | 361 | 25 | 313 | 2,818 |
| Balances at 31/12/2012 | 13,087 | 140,178 | 15,898 | 485 | 19,521 | 189,169 |
| Additions | 354 | 8,106 | 2,067 | 195 | 1,759 | 12,481 |
| Disposals | (2,303) | (20,149) | (1,686) | (42) | (5,029) | (29,209) |
| Transfers to assets held for sale | - | (2,393) | (225) | - | (29) | (2,647) |
| Other transfers | (732) | 744 | (155) | (57) | 200 | - |
| Exchange losses | (756) | (1,945) | (511) | (7) | (485) | (3,704) |
| Balances at 31/12/2013 | 9,650 | 124,541 | 15,388 | 574 | 15,937 | 166,090 |
| Depreciation or impairment | | | | | | |
| Depreciation at 31/12/2011 | (6,304) | (100,012) | (10,507) | (6) | (15,390) | (132,219) |
| Impairment at 31/12/2011 | - | (1,376) | - | | | (1,376) |
| Depreciation for the year | (639) | (8,894) | (1,507) | - | (1,950) | (12,990) |
| Disposals | 701 | 8,412 | 950 | - | 1,727 | 11,790 |
| Other transfers | 29 | (29) | 146 | 2 | (148) | - |
| Exchange losses | (240) | (958) | (159) | (2) | (188) | (1,547) |
| Impairment | - | (4,934) | (12) | - | (93) | (5,039) |
| Depreciation at 31/12/2012 | (6,453) | (101,481) | (11,077) | (6) | (15,949) | (134,966) |
| Impairment at 31/12/2012 | - | (6,310) | (12) | - | (93) | (6,415) |
| Depreciation for the year | (508) | (6,263) | (1,100) | - | (1,303) | (9,174) |
| Disposals | 2,024 | 15,079 | 1,227 | 5 | 4,592 | 22,927 |
| Transfers to assets held for sale | - | 846 | 68 | - | 16 | 930 |
| Exchange gains | 465 | 967 | 431 | 1 | 167 | 2,031 |
| Impairment | (217) | (1,989) | - | - | 93 | (2,112) |
| Depreciation at 31/12/2013 | (4,472) | (90,852) | (10,451) | - | (12,477) | (118,252) |
| Impairment at 31/12/2013 | (217) | (8,299) | (11) | - | | (8,527) |
| Carrying amount | | | | | | |
| At 31/12/2011 | 6,362 | 40,005 | 5,289 | 467 | 3,936 | 56,059 |
| At 31/12/2012 | 6,634 | 32,387 | 4,809 | 479 | 3,479 | 47,788 |
| At 31/12/2013 | 4,961 | 25,390 | 4,926 | 574 | 3,460 | 39,311 |

During 2013 there have been additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets and relocation of existing outlets. There have also been additions to machinery and other property, plant and equipment mainly due to the investment in computer equipment, replacement of lighting systems as well as machinery and other property, plant and equipment in the Daganzo factory and in the subsidiary Luxtor.

During 2012 there have been additions to installations and machinery that mainly consist of investments resulting from the opening of new outlets. There have also been additions to machinery and other property, plant and equipment mainly due to the investment in computer equipment, as well as machinery and other property, plant and equipment in the Daganzo factory.

Other property, plant and equipment include the acquisition of motorcycles and IT equipment for outlets.

Disposals include property, plant and equipment used in outlets which have been franchised, closed or sold and items relating to the termination of rental contracts for certain outlets.

The Group receives government grants to finance items of property, plant and equipment (see note 20).

At 31 December 2013 and 2012 the Group has no significant commitments to acquire items of property, plant and equipment and no assets have been pledged as security.

During 2013 and 2012 the Group has recognised impairment losses of Euros 5,039 thousand and Euros 2,111 thousand, respectively. This loss is basically due to the impairment of assets used in operations in the Group's outlets. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each store. The main assumptions employed to project cash flows are detailed in note 8.

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

Details of the cost of fully depreciated property, plant and equipment at 31 December 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Technical installations and machinery | 55,919 | 58,086 |
| Other | 15,255 | 18,040 |
| | 71,174 | 76,126 |

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Property, plant and equipment held under finance leases at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Cost of items held under finance leases | 4,372 | 2,792 |
| Accumulated depreciation and impairment losses | (1,274) | (1,169) |
| Carrying amount | 3,098 | 1,623 |

Details of the main terms of finance leases in force at 31 December 2013 are as follows:

| | | | Thousands of Euros | | |
|---|---|---|---|---|---|
| Asset | Contract date | Number of monthly payments | Cash value | Amount of each instalment | Purchase option |
| Commercial premises | 03/92-12/03 | 120-180 | 1.623 | 26 | 125 |
| Less, accumulated depreciation | | | (1.274) | | |
| Total | | | 349 | | |
| Machinery and other | 12/13 | 41-56 | 2.749 | 95 | 26 |
| Less, accumulated depreciation | | | - | | |
| Total | | | 2,749 | | |

A summary of the liabilities resulting from these operations at 31 December 2013 and 2012 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Total liability under the contracts | 6,254 | 3,505 |
| Payments made | | |
| In prior years | (3,426) | (3.235) |
| During the year | (79) | (191) |
| Finance lease payables (note 17 (a) and (b)) | 2,749 | 79 |

Details of assets leased out to third parties under operating leases at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Cost | 6,352 | 6,591 |
| Accumulated depreciation at 1 January | (5,448) | (4,641) |
| Depreciation charge for the year | (196) | (1,034) |
| Carrying amount | 708 | 916 |

The Group does not have any significant unused property, plant and equipment.

Future minimum payments receivable under non-cancellable operating leases are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Less than one year | 812 | 386 |
| One to five years | 6,959 | 1,152 |
| Over five years | 15,081 | 734 |
| | 22,852 | 2,272 |

## (8) Intangible Assets

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

| | Thousands of Euros |
|---|---|
| Cost | |
| Balance at 31/12/2011 | 430,272 |
| Goodwill on business combinations for the year (note 6) | 505 |
| Exchange gains | 92 |
| Disposals | (1,875) |
| Impairment losses for the year (note 25) | (13,598) |
| Balance at 31/12/2012 | 415,396 |
| Goodwill on business combinations for the year (note 6) | 1,375 |
| Exchange losses | (209) |
| Disposals | (1,621) |
| Impairment losses for the year (note 25) | (38,901) |
| Balance at 31/12/2013 | 376,040 |

Details of goodwill by country at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Spain | 264,516 | 283,853 |
| Portugal | 61,858 | 81,357 |
| Poland | 4,620 | 4,620 |
| Chile | 36,633 | 37,142 |
| Colombia | 8,144 | 8,144 |
| Other | 269 | 280 |
| | 376,040 | 415,396 |

The amount of a CGU is determined using calculations of its value in use. These calculations are based on the cash flow projections from the five-year financial budgets approved by the Parent's management. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the CGU operates.

The discount rate assumption used when calculating value in use is as follows:

| | Spain | Portugal | Chile | Poland | Colombia |
|---|---|---|---|---|---|
| Discount rate | 9.25% | 11.40% | 9.50% | 9.50% | 9.50% |
| Rate of growth of income in perpetuity | 1.8% | 1.5% | 2.05% | 1.60% | 1.88% |

To calculate the value in use of the different CGUs over the five-year budget period, the directors used net revenue growth rates of between 0% and 5%, without considering any outlet openings or acquisitions and depending on the features of each market.

These assumptions have been used to analyse each CGU within the business segment.

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

Details of other intangible assets and movement are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Concessions, patents and licences | Trademarks | Contractual and other rights | Other intangible assets | Computer software | Total |
| Cost | | | | | | |
| Balances at 31/12/2011 | 1,265 | 253,502 | 151,359 | 709 | 17,678 | 424,513 |
| Additions | 60 | - | | 41 | 2,211 | 2,312 |
| Disposals | (5) | - | - | (36) | (79) | (120) |
| Other transfers | (116) | | - | 4 | (4) | (116) |
| Exchange gains | 5 | - | - | 3 | 165 | 173 |
| Balances at 31/12/2012 | 1,209 | 253,502 | 151,359 | 721 | 19,971 | 426,762 |
| Additions through business combinations | 70 | - | - | - | 1,195 | 1,265 |
| Disposals | (6) | - | - | (57) | (140) | (203) |
| Other transfers | - | - | - | (19) | 19 | |
| Transfers to assets held for sale | - | - | - | - | (13) | (13) |
| Exchange losses | (3) | - | - | (13) | (247) | (263) |
| Balances at 31/12/2013 | 1,270 | 253,502 | 151,359 | 632 | 20,785 | 427,548 |
| Amortisation or impairment | | | | | | |
| Amortisation at 31/12/2011 | (755) | (18,526) | (33,025) | (655) | (12,700) | (65,662) |
| Impairment at 31/12/2011 | (8) | - | - | - | - | (8) |
| Amortisation for the year | (132) | | (5,818) | (5) | (2,322) | (8,277) |
| Disposals | - | - | - | 52 | 79 | 131 |
| Exchange losses | - | | - | (1) | (108) | (109) |
| Amortisation at 31/12/2012 | (885) | (18,526) | (38,844) | (609) | (15,051) | (73,917) |
| Impairment at 31/12/2012 | (8) | - | - | - | - | (8) |
| Amortisation for the year | - | - | (5,960) | (5) | (2,317) | (8,282) |
| Disposals | 6 | - | | 57 | 140 | 203 |
| Transfers to assets held for sale | - | - | | | 3 | 3 |
| Exchange gains | - | - | 6 | 2 | 157 | 165 |
| Amortisation at 31/12/2013 | (879) | (18,526) | (44,798) | (555) | (17,068) | (81,826) |
| Impairment at 31/12/2013 | (8) | - | - | - | - | (8) |
| Carrying amount | | | | | | |
| At 31/12/2011 | 502 | 234,976 | 118,333 | 54 | 4,978 | 358,843 |
| At 31/12/2012 | 314 | 234,976 | 112,515 | 85 | 4,920 | 352,837 |
| At 31/12/2013 | 383 | 234,976 | 106,561 | 77 | 3,717 | 345,714 |

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the Telepizza brand. The original value of this asset is Euros 247,028 thousand and its carrying amount is Euros 228,502 thousand at 31 December 2013 and 2012.

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the net value of the goodwill recognised.

Details of residual amortisation, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

| | Euros | | | |
|---|---|---|---|---|
| Description of the asset | Remaining useful life | Amortisation for the year | Accumulated amortisation | Carrying amount |
| 2013 | | | | |
| Telepizza brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 23 | 4,296 | 37,698 | 98,817 |
| | | 4,296 | 56,224 | 327,319 |
| 2012 | | | | |
| Telepizza brand | Indefinite | - | 18,526 | 228,502 |
| Contractual rights | 24 | 4,296 | 33,402 | 103,113 |
| | | 4,296 | 51,928 | 331,615 |

At 31 December 2013 and 2012 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Computer software | 11,104 | 9,628 |
| Other | 1,085 | 1,066 |
| | 12,189 | 10,694 |

## (9) Total non-current financial assets

Details of non-current financial assets at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Deposits and guarantees | 6,102 | 5,846 |
| Non-current trade receivables | 16,385 | 6,601 |
| Other loans and receivables | 1,401 | 1,670 |
| Other financial assets | - | 110 |
| | 23,888 | 14,227 |

Non-current receivables correspond mainly to amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

## (10) Inventories

Details at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Merchandise | 9,307 | 8,679 |
| Raw materials | 2,365 | 3,019 |
| Finished goods | 1,782 | 1,485 |
| Total inventories | 13,454 | 13,183 |

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

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Net purchases | 74,580 | 81,742 |
| Change in inventories | (304) | 656 |
| | 74,276 | 82,398 |

At 31 December 2013 and 2012 the Group had no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

## (11) Trade and Other Receivables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Trade receivables | 33,765 | 33,719 |
| Other receivables | 4,408 | 5,648 |
| Public entities | 5,896 | 5,400 |
| Impairment | (6,239) | (5,518) |
| Trade and other receivables | 37,830 | 39,249 |

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

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

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| *Current* | | |
| Balance at 1 January | (5,518) | (5,414) |
| Charge | (721) | (549) |
| Application/reversal | - | 445 |
| Balance at 31 December | (6,239) | (5,518) |

## (12) Cash and Cash Equivalents

Details at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Cash in hand and at banks | 8,798 | 16,932 |
| Current bank deposits | - | 7,900 |
| Cash and cash equivalents | 8,798 | 24,832 |

Cash surpluses have been invested in daily and weekly deposits in monetary assets (REPOS, Eurodeposits and promissory notes) at average market rates.

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.

(13) Deferred Taxes

Details of deferred tax assets are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| Deferred tax assets | Non-deductible provisions | Tax credits and deductions | Other | Total |
| Balances at 31/12/2011 | 2.192 | 3.356 | 1.128 | 6.676 |
| Taken to the income statement (note 26) | 129 | 25.704 | (373) | 25.460 |
| Balances at 31/12/2012 | 2,321 | 29.060 | 755 | 32.136 |
| Taken to the income statement (note 26) | (1,952) | (20,212) | (207) | (22.371) |
| Balances at 31/12/2013 | 369 | 8,848 | 548 | 9.765 |

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards incurred by the Parent and the subsidiaries Tele Pizza, S.A. and A Tu Hora, S.A.

At 31 December 2013 the Group has not recognised deferred tax assets in respect of non-deductible interest for the following amounts with the following deadlines:

| | Thousands of Euros | |
|---|---|---|
| Year | Amount | Final year |
| 2013 | 52,643 | 2030 |
| 2012 | 38,044 | 2031 |
| | 90,676 | |

In 2012 all tax credits for tax loss carryforwards were recognised and in 2013 they have been partially offset.

Details of deferred tax liabilities are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| Deferred tax liabilities | Accelerated depreciation | Intangible assets | Other | Total |
| Balances at 31/12/2011 | 2,167 | 106,347 | 199 | 108.713 |
| Taken to the income statement (note 26) | 566 | (1,440) | (105) | (979) |
| Balances at 31/12/2012 | 2,733 | 104.907 | 94 | 107.734 |
| Taken to the income statement (note 26) | (1.237) | (1.144) | 604 | (1.777) |
| Balances at 31/12/2013 | 1.496 | 103.763 | 698 | 105.957 |

## (14) Equity

In 2013 the Company increased its share capital by Euros 2,800,000, with a share premium of Euros 53,200,000, by creating 56,000 new shares of Euros 50 par value each with a share premium of Euros 950 each, in accordance with the sole shareholder's decision of 2 August 2013. The shares were subscribed and fully paid by the sole shareholder, by partially capitalising the Euros 56,000,000 participating loan extended by the latter (see note 28).

### (a) Capital

Share capital is comprised of 355,589 shares (299,589 at 31 December 2012) of Euros 50 par value each, fully subscribed by Telefood, S.à.r.l., with registered offices in Luxembourg (see note 1).

Share capital was Euros 17,779,450 at 31 December 2013 and Euros 14,979,450 at 31 December 2012.

Like other groups in the sector, Foodco controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by total capital. Net debt is the sum of financial debt less cash and cash equivalents. EBITDA is calculated as operating profit plus depreciation and amortisation. Ratios in 2013 and 2012 are calculated as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Total debt | 618,328 | 610,933 |
| Less: Cash and cash equivalents | (8,798) | (24,832) |
| Net debt | 609,530 | 586,101 |
| EBITDA | 58,638 | 57,718 |
| Debt ratio | 10.39 | 10.15 |

The financing contract entered into by the Group with financial institutions described in note 17 (a) requires the Company to comply with certain covenants. Details are as follows:

- Cash flow hedge: calculated by dividing the Group's consolidated cash flow by net debt service for a certain period, the latter referring to interest paid by the Group less interest received during the year.

- Debt coverage: obtained by dividing net debt by consolidated EBITDA (excluding exceptional and/or non-recurrent income and expenses).

- Interest coverage: EBITDA (excluding exceptional and/or non-recurrent income and expenses) divided by consolidated net interest expense.

The Company complies with all these ratios at 31 December 2013 and 2012.

(b) Share premium

At 31 December 2013 and 2012 this premium is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than share capital.

(c) Other reserves

Legal reserve

The Company is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2013 and 2012 the Parent has not appropriated any amount to this legal reserve.

Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

## (15) Loss per Share

(a) Basic

Basic losses per share are calculated by dividing the profit for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

| | Euros | |
|---|---|---|
| | 2013 | 2012 |
| Loss for the year attributable to equity holders of the Parent (in Euros) | (84,753,784) | (32,761,973) |
| Weighted average number of ordinary shares outstanding (in number of securities) | 323,063 | 299,589 |
| Basic loss per share (in Euros) | (262.34) | (109.35) |

(b) Diluted

At 31 December 2013 and 2012 the diluted loss per share is the same as the basic loss per share.

(16) Current and Non-Current Financial Liabilities

Details of derivative financial instruments measured at fair value at 31 December 2013 and 2012 are as follows:

| 2013 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Interest rate derivatives* | | | |
| Interest rate swaps | (325,000) | (2,329) | (14) |
| Total derivatives at fair value through profit or loss | (325,000) | (2,329) | (14) |

| 2012 | | Thousands of Euros | |
|---|---|---|---|
| | | Fair values | |
| | | Liabilities | |
| | Notional amount | Non-current | Current |
| *Interest rate derivatives* | | | |
| Interest rate swaps | (350,000) | (2,467) | (4,572) |
| Total derivatives at fair value through profit or loss | (350,000) | (2,467) | (4,572) |

On 14 September 2012 the Group arranged a new interest rate swap which expires on 22 December 2015 for an initial notional amount of Euros 125,000,000, which will be increased to Euros 325,000,000 on 23 December 2013. The average interest rate up to 23 December 2013 is 0.32%, increasing thereafter to 0.735% until maturity. At 31 December 2013 it has a negative fair value of Euros 2,328,596 (Euros 2,467,122 at 31 December 2012).

In 2010 the Company entered into new interest rate swap contracts for a three-year period commencing on 21 December 2011 and expiring on 23 December 2013, for a notional amount of Euros 225,000,000. The swap accrues interest at an average rate of 2.18% and has a negative fair value of Euros 4,571,897 at 31 December 2012.

The Group accured income/(expenses) of Euros 4,565,049 in 2013 and Euros (3,421,699) in 2012 in relation to swap contracts.

## (17) Interest-bearing Loans, Borrowings and Bonds

### (a) Non-current loans and borrowings

On 12 September 2006 the Group contracted a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also contracted a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Foodco Group to partially finance this acquisition. All loans have a single maturity date, except the Senior Facility, tranche A, which is payable in instalments.

On 22 June 2012, Tele Pizza, S.A. arranged the refinancing of the syndicated loan with ING Bank. As a result of this transaction the refinanced debt has been deferred for two years as indicated in the details of the financing facilities. The refinancing comprises all the Senior Facility lines: Tranche A, tranche B, tranche C, the Second Lien, the CAPEX facility and Revolving A facility. The mezzanine facility is not included in the agreement; its maturity remains unchanged. The extended debt bears an additional 2% interest which will be settled together with the other interest accrued on these loans.

On 22 June 2012 the related party, Foodco Debt, S.a.r.l. acquired Euros 40,697,674 of the senior debt of the syndicated loan, specifically: Tranche A, tranche B, tranche C, the CAPEX facility and the Revolving A line. This company expressly waived any rights and guarantees relating to the syndicated loan in an agreement signed on 22 December 2012. This debt will accrue interest at the same rate and applying the same periods as the remaining portion of the syndicated loan; however, the interest will not be paid until 2016. The repayments of the principal will also be deferred until maturity of the loan in 2016.

Consequently, at 31 December 2013 and 2012 non-current borrowings comprise mainly the syndicated and subordinated loans arranged in 2006. Details of payments and the present value of borrowings by maturity are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Principal | Interest | Principal | Interest |
| Less than one year (note 17 (b)) | 13,682 | 729 | 23,178 | 949 |
| Between two and five years | 504,229 | - | 501,577 | - |
| | 517,911 | 729 | 524,755 | 949 |

Details of non-current loans and borrowings at 31 December 2013 and 2012 are as follows:

| Type | Final maturity date | Thousands of Euros | | | Margin as % of Euribor |
|---|---|---|---|---|---|
| | | Limit | Balance at 31/12/2013 | Balance at 31/12/2012 | |
| **Senior** | | | | | |
| Tranche A | 2014/2016 | 60,000 | 9,383 | 16,716 | EURIBOR+4.125 |
| Tranche B | 2014/2016 | 135,000 | 133,789 | 133,789 | EURIBOR+4.500 |
| Tranche C | 2015/2016 | 135,000 | 133,789 | 133,789 | EURIBOR+4.500 |
| CAPEX facility | 2014/2015 | 25,000 | 5,778 | 10,054 | EURIBOR+4.125 |
| Revolving A facility | 2015 | 20,000 | 18,440 | 22,000 | EURIBOR+3.750 |
| Second Lien | 2016 | 65,000 | 65,000 | 65,000 | EURIBOR+6.000 |
| | | 440,000 | 366,179 | 381,348 | |
| **Mezanine** | 21/09/2016 | 100,000 | 151,715 | 143,168 | 3.500 |
| Finance lease payables (note 7) | | | 2,057 | 79 | - |
| Less, loan arrangement costs | | - | (3,419) | (6,272) | |
| Less, current portion (note 17 (b)) | | - | (12,303) | (22,941) | |
| Balance at 31 December | | 540,000 | 504,229 | 495,382 | |

Although the interest rates are as listed above, the Group has contracted various variable-to-fixed interest rate swaps, which are described in note 16.

The Group has pledged all Telepizza Group assets as collateral to secure the loan obtained to acquire the Tele Pizza, S.A. shares and bonds. The Parent is also required to comply with certain covenants (see note 14 (a)).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(b) Loans and borrowings

Details of loans and borrowings at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Limit | Drawn down | Limit | Drawn down |
| Credit facilities | 878 | 687 | 878 | 237 |
| Finance lease payables (note 7) | | 692 | | - |
| Accrued interest (note 17 (a)) | | 729 | | 949 |
| RCFA facility | | - | | 11.330 |
| Senior Facility Tranche B (note 17 (a)) | | 9,386 | | - |
| CAPEX facility (note 17 (a)) | | 788 | | 4.278 |
| Senior Facility Tranche A (note 17 (a)) | | 2,129 | | 7,333 |
| | | 14,411 | | 24,127 |

(18) Employee Benefits

Termination benefits

During the year ended 31 December 2013, the directors of the Parent and certain subsidiaries approved termination benefits for various employees to be paid in 2014 and recognised a provision of Euros 846 thousand in this respect. In 2012 this provision amounted to Euros 904 thousand.

The total expense recognised in 2013 for termination benefits is Euros 2,451 thousand (see note 23).

(19) Contingencies

The Group has contingent liabilities for bank and other guarantees related with its normal business operations amounting to Euros 4,088 thousand at 31 December 2013 (Euros 3,661 thousand at 31 December 2012). The Group does not expect any significant liabilities to arise from these guarantees.

## (20) Government Grants

Movement in non-refundable government grants is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Original grants at the beginning of the year | 7,635 | 7,635 |
| In prior years | (5,943) | (5,474) |
| During the year | (529) | (469) |
| Balance at 31 December | 1,163 | 1,692 |

As mentioned in note 7, the Group receives government grants to finance acquisitions of property, plant and equipment, including a grant from the Madrid regional government in 2002 to finance improvement of the preparation and commercialisation of dough and other pizza-related products manufactured in the Daganzo factory (Madrid).

The Group estimates that the conditions initially established for the grants will remain unchanged.

## (21) Trade and Other Payables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Trade payables | 40,181 | 46,128 |
| Public entities | 4,924 | 6,253 |
| Other payables | 171 | 794 |
| Salaries payable | 2,343 | 1,816 |
| Current guarantees and deposits received | 81 | 97 |
| | 47,700 | 55,088 |

At 31 December 2013 trade payables include Euros 5,817 thousand payable to financial institutions for reverse factoring transactions (Euros 9,686 thousand at 31 December 2012).

Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Thousands of Euros | % | Thousands of Euros | % |
| Within maximum legal period | 67,913 | 37% | 67,796 | 47% |
| Other | 115,912 | 63% | 77,887 | 53% |
| Total payments for the year | 183,825 | 100% | 145,683 | 100% |
| Weighted average late payment days (*) | 58 | - | 46 | |
| Late payments exceeding the maximum legal period at the reporting date | 15,160 | - | 7,467 | |

(*) Weighted average late payment days

(22) Operating Income

(a) Revenues

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Outlet sales to customers | 229,282 | 253,746 |
| Wholesale factory sales to franchisees and other sales | 73,750 | 73,949 |
| Other services | 23,194 | 18,129 |
| | 326,226 | 345,824 |

(b) Other operating expenses

In 2013 and 2012 other operating income mainly includes revenues from advertising and other services provided to franchisees, as well as other income (see note 1).

## (23) Personnel Expenses

Details of personnel expenses in 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Salaries and wages | 81,468 | 87,374 |
| Social Security | 17,892 | 18,862 |
| Termination benefits (note 18) | 2,451 | 2,043 |
| Other employee benefits expenses | 3,050 | 2,463 |
| Total personnel expenses | 104,861 | 110,742 |

The average number of full-time equivalent employees in the Group during 2013 and 2012, distributed by category, is as follows:

| | Number | |
|---|---|---|
| | 2013 | 2012 |
| Management | 38 | 40 |
| Outlet managers | 487 | 526 |
| Other personnel | 5,287 | 5,983 |
| | 5,812 | 6,549 |

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

| | Number | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Male | Female | Male | Female |
| Board members | 3 | 1 | 3 | 1 |
| Senior management | 8 | 30 | 8 | 32 |
| Other personnel | 2,422 | 3,352 | 2,668 | 3,841 |
| | 2,433 | 3,383 | 2,679 | 3,874 |

## (24) Other Expenses

Details of other expenses are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Operating leases | 30,229 | 31,138 |
| Transportation | 13,116 | 13,956 |
| Advertising and publicity | 15,856 | 18,088 |
| Utilities | 16,027 | 16,949 |
| Other expenses | 23,805 | 27,043 |
| | 99,034 | 107,174 |

The Group leases certain storage installations and establishment premises from third parties under operating leases.

Future minimum payments under non-cancellable operating leases at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Less than one year | 12,683 | 17,819 |
| One to five years | 40,061 | 52,576 |
| Over five years | 20,964 | 30,546 |
| | 73,708 | 100,941 |

## (25) Other Losses

Details at 31 December 2013 and 2012 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Losses on sale of property, plant and equipment | (3,363) | (3,766) |
| Goodwill (note 8) | (38,901) | (13,598) |
| Impairment losses/(reversals of impairment) on property, plant and equipment (note 7) | (2,112) | (5,039) |
| Other losses | - | (33) |
| | (44,376) | (22,436) |

## (26) Income tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax loss, with the income tax expense recognised in the consolidated income statement for 2013 and 2012 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Loss for the year before tax from continuing operations | (59,664) | (57,232) |
| Tax losses not recognised as tax credits | - | - |
| | (59,664) | (57,232) |
| Expected Parent tax income at the standard tax rate (30%) | (17,899) | (17,170) |
| Non-deductible expenses at the standard tax rate | | |
| Finance costs | 11,413 | 15,793 |
| Impairment of goodwill on consolidation | 9,953 | - |
| Reduction of tax losses | 19,013 | (24,446) |
| Expense due to different tax rates | 180 | 990 |
| Tax expense in foreign subsidiaries | 1,224 | 346 |
| Effective tax rate / Income tax expense/(income) | 23,884 | (24,487) |

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Income tax payable/(recoverable) for 2013 and 2012 is calculated as follows: | | |
| Income tax expense/(income) | 23,884 | (24,487) |
| Deductible temporary differences (note 13) | (2,159) | (244) |
| Taxable temporary differences (note 13) | 633 | (461) |
| Recognition (offset) of tax credits (note 13) | (20,212) | 25,704 |
| Reversal of deferred tax liabilities arising on business combinations (note 13) | 1,144 | 1,440 |
| Payments on account | (2,320) | (704) |
| Income tax payable | 970 | 1,248 |

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

At 31 December 2013 and 2012 the amounts and reversal periods for unused deferred tax assets, in accordance with Royal Decree-Law 9/2011 of 19 August 2011 on measures to improve the quality and cohesion of the national health system, contributions to fiscal consolidation and provisions to increase the maximum amount of State guarantees for 2011, are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| Year | 2013 | 2012 | Final year |
| 2003 | 204 | 204 | 2021 |
| 2005 | 2 | 2 | 2023 |
| 2006 | 5 | 15,771 | 2024 |
| 2008 | 11,786 | 31,676 | 2026 |
| 2009 | 7,371 | 19,905 | 2027 |
| 2010 | - | 14,547 | 2028 |
| 2011 | 10,241 | 21,644 | 2029 |
| | 29,609 | 103,543 | |

Based on the tax declarations filed by the Group companies in prior years, and those to be filed for 2013, the Group has tax credits pending application, details of which, by date of origin and amount, are as follows:

| | Thousands of Euros | Available until |
|---|---|---|
| Credits for Reinvestment of Extraordinary Proceeds | 212 | 2014 |
| For R&D&i | 59 | 2014 |
| | 271 | |

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2013 the Company has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2012 except for income tax, which is also open to inspection for 2011, as the prior periods were inspected by the taxation authorities in 2012 and 2013.

On 21 June 2013 the Company received the definitive assessments from the tax inspection, which were signed on an uncontested basis, giving rise to the adjustment of the tax credit for tax losses and the related effect on the deferred tax asset recognised.

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

## (27) Commitments

As stated in notes 7 and 8, at 31 December 2013 and 2012 the Group has no commitments relating to investing activities.

## (28) Related Party Balances and Transactions

The Parent has obtained two loans from its sole shareholder, Telefood, S.à.r.l., details of which are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2013 | | Interest rate (%) |
| | Non-current | Current | |
| Participating loan | 97,202 | 2,486 | 9.3% + variable |
| Subordinated loan | 96,002 | 267 | Euribor + 12.125% |
| | 193,204 | 2,753 | |
| Loan arrangement costs | (280) | | |
| | 192,924 | | |

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2012 | | Interest rate (%) |
| | Non-current | Current | |
| Participating loan | 138,414 | 6,029 | 16% + variable |
| Subordinated loan | 84,862 | 290 | Euribor + 12.125% |
| | 223,276 | 6,319 | |
| Loan arrangement costs | (385) | | |
| | 222,891 | | |

On 17 July 2006 the Parent obtained a participating loan from its sole shareholder for an initial amount of Euros 150,680 thousand, which bears fixed interest at a rate of 16% with a variable tranche based on the Company's profits. The loan is repayable on maturity in 2036. On 21 July 2008 part of this participating loan, totalling Euros 85,700 thousand, was used for the share capital increase with share premium. Subsequently Euros 3,000 thousand was capitalised in 2010 and Euros 39,000 thousand in 2011 for the share capital increase approved on 4 March 2011. At 31 December 2013 accrued interest payable on this participating loan amounts to Euros 2,486 thousand.

On 17 July 2006 the sole shareholder agreed to grant the Parent a loan for an initial amount of Euros 35,000 thousand, which was increased in subsequent years to include accrued interest capitalised, amounting to Euros 10,222 thousand in 2012 (Euros 9,360 thousand in 2011). This loan reflects the subordinated loan obtained by the sole shareholder from third parties. At 31 December 2013 accrued interest payable on this loan amounts to Euros 267 thousand.

Both loans were obtained to partially finance the acquisition of Tele Pizza, S.A. shares.

On 1 January 2013, the interest rate on the participating loan was reduced from 16% to 9.3% by way of an agreement entered into between the two companies.

On 2 August 2013 the shareholders at their annual general meeting resolved to increase share capital through the creation of 56,000 new shares, with a share premium, by partially capitalising a Euros 56,000,000 thousand participating loan receivable from the Group (see note 14).

The Group has not entered into any other contracts with the sole shareholder of the Parent.

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

The directors of the Company and senior management personnel received remuneration from the Group totalling Euros 1,628 thousand in 2013 (Euros 2,000 thousand in 2012). The Company has not granted any loans or advances to the directors and senior management personnel, or extended any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors or senior management personnel.

The members of the board of directors of the Parent have accrued no remuneration in any respect during the year ended 31 December 2013 and 2012. Furthermore, the Parent has not extended any loans or advances to members of the board and has no pension commitments with these parties at 31 December 2013 and 2012.

During 2013 and 2012 the members of the board of directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

## (30) Investments and Positions Held by the Directors of the Parent and their Related Parties in Other Companies

The directors of the Parent or any of their related parties do not hold any interests or positions or carry out any functions in companies with identical, similar or complementary statutory activities to those of the group companies.

## (31) Environmental Information

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

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2013 and 2012.

## (32) Audit Fees

KPMG Auditores, S.L., the auditors of the Group's annual accounts, invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2013 and 2012:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Audit services | 137 | 134 |
| Other assurance services | 6 | 6 |
| | 143 | 140 |

The amounts detailed in the above table include the total fees for services rendered in 2013 and 2012, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2013 and 2012:

| | Thousands of Euros | |
|---|---|---|
| | 2013 | 2012 |
| Audit services | 73 | 70 |
| | 73 | 70 |

(33) Segment Reporting

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

At 31 December 2013 and 2012, the Group comprises the following operating segments:

- Spain
- Portugal
- Poland
- Chile
- Colombia
- Peru
- Rest of the world

Segment performance is measured based on the pre-tax profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups that operate in these businesses.

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

# FOODCO PASTRIES SPAIN, S.L.U.
# AND SUBSIDIARIES

## Notes to the Consolidated Annual Accounts

| | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Spain | Portugal | Poland | Chile | Colombia | Rest of the world | Eliminations | Total |
| Operating income | | | | | | | | |
| From third parties | 225.867 | 30.080 | 15.571 | 36.795 | 23.488 | 5.007 | - | 336.808 |
| From other segments | 11.991 | - | - | - | - | | (11.991) | - |
| Total operating income | 237.858 | 30.080 | 15.571 | 36.795 | 23.488 | 5.007 | (11.991) | 336.808 |
| Profit/(loss) | | | | | | | | |
| Segment operating profit/(loss) | 27.003 | 4.682 | (40) | 8.698 | 771 | 68 | - | 41.181 |
| Net finance expense/income | (56,792) | (262) | (242) | 1.425 | (500) | (99) | - | (56.469) |
| Other gains | 1,821 | 1.296 | - | - | - | - | - | 3.117 |
| Other losses | (44,925) | (1,210) | (342) | (800) | (215) | - | - | (47.493) |
| Income tax | (22,659) | (8) | - | (1,057) | (138) | (21) | - | (23.884) |
| Profit/(loss) from continuing operations | (95,552) | 4,498 | (624) | 8,266 | (82) | (52) | | (83.548) |
| Post-tax loss of discontinued operations | (12) | - | - | (618) | (575) | - | - | (1.206) |
| Attributable to the Parent | (95,564) | 4,498 | (624) | 7.648 | (657) | (52) | - | (84.754) |
| Segment assets | 729,008 | 26,954 | 8,107 | 60.649 | 10.923 | 12.965 | - | 848.606 |
| Assets held for sale or from discontinued operations | 544 | - | - | 780 | 480 | 116 | - | 1.920 |
| Group assets | 729,552 | 26,954 | 8,107 | 61,429 | 11.403 | 13.081 | (511) | 850.526 |
| Segment liabilities | 51,638 | 4,434 | 2.491 | 2.558 | 4,865 | 472 | - | 66.458 |
| Liabilities held for sale or from discontinued operations | - | - | - | - | | - | - | |
| Unassigned liabilities | - | - | - | - | - | - | - | 784.068 |
| Group liabilities | 51,638 | 4,434 | 2,491 | 2,558 | 4.865 | 472 | - | 850.526 |
| Investments in property, plant and equipment and intangible assets | 6,685 | 1,320 | 393 | 1.873 | 4.204 | 610 | - | 15.085 |

FOODCO PASTRIES SPAIN, S.L.U.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

| | 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Spain | Portugal | Poland | Chile | Colombia | Rest of the world | Eliminations | Total |
| Operating income | | | | | | | | |
| From third parties | 245,439 | 30.890 | 17.223 | 42.750 | 24.900 | 2.413 | - | 363.614 |
| From other segments | 12,064 | - | - | - | - | | (12.064) | - |
| Total operating income | 257,503 | 30,890 | 17.223 | 42.750 | 24.900 | 2.413 | (12.064) | 363.614 |
| Profit/(loss) | | | | | | | | |
| Segment operating profit/(loss) | 22.919 | 5,291 | (715) | 8.490 | 962 | (498) | - | 36.449 |
| Net finance expense/income | (71.535) | (273) | (244) | 640 | (273) | (47) | - | (71.245) |
| Other gains | 37 | 2 | - | - | - | - | - | 39 |
| Other losses | (21,989) | (23) | (11) | (359) | (92) | - | - | (22.475) |
| Income tax | 26,239 | - | (267) | (1.161) | (307) | (18) | - | 24.487 |
| Profit/(loss) from continuing operations | (44.329) | 4.997 | (750) | 7,610 | 290 | (563) | - | (32.745) |
| Post-tax loss of discontinued operations | (16) | - | - | - | - | - | - | (16) |
| Profit/(loss) attributable to the Parent | (44,346) | 4,997 | (750) | 7,610 | 290 | (563) | - | (32.761) |
| Segment assets | 794,502 | 25,739 | 9,494 | 60,950 | 9.491 | 12.965 | - | 913.142 |
| Investments in associates | 511 | - | - | - | - | | (511) | - |
| Assets held for sale or from discontinued operations | 537 | - | - | - | - | 119 | - | 656 |
| Unassigned assets | - | - | - | - | - | - | - | - |
| Group assets | 795,550 | 25,739 | 9,494 | 60,950 | 9.491 | 13.084 | (511) | 913.799 |
| Segment liabilities | 59.124 | 5.025 | 2.008 | 4.739 | 3.984 | 334 | - | 75.215 |
| Liabilities held for sale or from discontinued operations | - | - | - | - | - | 83 | - | 83 |
| Unassigned liabilities | - | - | - | - | - | - | - | 838.500 |
| Group liabilities | 59.124 | 5,025 | 2,008 | 4.739 | 3.984 | 417 | - | 913.799 |
| Investments in property, plant and equipment and intangible assets | 7.615 | 844 | 429 | 1.753 | 2.037 | 2.087 | - | 14.765 |

## (34) Risk Management Policy

### Financial risk factors

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

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

### Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2013 and 2012 is as follows:

| Type of financing | Interest rate | Benchmark | Thousands of Euros | |
|---|---|---|---|---|
| | | | 2013 | 2012 |
| Syndicated loan | Floating | Euribor | 514,475 | 524,439 |
| Credit facilities | Floating | Euribor | 688 | 237 |
| Finance leases | Floating | Euribor | 2,748 | 79 |
| Total | | | 517,911 | 524,755 |

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor, depending on the conditions established for each of the financial transactions.

Based on the analysis performed by the Group, and considering the variable to fixed interest rate swap, the impact of each 0.1% of Euribor would be Euros 291 thousand on cash flows and Euros 139 thousand on interest to be capitalised in the coming year.

The Group has contracted a variable-to-fixed interest rate swap facility for a five-year period for the Senior Facility tranche A, tranche B, tranche C and Second Lien facilities, and the entire Mezzanine Facility, plus capitalised interest (see note 17 (a)).

Currency risk

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

Currency risk mainly arises from three types of transactions:

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

The Group does not consider that possible fluctuations in the exchange rates of the Chilean Peso and the Polish Zloty could have a significant impact on its consolidated equity.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Company to settle market positions relating to non-current investments immediately, ensuring that this financial risk is minimised.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.
- Cash placements and derivative contracts are with highly solvent entities.
- The average collection period for trade receivables is very short, varying between cash collections at retail outlets and collections at one month from sale in the case of franchises and other customers.
- Customers have adequate credit records, which significantly reduces the possibility of bad debts.

FOODCO PASTRIES SPAIN, S.L.
AND SUBSIDIARIES

Directors' Report

2013

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

## 1. The Group's Position and Business Performance

In 2013 the economic policy of our main market, Spain, was characterised by the continuation of the measures initiated in 2012 aimed at meeting public deficit targets.

GDP decreased by less than last year, having decreased by an estimated 1.2% compared to a decrease of 1.4% in 2012. The trend for the year has been one of improvement, with GDP having declined by 0.1% in the last quarter. Household spending is estimated to have dropped by 2.9%.

The unemployment rate remained at the similar levels in 2013, increasing from 26.02% in 2012 to 26.03% in 2013. However, signs of recovery are beginning to show in the consumer confidence index, which in December 2013 was up 26.7 points compared with the prior year end.

Inflation stood at 0.3% at the end of 2013.

The Euribor (the principal benchmark rate for mortgage loans) remained at consistently low levels throughout 2013, standing at 0.54% at year end, compared to 0.55% at the end of 2012.

The **Portuguese** economy has seen a slowdown in recent years and suffered the effects of various measures aimed at reducing the public deficit which had a negative effect on consumer confidence and total expenses, although signs of mild improvement were apparent in 2013. Portugal's GDP is expected to decline by 1.7% in 2013 compared to 3.2% in 2012. Household spending is expected to drop by 3% in 2013, compared to the 5.6% fall in 2012. The unemployment rate saw a slight improvement, having declined from 15.6% to 15.3% year-on-year. Lastly, price increases have been brought under control, with inflation reaching 0.2%, compared to 2.8% in 2012.

The **Polish** economy continued to grow in 2013, although at a slower rate than in 2012, with GDP having risen by 1.6%. The prior year's unemployment rate of 13.3% was maintained. Lastly, the CPI declined from 2.4% in 2012 to 0.7% in 2013. Household spending is expected to continuing growing at 1%.

The Chilean **GDP** continued to grow in 2013 and GDP growth is estimated at 4.2% for 2013. Household spending continued to rise by 5.2%. The unemployment rate at year end was 5.7%, which is lower than the 6.1% for 2012. Inflation for 2013 stood at 2.8%, compared to 1.5% in 2012.

GDP in **Colombia has** continued to rise, and is expected to grow at the same 4% rate as in 2012. Unemployment remained at 9.6%. The growth in household consumption is estimated at 4%, which is similar to the 4.3% recorded in 2012. Inflation for the year was 1.93%, which represents a decline on the 2.44% recorded in 2012.

**Peru**, where the Group began operating in 2011, also presents a trend of macroeconomic growth. GDP grew by 5.4% in 2013. Household consumption is estimated at 5.3%. Inflation grew by 3% compared to 2.6% in 2012.

**Ecuador**, where the Group began operating in November 2012, also presents a scenario of macroeconomic growth. GDP for 2013 is estimated at 4.2% and household spending increased by 4.3%.

**Activity of the Group**

Foodco Pastries Spain, S.L. is the Parent of the Foodco Group, which holds a 100% interest in the Telepizza Group.

The Group primarily carries out its activity in the prepared food home delivery sector, mainly pizza delivery, through its main brand Telepizza and also the Pizza World brand.

The principal activity of its subsidiaries consists of the management and operation of fast food sales outlets and restaurants under the brand names Telepizza and Pizza World for consumption at home and on the premises. At 31 December 2013, this activity is carried out through premises owned by the Company and franchises located mainly in Spain, Portugal, Poland, Chile, Guatemala, El Salvador, Colombia, Peru, Ecuador and, since late 2013, Panama and Bolivia through master franchises. Other activities include the manufacture of cheese products. Through its factory in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain that are directly operated by the Telepizza Group or through its franchises.

The Group operated 1,255 outlets.

**Activity in the domestic market**

The Group carries out its activity through the Telepizza and Pizza World brands, and holds a leading position in the sector.

The Group's main market is Spain, where 67.0% of the chain's sales are generated. In addition to the Telepizza brand, the Group operates the Pizza World brand in Spain.

Activity in Spain in 2013 suffered the effects of the macroeconomic environment and the crisis, which commenced in 2008, and continues to have a negative impact on private consumption and employment.

Telepizza is the leader in the pizza delivery segment in Spain, positioned far ahead of its nearest competitor in terms of both size and sales (source: TNS).

During 2013 Telepizza continued with efforts to improve efficiency and cut costs, in order to adapt its products in a competitive environment marked by the household spending crisis.

The Company has been very active in adapting its marketing initiatives to the macroeconomic environment and the country's decline in consumer spending.

Nine new pizzas were launched this year, thereby improving the perceived variety of the brand.

The Group has continued its policy of theming products to both national holidays and days of the week, with such initiatives as Martes Locos (Crazy Tuesdays) and Benditos Domingos (Sacred Sundays), which serve to strengthen the emotional bond with customers.

Agreements have been reached with cable TV companies, primarily regarding sporting events.

The brand also strengthened its leading position in the online sales segment. This purchase method is currently available at virtually all of the Group's outlets in Spain.

Another strategy that has continued to have positive effects in 2013 has been to open outlets in smaller towns based on a specifically designed outlet model. This new format requires significantly lower levels of investment than the traditional format, thereby adding flexibility to the expansion strategy.

Telepizza's industrial division boasts state-of-the-art technology for manufacturing dough and cheese for pizza, which has allowed the Group to make significant improvements in productivity and stock management flexibility, guaranteeing a uniform, high-quality product. Within this area, the logistics platform is of particular importance as it supplies Telepizza outlets with products, making at least two or three deliveries per week.

Lastly, the success of the brand is based on two key factors: the quality of the product, freshly made and to meet customers' tastes, and of the service, which covers most of Spain.

Activity in the international market

Activity in international markets has seen an overall positive performance.

In 2013 the Group began operating in Panama and Bolivia through the master franchise format.

International sales represent 33.0% of the Group's chain sales.

Telepizza operates directly in Portugal, Poland, Chile, Colombia, Peru and Equador, as well as through master franchise agreements in Central America and the United Arab Emirates and, since late 2013, in Panama and Bolivia.

The strategy in these countries is based on adapting to local preferences and characteristics, as well as exporting improvements and successful strategies implemented in the domestic market.

**Group financial information**

Operating income totalled Euros 361.82 million, down 6.6% on 2012, as a result of lower sales on the Spanish market.

The gross operating margin was Euros 262.53 million, 80.5% of net sales and 6% lower than in 2012.

Operating profit amounted to Euros 41.18 million, representing a margin of 12.6%, up 13% compared to 2012 (operating profit of Euros 36.45 million).

The net finance expense totalled Euros 56.47 million, mainly due to interest on bank loans.

The consolidated loss reported by the Group is Euros 84.75 million, Euros 51.99 million lower than the loss incurred in 2012, primarily due to an accounting adjustment derived from an inspection of 2007 to 2010 by the taxation authorities and also due to impairment of goodwill.

This tax inspection had a very limited impact of Euros 0.5 million on cash flows.

**2. Outlook**

During 2013 the Group had to adapt its offering to a very competitive environment which had been affected by adverse macroeconomic conditions, particularly in Spain and Portugal. The marketing policy has limited the impact of the fall in consumption.

However operations in Latin America have benefited from a more favourable macroeconomic environment.

In 2013 master franchise agreements were introduced in Bolivia and Panama.

The measures taken to improve efficiency both in 2013 and in prior years have led to a partial offset of the impact of the household spending crisis on profits and sales, and will help the Company to achieve its targets for 2014.

In 2014 the Group aims to continue to expand its activity within the macroeconomic growth scenarios expected for all the countries in which it operates.

**SPAIN**

The Spanish economy shows signs of slight recovery in 2014. Current forecasts point to GDP growth of 1% and a rise of 0.1% in household spending.

Although the backdrop does not show major signs of improvement, Telepizza will benefit from the experience of recent years, when changes were made to its strategy to adapt to market conditions, and from the improvements in efficiency introduced.

In 2014 Telepizza will continue to apply a sales policy based on adapting its offer to the circumstances, as well as increasing coverage through the outlet model for smaller towns and making the most of consolidated tools such as online sales and launching new products.

**INTERNATIONAL**

In 2014, Telepizza will continue to work to strengthen its position in the international markets in which it operates, calling on its experience of managing these markets and developing the master franchise formula.

All these activities will be carried out following the basic principle of profitability.

The Portuguese economy is expected to improve in 2014, although the market will continue to be unfavourable as a result of the impact of the austerity measures introduced by the Government. Nevertheless, growth of 0.8% in GDP is expected.

Continued growth in GDP and household spending is forecast in Poland. GDP and consumer spending are forecast to rise by 2.5% and 2.6%, respectively compared to 2013. Telepizza has changed the strategy for the country and has improved sales trends during the year, especially in the last quarter.

The Chilean economy is expected to continue to report growth at similar rates to 2013. GDP and consumer spending are forecast to rise by 4.5% and 4.6%, respectively. Telepizza will continue its strategy to strengthen the trade mark having repositioned it in 2013 to take advantage of the favourable macroeconomic environment. .

Favourable macroeconomic development is also foreseen in Colombia, with forecasts pointing to growth of around 4.6% in the GDP and household spending. After several years expansion in the Colombia, Telepizza expects to consolidate its position an improve efficiency . In 2013 franchises were introduced and in 2014 the expansion and renewal strategy is expected to continue.

Forecasts for the macroeconomic situation in Peru are also promising, with expected growth of 5.8% in the GDP and 4.9% in consumer spending. Since 2011 when operations commenced 21 outlets have been opened and the expansion strategy undertaken in 2013 will continue through franchises.

Finally, the macroeconomic outlook for Ecuador, where the company started operating at the end of 2012 is also favourable with expected growth in GDP and consumer spending of around 4.3% Growth is expected to continue in 2014 reflecting the efforts made in respect of trademark and product in 2013.

## 3. R&D&i

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

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

In 2013 Telepizza launched nine new types of pizza in Spain.

The common aim of these product launches was to reinforce the idea of variety, offering something new to consumers.

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

## 4. Own shares

At 31 December 2013 no Foodco Pastries Spain, S.L.U. shares or rights over shares were held by any Foodco Group company and, consequently, the Group has no voting or profit-sharing rights relating to own shares.

## 5. Significant events after 31 December 2013

No significant events have occurred subsequent to the 2013 year end that are worthy of mention at the date of this directors' report.

## SPANISH TRANSLATION OF THE SUMMARY

*El presente resumen se compone de ciertas obligaciones de información denominadas "Elementos", que se recogen en una serie de secciones numeradas de la A a la E (A.1 – E.7).*

*Este resumen contiene todos los Elementos que deben incluirse en un resumen teniendo en cuenta el tipo de valores y de sociedad. Dado que en este caso no procede incluir algunos de ellos, pueden existir secciones omitidas en la secuencia de numeración de los Elementos.*

*Aunque un Elemento deba incluirse obligatoriamente en el presente resumen teniendo en cuenta el tipo de valores y de sociedad, es posible que no pueda ofrecerse información relevante sobre el mismo. En tal caso se incluye en el resumen la mención de "no aplicable", junto con una breve descripción del Elemento.*

| **Sección A—Introducción y advertencias** | | |
|---|---|---|
| **A.1** | Advertencia a los inversores | **ESTE RESUMEN DEBE LEERSE COMO INTRODUCCIÓN A ESTE FOLLETO. TODA DECISIÓN DE INVERTIR EN LAS ACCIONES DE TELEPIZZA GROUP, S.A.U. (LAS "ACCIONES" Y LA "SOCIEDAD", RESPECTIVAMENTE) DEBERÁ ESTAR BASADA EN LA CONSIDERACIÓN DEL FOLLETO EN SU CONJUNTO POR PARTE DEL INVERSOR.**<br>**Cuando se interponga una demanda ante un órgano jurisdiccional en relación con la información contenida en este folleto, el inversor demandante podría, en virtud del derecho nacional de los estados miembros de la Unión Europea, tener que soportar los gastos de traducción del folleto antes de que dé comienzo el procedimiento judicial.**<br>Con arreglo a la legislación española, solo se exigirá responsabilidad civil a quienes hayan presentado este resumen, incluyendo cualquier traducción del mismo, pero únicamente cuando el mismo sea engañoso, inexacto o incoherente en relación con las demás partes del folleto o cuando, al ser leído junto con las demás partes del mismo, no aporte información fundamental que sirva de ayuda a los inversores a la hora de considerar si invierten o no en las Acciones de la Sociedad. |
| **A.2** | Información sobre intermediarios financieros | No aplicable. No contrataremos a ningún intermediario financiero en relación con cualquier reventa de valores o colocación final de valores que pudiera requerir un folleto tras la publicación de este documento y no hemos emitido autorización alguna respecto a dicha reventa o colocación. |

| **Sección B – El Emisor** | | |
|---|---|---|
| **B.1** | Denominación social y comercial | La denominación social del emisor es Telepizza Group, S.A.U. El nombre comercial del emisor es "Telepizza". |
| **B.2** | Domicilio y forma societaria | Somos una sociedad anónima constituida en España y sujeta a la legislación española. Nuestro domicilio social se encuentra en calle Isla Graciosa 7, Parque Empresarial La Marina, San Sebastián de los Reyes, 28700, Madrid, España. |
| **B.3** | Operaciones en curso/principales actividades | Somos la mayor compañía de venta de pizza a domicilio no estadounidense por número de tiendas del mundo, con 1.311 tiendas en total, incluyendo 461 tiendas propias (35%) y 850 tiendas franquiciadas y master franquiciadas (65%), a 31 de diciembre de 2015. Incluyendo a nuestros competidores basados en los Estados Unidos, ocupamos el cuarto puesto a nivel |

<table>
<tr><th colspan="3">Sección B – El Emisor</th></tr>
<tr><td></td><td>y mercados</td><td>mundial de compañías de venta de pizzas a domicilio por número de tiendas. Somos líderes en nuestros mercados principales por número de tiendas (número uno en España, Portugal, Chile y Colombia y número dos en Polonia) (Fuente: Euromonitor, abril 2016).<br><br>Nuestros productos<br><br>Ofrecemos una variedad única de pizzas y productos complementarios que combinan sabores homogéneos en distintos países, con enfoque en adaptación local e innovación en los mercados en los que operamos. Producimos nuestra propia masa de pizza estandarizada en siete centros de producción que operamos alrededor del mundo, y que se usa en todas nuestras tiendas (tanto propias como franquiciadas), lo que, junto con el control que ejercemos sobre el suministro de ingredientes, permite que nuestros productos cuenten con un sabor fiable y homogéneo en toda la cadena. Además, adaptamos nuestra oferta de productos a los patrones culturales y de consumo de los distintos países en los que estamos presentes, añadiendo productos locales en nuestras pizzas y a nuestro surtido de productos, e innovamos constantemente, con el objetivo de satisfacer a nuestros clientes con mejores productos y sabores. Las pizzas son la base de nuestros productos, y la oferta de una amplia gama de tipos y sabores de pizza nos permite satisfacer la amplia demanda de nuestros clientes. Además, creemos que nuestros productos complementarios como hamburguesas, pasta, ensaladas, sándwiches, Spiro Dogs, kebabs y una amplia variedad de acompañamientos, contribuyen a ampliar la oferta y a aumentar el precio medio del ticket de compra.<br><br>Nuestros clientes<br><br>Nos dirigimos a una base de clientes amplia, que incluye todas las edades, clases sociales y ubicaciones. Nuestro segmento de clientes más amplio son las familias con niños, que normalmente tienen un vínculo emocional más fuerte con ciertos productos y con la marca, dando prioridad a la calidad y siendo frecuente la toma de decisiones por parte de los niños. Otros grupos de clientes significativos son los jóvenes (independizados o no), que suelen dar prioridad a la innovación, y los adultos, que normalmente dan prioridad a la comodidad. La demanda de nuestros clientes suele ser más elevada a la hora de la cena y los viernes y fines de semana.<br><br>Nuestros canales de distribución<br><br>Nuestra actividad se divide en tres canales de distribución principales: entrega a domicilio, recogida en tienda y consumo en tienda, que en 2015 representaron el 51,3%, 21,6% y 27,1% de las ventas de nuestras tiendas propias, respectivamente. La entrega a domicilio constituye nuestro principal canal de distribución, generando los ingresos medios más elevados, y cuenta con mayores índices de fidelidad de los clientes. Tenemos distintos formatos de tiendas para prestar un mejor servicio a nuestros clientes, incluyendo tiendas tradicionales, mini tiendas, tiendas en centros comerciales y otros formatos de tiendas.<br><br>El desarrollo de nuestra plataforma digital es un elemento muy importante de nuestra estrategia, y consideramos que irá adquiriendo mayor importancia en el futuro a medida que la penetración digital continúe avanzando.<br><br>A nivel de operativa interna, nuestro planteamiento es utilizar una plataforma digital global en toda nuestra red de tiendas (propias y franquiciadas) y en todos nuestros mercados, generando eficiencias.<br><br>Modelo verticalmente integrado<br><br>Operamos un modelo de negocio diferenciado y verticalmente integrado en toda la cadena de suministro. Nuestras materias primas principales son la masa de pizza y el queso. Logramos una ventaja competitiva gracias a la producción propia de la masa de pizza, que se realiza en nuestros siete innovadores centros de producción, entre los cuales está el mayor centro de</td></tr>
</table>

| Sección B – El Emisor | | |
|---|---|---|
| | | producción de masa de pizza de España. Nuestro centro de producción de Portugal está inactivo, y opera en la actualidad solo como centro logístico, pero puede funcionar como soporte del centro de producción de España. Nuestro queso lo produce nuestro proveedor estratégico Ornua (anteriormente, *Irish Dairy Board*), que nos provee de queso a través de un contrato estratégico de suministro a largo plazo. Esta combinación de fabricación de nuestra propia masa de pizza y un proveedor estratégico para nuestro queso resulta ventajosa, aporta flexibilidad, control y conocimiento del producto, menor stock, producción *just-in-time* y homogeneidad de productos en todos los territorios.<br><br>Normalmente, gestionamos centros logísticos ubicados cerca de nuestros centros de producción, lo que nos permite centralizar el almacenamiento y la distribución de masa, queso y otros suministros a nuestras tiendas propias y franquiciadas, así como reducir costes de inventario en tienda. El reparto desde los centros logísticos a las tiendas, para el que normalmente se contratan terceros operadores logísticos integrados, tiene lugar bajo demanda de las distintas tiendas, por lo general dos o tres veces por semana, Por el contrario, en el caso de determinados productos complementarios, la entrega se realiza directamente por los proveedores a las tiendas. En general, contamos con una cadena de suministro compleja y sofisticada que permite negociar precios y descuentos, seleccionar y escoger proveedores, así como controlar la calidad de los productos y su almacenamiento. Entre las ventajas que supone este modelo, nos permite un mejor control de inventarios, la flexibilidad de transporte y el seguimiento total de los productos.<br><br>**Tiendas propias, Franquicias y Master Franquicias**<br><br>Mantenemos un equilibrio estratégico entre tiendas propias y franquiciadas para maximizar la eficiencia, flexibilidad y rentabilidad. En general, cuando entramos en un mercado preferimos contar con más tiendas propias que franquiciadas para obtener un mayor conocimiento del mercado local. Una vez nuestra presencia en un mercado está consolidada implantamos una estrategia de franquicias que genere mejores resultados económicos a través de un modelo basado en menores activos y en la liberación de caja en las tiendas existentes. Además, nuestra red de franquicias y master franquicias es clave para conseguir acceso a áreas a las que la Sociedad no puede llegar y en las que no podríamos obtener un beneficio sin el conocimiento local del franquiciado. Por otro lado, desarrollamos una política activa de optimización de la red, con la recompra de tiendas franquiciadas que tienen margen de mejora en relación con su rentabilidad o que no están logrando la rentabilidad esperada. Por otro lado, también transferimos tiendas menos rentables o que no logran la rentabilidad esperada a franquiciados que creemos pueden gestionarlas más eficientemente.<br><br>**Nuestra marca**<br><br>Contamos con un fuerte reconocimiento de marca por parte de nuestros clientes en nuestros mercados consolidados, que son España, Portugal, Polonia y Chile. En España, contamos con una fuerte imagen de marca, con el 88% de los encuestados declarando conocer nuestra marca (*Fuente: Kantar Worldpanel 2015*) y contamos con el respaldo de una alta penetración entre las familias. También contamos con una fuerte imagen de marca en Portugal, Polonia, Chile y Colombia, con el 84%, 75%, 90% y 78% de los encuestados declarando conocer nuestra marca, respectivamente (*Fuente: Toluna 2015*).<br><br>Nos hemos centrado en construir una sólida imagen de marca utilizando para ello campañas publicitarias y promociones tradicionales así como una intensa actividad en los medios de comunicación social. Nuestra actividad de marketing se basa en nuestro eslogan publicitario “el secreto está en la masa”.<br><br>**Nuestros segmentos**<br><br>Operamos en 15 países a través de cuatro segmentos: (i) España; (ii) Resto de Europa (Portugal |

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<tr><td></td><td></td><td>y Polonia); (iii) América Latina (Chile, Colombia, Perú y Ecuador); y (iv) Master Franquicias y Otros (principalmente a través de contratos de master franquicia).<br><br>Nuestras ventajas competitivas<br><br>En particular, creemos que nos beneficiamos de las siguientes ventajas competitivas, que nos permitirán llevar a cabo nuestro plan de negocio:<br><br>• Mercado de venta de pizza a domicilio altamente favorable;<br>• Indicadores macroeconómicos españoles al alza;<br>• Marca de pizzas importante y global;<br>• Modelo de negocio diferenciado, integrado verticalmente y escalable;<br>• Plataforma digital probada dando apoyo a la estrategia multi-canal;<br>• Equipo gestor experimentado que promueve la cultura de la excelencia; y<br>• Convincente perfil financiero, con numerosos indicadores de crecimiento.<br><br>Nuestra estrategia de crecimiento<br><br>Nuestras estrategias básicas de cara a impulsar el crecimiento futuro incluyen, entre otros:<br><br>• Lograr el crecimiento like-for-like (LfL) de las ventas cadena en España e internacionales como resultado de iniciativas concretas dirigidas a mejorar la experiencia del consumidor, como la continua innovación de producto, la mejora de la plataforma digital/móvil y la renovación de las tiendas, junto con la esperada evolución favorable de los indicadores macroeconómicos;<br>• Capitalizar su importante posición de mercado en los países donde opera incrementando la cobertura en áreas donde carece de presencia importante, aprovechando el nivel de penetración existente, y expandir el “consumo en tienda” a los centros comerciales así como a otros nuevos formatos de tiendas como las “mini tiendas”;<br>• Firmar nuevos contratos de master franquicia con operadores locales expertos en nuevos mercados menos conocidos, limitando las inversiones de capital a la vez que reforzando la marca alrededor del mundo, y acelerar el crecimiento en áreas sin explotar; y<br>• Explorar oportunidades selectivas y complementarias de consolidación en el mercado global de pizza, que sigue fragmentado.</td></tr>
<tr><td>B.4</td><td>Tendencias recientes más significativas que afectan al emisor y a los sectores en los que opera</td><td>Operamos en el sector de alimentación de pizza dentro del mercado de consumo alimenticio, que incluye todos los establecimientos especializados en pizzas, y comprende tres sub-sectores: (i) restaurantes de pizzas, (ii) venta de pizzas a domicilio y (iii) restaurantes de comida rápida.<br><br>Somos la mayor compañía de venta de pizza a domicilio no estadounidense por número de tiendas del mundo y somos la cuarta mayor incluyendo a competidores basados en Estados Unidos por número de tiendas (Fuente: Euromonitor, excluyendo Papa Murphy’s, Little Caesars y Pizza School, que no operan servicios a domicilio, abril 2016).<br><br>Dentro de los servicios de alimentación de pizza en España, operamos dentro del sub-sector de pizzas a domicilio con una cuota de mercado en ventas aproximada del 53% en 2015 estimada por NPD, seguidos por el Grupo Zena, operador de Domino’s Pizza en España, con una cuota de mercado ya lejana de aproximadamente el 15% como número dos. Pizza Hut (propiedad de Yum! Brands) cuenta con un 2% de cuota de mercado aproximadamente, completando el mercado cadenas más pequeñas y actores independientes (Fuente: NPD, diciembre 2015).<br><br>Creemos que existen una serie de factores que continuarán impulsando el crecimiento del mercado de venta de pizza a domicilio, incluyendo:<br><br>• Atractivo universal y fácil adaptación a las preferencias locales.</td></tr>
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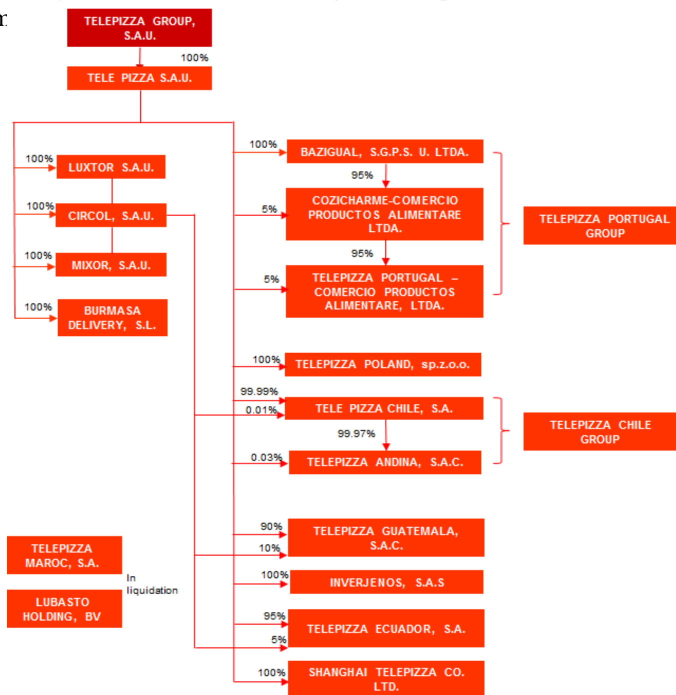
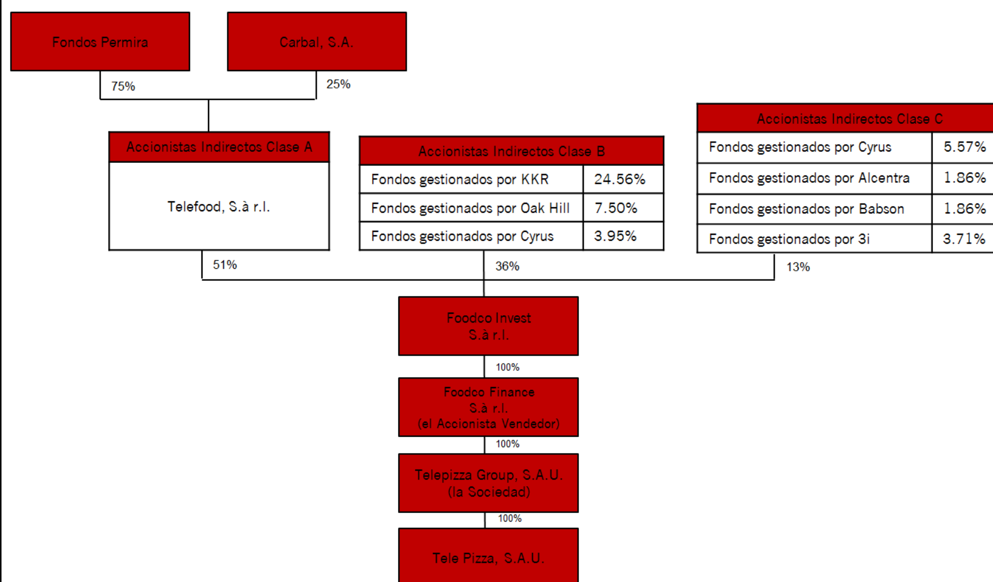
| Sección B – El Emisor | | |
|---|---|---|
| | | • Tendencias de consumo favorables en cuanto a comodidad y entrega.<br>• Tendencia creciente de la vida social, que se traslada a los hogares de los consumidores, que está impulsando un aumento considerable en la necesidad de tiendas y establecimientos de restauración 24 horas.<br>• Resistencia relativa durante los ciclos económicos y buen posicionamiento para beneficiarse de la recuperación económica y la creciente confianza del consumidor. La reciente recuperación del empleo y de la confianza del consumidor en España ha impulsado una mejora significativa de las ventas de los servicios de alimentación y de los restaurantes de comida rápida en particular.<br>• Significativas oportunidades de crecimiento a nivel global: varios mercados globales permanecen con baja penetración de competidores tales como Domino's Pizza y de nosotros mismos, con un considerable potencial de crecimiento en el sector de alimentación de pizza (*Fuente: Euromonitor, abril 2016*).<br>• Mercado fragmentado con una participación cada vez mayor de las cadenas: las ventas cadena del mercado de servicios de alimentación de pizza suponen el 41% del total del mercado global de servicios de alimentación de pizza (*Fuente: Euromonitor, abril 2016*).<br>• Buena posición para beneficiarnos de la digitalización: El sector de venta a domicilio y de recogida en tienda en general es uno de los principales beneficiarios del aumento del uso de la tecnología digital, que actúa como facilitadora. Los pedidos de comida *on-line* están creciendo en popularidad, independientemente del canal utilizado.<br>• Fuertes cifras unitarias y alta conversión de caja: la naturaleza del modelo de entrega a domicilio proporciona un alto ratio de ventas por metro cuadrado de superficie de local de venta.<br><br>Euromonitor estima que el mercado global de cadenas de pizza a domicilio crezca un 5,1% anual entre 2015 y 2020 en euros. |
| **B.5** | Descripción del Grupo | La Sociedad es una sociedad *holding* sin operaciones significativas directas y desarrolla su actividad principalmente a través de una sociedad participada al 100%, Tele Pizza, S.A.U. ("Telepizza Sub"), junto con sus filiales. El siguiente esquema muestra la estructura corporativa a 31 de diciem |



**Sección B – El Emisor**

**B.6** Accionistas principales y Accionista Vendedor

El siguiente cuadro establece la estructura accionarial de la Sociedad a la fecha del presente folleto:




Foodco Finance S.à r.l. (el "Accionista Vendedor") es titular del 100% del capital social de la Sociedad. El Accionista Vendedor es propiedad al 100% de Foodco Invest S.à r.l. ("Foodco Invest"), un vehículo de inversión luxemburgués que, a su vez, es propiedad de:

(i) el Accionista Indirecto de Clase A Telefood S.à r.l. (51%), una entidad controlada por determinados fondos gestionados por Permira (los "Fondos Permira") que son titulares del 75% de los derechos de voto y en la que Carbal, S.A. (entidad en la que D. Pedro José Ballvé Lantero es titular del 50,02%, y el resto de la familia Ballvé, de la participación restante) es titular del 25% de los derechos de voto;

(ii) los Accionistas Indirectos de Clase B (36%, incluyendo un 24,6% propiedad de determinados fondos y cuentas (los "Fondos KKR") gestionados o asesorados por KKR Credit Advisors (US) LLC y sus asociadas (los "Accionistas Indirectos de Clase B")); y

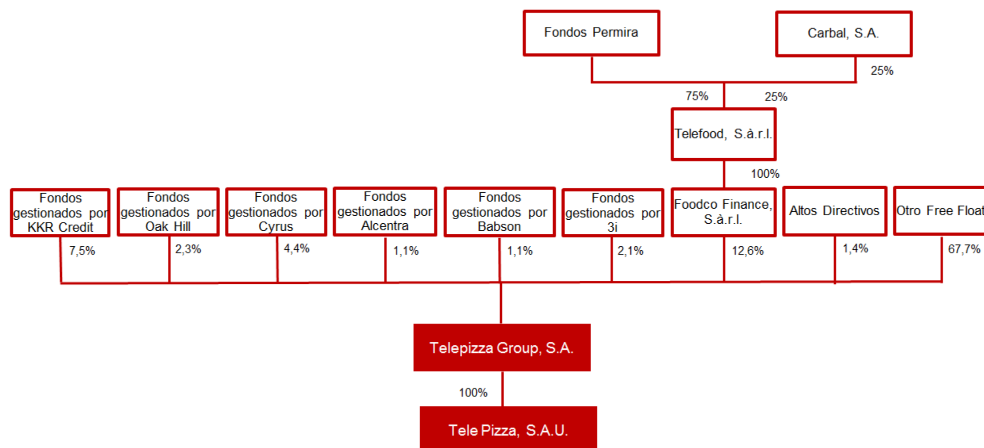
(iii) los Accionistas Indirectos de Clase C (13%) (los "Accionistas Indirectos de Clase C" y, junto con el Accionista Indirecto de Clase A y los Accionistas Indirectos de Clase B, conjuntamente, los "Accionistas Indirectos").

En consecuencia, la Sociedad se encuentra actualmente controlada de forma indirecta por los Fondos Permira. Está previsto que tras la Oferta (como se define en E.3) no esté controlada por ningún accionista.

Después de la liquidación de la Oferta en la Fecha de Liquidación (como se define en E.3), se iniciará una reestructuración del accionariado (la "Reestructuración Accionarial") que dará lugar a que los Accionistas Indirectos de Clase B y los Accionistas Indirectos de Clase C pasen a ser accionistas directos de la Sociedad y a la liquidación de Foodco Invest.

El siguiente cuadro establece la estructura accionarial de la Sociedad tras la Capitalización del Préstamo Subordinado (como se define en B.7), la liquidación de la Oferta y tras haberse completado la Reestructuración Accionarial, asumiendo que el Precio de la Oferta (como se define en E.3) es de 8,25 euros, el punto medio del Rango de Precio de la Oferta (como se

define en E.3) y que la opción de sobre-adjudicación no ha sido ejercitada.




**Acuerdos de Accionistas**

El 13 de abril de 2016, los Accionistas Indirectos, Foodco Invest y el Accionista Vendedor suscribieron un acuerdo que regula la Reestructuración Accionarial tras la liquidación de la Oferta (el "Acuerdo de Reestructuración"). Conforme al Acuerdo de Reestructuración, entre la Fecha de Liquidación de la Oferta y la finalización de la Reestructuración Accionarial (prevista para la Fecha de Liquidación o tan pronto como sea posible después de esa fecha), el Accionista Vendedor ejercerá sus derechos de voto en la Sociedad como si la Reestructuración Accionarial se hubiera completado, considerando el número de Acciones en la Sociedad atribuibles directa o indirectamente a cada uno de los Accionistas Indirectos y los Accionistas Indirectos podrán dirigir el voto del Accionista Vendedor en proporción a las Acciones que serán asignadas a cada uno de ellos. El Acuerdo de Reestructuración se extinguirá cuando la Reestructuración Accionarial y la liquidación de Foodco Invest hayan sido completadas.

El 13 de abril de 2016, los Accionistas Indirectos (excluyendo los fondos gestionados por Cyrus) y el Accionista Vendedor suscribieron un acuerdo que regula un proceso ordenado y coordinado en relación con ventas futuras de Acciones de la Sociedad tras la extinción de los acuerdos de no disposición (*lock-up*) de los accionistas (el "Acuerdo de Ventas Ordenadas"). El Acuerdo de Ventas Ordenadas será efectivo en la fecha de Admisión (como se define en C.1).

El Acuerdo de Ventas Ordenadas y la cláusula del Acuerdo de Reestructuración que regula el ejercicio de los derechos de voto en la Sociedad, al tener la consideración de pactos parasociales de acuerdo con el Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio (la "Ley de Sociedades de Capital"), han sido comunicados a la Comisión Nacional del Mercado de Valores (la "CNMV"), serán depositados en el Registro Mercantil en la fecha de Admisión y serán publicados en el hecho relevante que está previsto se remita a la CNMV en la fecha de fijación del precio de la Oferta.

En la fecha del presente folleto se encuentran en vigor los siguientes acuerdos de accionistas:

- Un acuerdo de accionistas suscrito el 20 de octubre de 2014 por, entre otros, los Accionistas Indirectos, Foodco Invest, el Accionista Vendedor y Telepizza Sub, regulando, entre otras materias, los derechos y obligaciones especiales de naturaleza económica aparejados a las acciones de Clase A, Clase B y Clase C de Foodco Invest (el "Acuerdo entre los Accionistas Indirectos");
- Un acuerdo de accionistas suscrito el 20 de octubre de 2014 por, entre otros, los Fondos KKR, los Fondos Permira y Foodco Invest que otorgaba a los Fondos KKR las medidas de protección habituales de los minoritarios (el "Acuerdo de Accionistas entre Permira y

**Sección B – El Emisor**

KKR"); y

- Un acuerdo de accionistas suscrito el 25 de septiembre de 2014 por, entre otros, los Fondos Permira, Carbal, S.A., la Sociedad y Telepizza Sub que contiene las medidas de protección habituales de los minoritarios (el "Acuerdo de Accionistas entre Permira y Carbal").

El Acuerdo entre los Accionistas Indirectos y el Acuerdo de Accionistas entre Permira y KKR se extinguirán en el momento de la Admisión, condicionado a la liquidación de la Oferta; el Acuerdo de Accionistas entre Permira y Carbal permanecerá en vigor tras la Admisión únicamente en relación con el Accionista Vendedor y sus sociedades *holding* (sin que afecte a los derechos de voto de las Acciones de la Sociedad ni a la transmisibilidad de dichas Acciones); y la Sociedad y Telepizza Sub dejarán de ser partes del Acuerdo de Accionistas entre Permira y Carbal en el momento de la Admisión, condicionado a la liquidación de la Oferta.

**B.7** Información financiera histórica clave

Las siguientes tablas muestran información financiera relativa a nuestro estado de situación financiera consolidado, cuenta de resultados consolidada y estado de flujos de efectivo consolidado, derivados de nuestras cuentas anuales consolidadas auditadas de 2015 ("Estados Financieros de 2015"), 2014 ("Estados Financieros de 2014") y 2013 ("Estados Financieros de 2013") (conjuntamente, los "Estados Financieros"), que se incluyen en este folleto y elaborados de conformidad con las Normas Internacionales de Información Financiera adoptadas por la Unión Europea (las "NIIF-UE").

En nuestros Estados Financieros de 2014, y tras la recepción de una oferta vinculante para adquirir nuestro negocio en Colombia, clasificamos dicho negocio como actividades interrumpidas en nuestra cuenta de resultados y modificamos la cuenta de resultados de 2013 para hacerla comparable a la de 2014. Sin embargo, decidimos no vender nuestro negocio en Colombia y actualmente no tenemos planes para su venta, por lo que en los Estados Financieros de 2015 dicho negocio se contabiliza dentro de las actividades continuadas. Consecuentemente, y para poder ofrecer una mayor coherencia y comparabilidad entre periodos, la información financiera presentada en el presente folleto, extraída de nuestras cuentas de resultados, procede de los Estados Financieros de 2015 (para 2015), la información comparable de 2014 incluida en nuestros Estados Financieros de 2015 (para 2014) y nuestros Estados Financieros de 2013 (para 2013).

**Información de la Cuenta de Resultados**

| | **Para el año finalizado el 31 de diciembre de** | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(en millones de euros)* | | |
| Ventas de tiendas propias | 200,1 | 202,3 | 229,3 |
| Ventas por suministros | 90,6 | 85,3 | 73,7 |
| Royalties | 20,3 | 17,9 | 15,8 |
| Otros ingresos | 17,9 | 21,1 | 18,0 |
| **Total ingresos** | **328,9** | **326,5** | **336,8** |
| Consumo de mercaderías y materias primas | (91,3) | (90,5) | (74,3) |
| Gastos por retribuciones a los empleados | (91,1) | (98,6) | (104,9) |
| Gastos por amortización | (16,6) | (17,4) | (17,5) |
| Otros gastos | (88,8) | (98,1) | (99,0) |
| **Beneficio de explotación** | **41,1** | **21,9** | **41,2** |
| Ingresos financieros | 1,5 | 4,2 | 5,5 |
| Liquidación de obligaciones financieras mediante la emisión de instrumentos de patrimonio | - | 128,6 | - |
| Gastos financieros | (36,9) | (72,5) | (62,0) |
| Otras pérdidas | (4,0) | (8,8) | (44,4) |
| Pérdida antes de impuestos de actividades | 1,7 | 73,3 | (59,7) |

| | | | |
|---|---|---|---|
| continuadas........................................................................ | | | |
| (Gasto)/Ingreso por impuesto sobre las ganancias ............ | (2,8) | 17,5 | (23,9) |
| Pérdida del ejercicio de actividades continuadas............ | (1,1) | 90,8 | (83,6) |
| Pérdida después de impuestos de las actividades interrumpidas .................................................................... | - | (0,1) | (1,2) |
| **Pérdida del ejercicio.........................................................** | **(1,1)** | **90,7** | **(84,8)** |
| Pérdida del ejercicio atribuible a tenedores de instrumentos de patrimonio neto de la dominante ............. | | | |
| Actividades continuadas................................................... | (1,1) | 90,8 | (83,6) |
| Actividades interrumpidas................................................ | - | (0,1) | (1,2) |
| **Resultado del año .............................................................** | **(1,1)** | **90,7** | **(84,8)** |

*Ventas de tiendas propias*

El importe neto de las ventas de tiendas propias se redujo en 2,2 millones de euros, o un 1,1%, de 202,3 millones en 2014 a 200,1 millones de euros en 2015, debido a la reducción en el número de tiendas propias, la mayor parte de las cuales fueron transferidas a franquiciados y debido al cierre de tiendas propias, que superó al número de aperturas.

El importe neto de las ventas de tiendas propias se redujo en 27,0 millones de euros, o un 11,8%, de 229,3 millones en 2013 a 202,3 millones de euros en 2014, debido a la reducción en el número de tiendas propias, que pasaron de 501 a 31 de diciembre de 2013 a 464 a 31 de diciembre de 2014, al ser en su mayor parte transferidas al formato de franquicias.

*Ventas por suministro*

Las ventas por suministro se incrementaron en 5,3 millones de euros, o un 6,2%, de 85,3 millones en 2014 a 90,6 millones de euros en 2015, principalmente debido al incremento en el número de tiendas franquiciadas y master franquiciadas, pasando de 804 a 31 de diciembre de 2014 a 850 tiendas franquiciadas y master franquiciadas a 31 de diciembre de 2015, debido a la apertura de nuevas tiendas franquiciadas, principalmente en España y en el Resto de Europa, así como por la transferencia de nueve tiendas propias a franquiciados en 2015.

Las ventas por suministro se incrementaron en 11,6 millones de euros, o un 15,7%, de 73,7 millones en 2013 a 85,3 millones de euros en 2014, debido al incremento en el número de tiendas franquiciadas y master franquiciadas, pasando de 729 a 31 de diciembre de 2013 a 804 tiendas a 31 de diciembre de 2014, debido principalmente a la transferencia de 58 tiendas propias a franquiciados en 2014, así como a la apertura de nuevas tiendas franquiciadas, principalmente en España y en el Resto de Europa.

*Royalties*

Los royalties se incrementaron en 2,4 millones de euros, o un 13,4%, de 17,9 millones en 2014 a 20,3 millones de euros en 2015, como resultado de un incremento en el número de tiendas franquiciadas y master franquiciadas y al incremento de nuestras actividades de marketing, que dio lugar a un incremento de la venta del sistema franquiciado.

Los royalties se incrementaron en 2,1 millones de euros, o un 13,3%, de 15,8 millones de euros en 2013 a 17,9 millones de euros en 2014, debido al incremento del número de franquiciados, pasando de 729 a 31 de diciembre de 2013 a 804 a 31 de diciembre de 2014.

*Otros ingresos*

Los otros ingresos se redujeron en 3,2 millones de euros, o un 15,2%, de 21,1 millones en 2014 a 17,9 millones de euros en 2015. Ésta diferencia de 3,2 millones de euros se explica por el hecho de que en 2014 se contabilizaron unos ingresos de 3,3 millones euros por el contrato de suministro con Ornua.

Los otros ingresos se incrementaron en 3,1 millones de euros, o un 17,2%, de 18 millones en

| | | |
|---|---|---|
| | | 2013 a 21,1 millones de euros en 2014, debido a la suscripción del contrato de suministro con Ornua, para el suministro a largo plazo de queso y otros productos lácteos, recibiendo a cambio de otorgar a Ornua la exclusividad del suministro (en España) y unos requisitos mínimos para la venta de estos productos (en Chile y Polonia), unos ingresos de 3,3 millones de euros.<br>*Consumo de mercaderías y materias primas*<br>El consumo de mercaderías y materias primas se incrementó en 0,8 millones de euros, o un 0,9%, de 90,5 millones en 2014 a 91,3 millones de euros en 2015, debido al incremento de un 4,5% en las compras, parcialmente compensado por el incremento en un 22,6% de los descuentos aplicados por nuestros proveedores, básicamente en forma de descuentos por volumen de compra.<br>El consumo de mercaderías y materias primas se incrementó en 16,2 millones de euros, o un 21,8%, de 74,3 millones en 2013 a 90,5 millones de euros en 2014, debido al incremento en un 9,8% en las compras, así como a la reducción en un 25,7% de los descuentos aplicados por nuestros proveedores.<br>*Gastos por retribuciones a los empleados*<br>Los gastos por retribuciones a los empleados se redujeron en 7,5 millones de euros, o un 7,6%, de 98,6 millones en 2014 a 91,1 millones de euros en 2015, como resultado de (i) la reducción en un 6,3% de los salarios y otros gastos de personal, de 96,7 millones en 2014 a 90,6 millones de euros en 2015 y (ii) la reducción en un 78,9% en las indemnizaciones por cese, de 1,9 millones en 2014 a 0,4 millones de euros en 2015.<br>Los gastos por retribuciones a los empleados se redujeron en 6,3 millones de euros, o un 6,0%, de 104,9 millones en 2013 a 98,6 millones de euros en 2014, como resultado de (i) la reducción en un 5,6% de los salarios y otros gastos de personal, de 102,4 millones en 2013 a 96,7 millones de euros en 2014 y (ii) la reducción en un 24,0% en las indemnizaciones por cese, de 2,5 millones en 2013 a 1,9 millones de euros en 2014.<br>*Otros gastos*<br>Los otros gastos se redujeron en 9,3 millones de euros, o un 9,5%, de 98,1 millones en 2014 a 88,8 millones de euros en 2015, como resultado de (i) la reducción en los costes relacionados con los servicios externalizados, (ii) la reducción en 1,9 millones de euros de los costes de arrendamientos de explotación en 2015 y (iii) la reducción en 0,6 millones de euros de los costes por suministro.<br>Los otros gastos se redujeron en 0,9 millones de euros, o un 0,9%, de 99,0 millones de euros en 2013 a 98,1 millones de euros en 2014, como resultado de (i) la reducción de los costes por arrendamientos de explotación en 2014, (ii) la reducción en los costes por transporte en 2014 y (iii) la reducción de los costes por suministro en 2014.<br>*Gastos financieros*<br>Nuestros gastos financieros se redujeron en 35,6 millones de euros, o un 49,1%, de 72,5 millones en 2014 a 36,9 millones de euros en 2015, debido a la capitalización de un préstamo participativo otorgado por los accionistas y a nuestra reducida cifra de deuda financiera bruta, derivándose ambos factores de nuestra refinanciación de 2014.<br>Nuestros gastos financieros se incrementaron en 10,5 millones de euros, o un 16,9%, de 62,0 millones en 2013 a 72,5 millones de euros en 2014, debido a los costes asociados a la amortización de nuestra refinanciación de 2014.<br>*(Gasto)/Ingreso por impuesto sobre las ganancias*<br>Nuestro gasto por impuesto sobre las ganancias se incrementó en 20,3 millones de euros, |

**Sección B – El Emisor**

pasando de un ingreso en 2014 de 17,5 millones a un gasto en 2015 de 2,8 millones de euros, debido al ajuste en los activos y los pasivos sujetos al impuesto llevado a cabo en 2014, a consecuencia del cambio en el tipo impositivo, que pasó de un 30% a un 28% y 25% en los ejercicios 2015 y 2016, respectivamente, de acuerdo con la nueva ley española del impuesto de sociedades, que entró en vigor en 2014. Nuestro ingreso por impuesto sobre las ganancias en 2014 fue de 17,5 millones, frente a un gasto por ingreso sobre las ganancias en 2013 de 23,9 millones de euros.

**Información del Balance de Situación**

| | **Para el año finalizado el 31 de diciembre de** | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(en millones de euros)* | | |
| **Activo** | | | |
| Inmovilizado material | 40,2 | 35,9 | 39,3 |
| Fondo de comercio | 382,7 | 376,2 | 376,0 |
| Otros activos intangibles | 334,0 | 339,5 | 345,7 |
| Activos por impuestos diferidos | 11,9 | 11,5 | - |
| Otros activos financieros | 23,7 | 21,0 | 23,9 |
| **Total activos no corrientes** | **792,4** | **784,2** | **785,0** |
| Existencias | 11,4 | 9,9 | 13,5 |
| Deudores comerciales y otras cuentas a cobrar | 34,4 | 43,9 | 37,8 |
| Otros activos financieros corrientes | 8,2 | 3,6 | 3,5 |
| Efectivo y otros medios líquidos equivalentes | 39,9 | 44,9 | 8,8 |
| Subtotal activos corrientes | 94,0 | 102,3 | 63,6 |
| *Activos no corrientes mantenidos para la venta* | *0,1* | *0,1* | *2,0* |
| **Total activos corrientes** | **94,1** | **102,4** | **65,6** |
| **Total activo** | **886,5** | **886,6** | **850,5** |
| **Pasivo** | | | |
| Pasivos financieros con entidades de crédito | 286,2 | 286,9 | 504,2 |
| Pasivos por impuestos diferidos | 84,7 | 86,9 | 96,2 |
| Pasivos con empresas del Grupo | 96,5 | 84,8 | 192,9 |
| Otros pasivos no corrientes | 5,6 | 286,9 | 7,7 |
| **Total pasivos no corrientes** | **473,0** | **464,2** | **801,1** |
| Pasivos financieros con entidades de crédito | 5,0 | 4,8 | 14,4 |
| Acreedores comerciales y otras cuentas a pagar | 47,5 | 46,9 | 47,7 |
| Otros pasivos corrientes | 6,6 | 10,6 | 5,1 |
| Subtotal pasivos corrientes | 59,1 | 62,4 | 67,2 |
| *Pasivos directamente asociados a activos no corrientes mantenidos para la venta* | *0,1* | *0,1* | *0,1* |
| **Total pasivos corrientes** | **59,2** | **62,5** | **67,3** |
| **Fondos propios** | | | |
| Capital social | 18,0 | 18,0 | 17,8 |
| Prima de asunción | 321,4 | 321,4 | 236,8 |
| Pérdidas acumuladas | 23,1 | 25,0 | (268,6) |
| Diferencias de conversión | (8,1) | (4,4) | (3,8) |
| **Patrimonio atribuido a tenedores de instrumentos de patrimonio neto de la dominante y total de patrimonio neto** | **354,3** | **359,9** | **(17,8)** |
| **Total pasivo y fondos propios** | **886,5** | **886,6** | **850,5** |

*Fondo de comercio y otros activos intangibles*

El fondo de comercio, a 31 de diciembre de 2015, 2014 y 2013, ascendía a una cantidad de 382,7, 376,2 y 376,0 millones de euros, respectivamente (lo que representa un incremento de un

| Sección B – El Emisor | | |
|---|---|---|
| | | 1,7% y un 0,1%, respectivamente).<br><br>Los otros activos intangibles, a 31 de diciembre de 2015, 2014 y 2013, ascendían a una cantidad de 334,0, 339,5 y 345,7 millones de euros, respectivamente (lo que representa una reducción de un 1,6% y un 1,8%, respectivamente).<br><br>La contabilización de un considerable fondo de comercio y otros activos intangibles en nuestros estados de situación financiera se debe, principalmente, a las adquisiciones llevadas a cabo por la Sociedad en el contexto de la reorganización societaria de 2006. Estos se corresponden con el valor de la marca “Telepizza” y con los derechos contractuales de los contratos de franquicia. A 31 de diciembre de 2015, nuestro fondo de comercio y otros activos intangibles representaban, conjuntamente, un 80,8% de la totalidad de nuestros activos consolidados.<br><br>*Pasivos financieros totales*<br><br>A 31 de diciembre de 2015, nuestros pasivos financieros consolidados totales alcanzaban los 389,8 millones de euros, de los cuales 289,1 millones de euros correspondían a la financiación senior, 98,7 millones de euros correspondían a las cantidades pendientes del Préstamo Subordinado (como se define a continuación) y 2,1 millones de euros correspondían a otra deuda (créditos y arrendamientos financieros).<br><br>Nuestra actual deuda senior está constituida por las cantidades pendientes derivadas del contrato de financiación senior existente, que fue originalmente concedida por medio del contrato de financiación senior celebrado el 22 de diciembre de 2006 (tal y como fue modificado el 22 de junio de 2012 y el 16 de octubre de 2014 en el marco de la Refinanciación de 2014) suscrito originalmente por, entre otros, la Sociedad y Telepizza Sub, como prestatarios, y determinadas entidades financieras como prestamistas (el “Contrato de Financiación Existente”).<br><br>Nuestra intención es reembolsar por completo las cantidades pendientes de la financiación en la Fecha de Liquidación, de acuerdo con el Contrato de Financiación Existente (junto con las cantidades a liquidar en virtud del contrato de cobertura existente) con los ingresos netos obtenidos con la Oferta y las cantidades disponibles conforme al nuevo contrato de financiación senior por importe de 215 millones de euros (integrado por un crédito a plazo de 200 millones de euros y un crédito *revolving* de 15 millones de euros) suscrito el 8 de abril de 2016 entre Telepizza Sub como prestatario; la Sociedad, junto con algunas de nuestras filiales en calidad de obligados; determinadas instituciones financieras (incluyendo Merrill Lynch International, UBS Limited, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Nomura International plc, Banca IMI S.p.A. e ING Bank N.V.) como prestamistas; Banco Santander, S.A. como banco agente; y GLAS Trust Corporation N.V. Limited como agente de garantías (el “Nuevo Contrato de Financiación”).<br><br>El 20 de octubre de 2014 suscribimos un préstamo subordinado con nuestro Accionista Vendedor por un principal de 84,8 millones de euros (el “Préstamo Subordinado”). El Accionista Vendedor, condicionado a la fijación del Precio de la Oferta, convertirá en capital tan pronto como sea posible tras la Admisión, al Precio de la Oferta, el importe pendiente de principal junto con los intereses devengados hasta la fecha de determinación del Precio de la Oferta (que está previsto ascienda a 105,2 millones de euros), excepto 1,2 millones de euros que se reembolsarán en metálico (siendo 104,1 millones de euros la cantidad prevista a convertirse en capital), suscribiendo el Accionista Vendedor tantas Acciones Nuevas de la Capitalización (tal y como éste término se define en el punto E.3) como se requieran al Precio de la Oferta para llevar a efecto la conversión del capital (la “Capitalización del Préstamo Subordinado”), parcialmente por cuenta de ciertos actuales accionistas indirectos de la Compañía que pasarán a ser accionistas directos de la Compañía una vez completada la Reestructuración Accionarial. |

**Sección B – El Emisor**

**Información del Estado de Flujos de Efectivo**

| | Para el año finalizado el 31 de diciembre de | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| | *(en millones de euros)* | | |
| Flujos de efectivo de actividades de explotación .... | 54,6 | 36,4 | 42,2 |
| Flujos de efectivo de actividades de inversión ........ | (30,0) | (14,5) | (10,6) |
| Flujos de efectivo de actividades de financiación ... | (26,5) | 12,5 | (47,7) |
| Efectivo neto generado por las actividades interrumpidas ...................................................... | (0,1) | 1,8 | - |
| **Aumento/(disminución) de efectivo y otros medios líquidos equivalentes** ................................................................................ | **(2,1)** | **36,2** | **(16,0)** |
| Efectivo y otros medios líquidos equivalentes ........ | 42,8 | 45,0 | 8,8 |
| **Ganancias/pérdidas cambiarias de efectivo y equivalentes** ......................................................... | **(2,9)** | **(0,1)** | **-** |
| **Efectivo y otros medios líquidos equivalentes a 31 de diciembre**[(1)] .............................................. | **39,9** | **44,9** | **8,8** |

*Nota:—*

(1) Para los años finalizados el 31 de diciembre de 2015 y de 2014, hemos aislado el efecto de las ganancias/pérdidas por tipo de cambio en efectivo y equivalentes y hemos presentado este efecto en una partida independiente. No hemos aislado este efecto para el año finalizado el 31 de diciembre de 2013.

**Medidas alternativas de rendimiento**

Además de la información financiera presentada en el presente folleto y elaborada conforme a las NIIF-UE, hemos incluido a continuación medidas alternativas de rendimiento (*alternative performance measures,* "APMs") tal y como se definen en las Directrices publicadas por la Autoridad Europea de Valores y Mercados (*European Securities and Markets Authority)* el 5 de octubre de 2015, sobre medidas alternativas de rendimiento (las "Directrices ESMA"). Presentamos estas magnitudes como información complementaria porque creemos que pueden contribuir a un entendimiento más pleno de nuestra capacidad de generar efectivo (en el supuesto de las magnitudes de EBITDA) y del crecimiento de nuestro negocio y de nuestra marca teniendo en cuenta nuestro modelo de negocio mixto basado en una combinación de tiendas propias y franquiciadas y master franquiciadas (en el supuesto de medidas de ventas cadenas).

Creemos que la presentación de las APM incluidas en el presente folleto cumple con las Directrices ESMA.

No obstante, estas medidas no se encuentran definidas en las NIIF-UE, no deberían contemplarse aisladamente, no son representativas de nuestros ingresos, márgenes, resultado operativo o flujo de efectivo de los periodos indicados, y no deberían considerase como alternativas a ingresos, flujos de efectivo o ingresos netos, como indicador del rendimiento operativo o de la liquidez. Un cierto crecimiento en relación con estas medidas no implica un crecimiento equivalente en ingresos u otras partidas de la cuenta de resultados.

Las APM incluidas en el presente folleto no han sido revisadas ni auditadas por nuestros auditores ni por ningún experto independiente.

La siguiente tabla muestra nuestras ventas cadena, crecimiento LfL de las ventas cadena, EBITDA, EBITDA Subyacente, la tasa de conversión de caja y la tasa de conversión de caja antes de las nuevas inversiones d capital para los años finalizados el 31 de diciembre de 2015, 2014 y 2013.

**Para el año finalizado el 31 de**

| Sección B – El Emisor | | |
|---|---|---|
| | | (see table below) |
| B.8 | Información financiera proforma relevante | No aplicable. |
| B.9 | Previsión de beneficio | No aplicable. |
| B.10 | Salvedades en el informe de auditoría sobre información financiera histórica | No existen salvedades en los informes de auditoría de Estados Financieros emitidos por KPMG Auditores, S.L. |
| B.11 | Capital circulante cualificado | No aplicable. |

| | diciembre de | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | *(en millones de euros)* | | |
| Ventas cadena | 491,8 | 451,0 | 445,3[(1)] |
| Crecimiento LfL de las ventas cadena | 5,5% | 1,2% | - |
| EBITDA | 57,7 | 39,3 | 58,6 |
| EBITDA Subyacente | 57,7 | 53,4 | 58,6 |
| Tasa de conversión de caja | 47,7% | 64,4% | 74,2% |
| Tasa de conversión de caja antes de las nuevas inversiones de capital | 90,3% | 92,1 % | 91,1% |

*Nota*:—

(1) Para mejorar la comparabilidad, las ventas cadena de 2013 excluyen las ventas de establecimientos propios por 4,2 millones de euros correspondientes a actividades interrumpidas. Estas ventas no aparecen como ingresos ya que se incluyen en las pérdidas netas de actividades interrumpidas en nuestros Estados Financieros de 2013.

| Sección C- Valores | | |
|---|---|---|
| C.1 | Tipo y clase de valores | Las Acciones cuentan con el código ISIN ES0105128005, asignado por la Agencia Nacional de Codificación de Valores, entidad dependiente de la Comisión Nacional del Mercado de Valores. Se prevé que nuestras Acciones coticen en las bolsas de valores de Madrid, Barcelona, Bilbao y Valencia (las “Bolsas Españolas”) y en el Sistema de Interconexión Bursátil (el “SIBE”) con el ticker “TPZ” (la “Admisión”). |
| C.2 | Divisa de la emisión de los valores | Las Acciones están denominadas en euros. |
| C.3 | Número de acciones emitidas y | A la fecha de este folleto, nuestro capital social asciende a 18.000.000 euros dividido en una sola serie de 72.000.000 acciones ordinarias denominadas en euros, con un valor nominal de |

| Sección C- Valores | | |
|---|---|---|
| | totalmente desembolsadas | 0,25 euros por Acción.<br><br>Con motivo de la Capitalización del Préstamo Subordinado, emitiremos un rango de entre 10.953.084 y 14.864.900 Acciones Nuevas de la Capitalización (según se define en E.3). De conformidad con los términos de la Oferta, emitiremos un rango de entre 12.477.335 y 16.933.526 Acciones Nuevas de la Oferta (según se definen en E.3). |
| **C.4** | Derechos vinculados a los valores | Las Acciones tendrán los mismos derechos, incluyendo el derecho de voto y cualesquiera derechos a percibir dividendos u otras cantidades a distribuir que se declaren, realicen o paguen tras su emisión, así como en relación con cualesquiera cantidades a distribuir con ocasión de la disolución de la Sociedad.<br><br>Las Acciones otorgarán a sus titulares los derechos reconocidos por nuestros estatutos y por la legislación mercantil española, tales como, entre otros: (i) el derecho a asistir a las juntas generales de accionistas de la Sociedad con derecho de voz y voto; (ii) el derecho a percibir dividendos en proporción a su participación desembolsada en la Sociedad; (iii) el derecho preferente a suscribir nuevas Acciones emitidas en aumentos de capital mediante aportaciones dinerarias; y (iv) el derecho a los activos resultantes de la liquidación en proporción a su participación en caso de liquidación de la Sociedad.<br><br>A 31 de diciembre de 2015 las acciones representativas del 100% del capital social fueron pignoradas en garantía de todas las obligaciones presentes y futuras bajo el Contrato de Financiación Existente y el contrato de cobertura existente. A la fecha de este folleto, dicha prenda ha sido totalmente cancelada respecto a la totalidad de las Acciones de la Sociedad. No se otorgará ninguna prenda ni ningún otro tipo de garantía sobre las Acciones tras la Oferta en relación con los acuerdos de financiación tras la Admisión.<br><br>Las obligaciones futuras derivadas del Nuevo Contrato de Financiación estarán garantizadas personalmente por determinadas sociedades del grupo y por las acciones de Telepizza Sub, y otras garantías reales sobre las acciones representativas del capital social de algunas otras filiales y garantías personales otorgadas por sociedades del grupo. |
| **C.5** | Restricciones a la libre transmisibilidad de los valores | No existen en nuestros estatutos sociales restricciones a la libre transmisibilidad de las Acciones, sin perjuicio de los acuerdos de no disposición asumidos por la Sociedad, el Accionista Vendedor y nuestros directivos tal como se describen en el apartado E.5 de este resumen. |
| **C.6** | Admisión | Se solicitará la admisión a negociación de las Acciones en las Bolsas Españolas y en el SIBE. No se ha efectuado ni se prevé actualmente que vaya a efectuarse ninguna solicitud para que las Acciones coticen o sean admitidas a negociación en ningún otro mercado regulado.<br><br>Se prevé que las Acciones sean admitidas a negociación en las Bolsas Españolas y en el SIBE en o alrededor del 27 de abril de 2016, con el ticker “TPZ”, salvo las Acciones Nuevas de la Capitalización, las cuales se espera que sean admitidas a negociación en las Bolsas Españolas y en el SIBE tan pronto como sea posible después de la Admisión. |
| **C.7** | Política de dividendos | Debido a nuestro perfil corporativo y a nuestra estrategia, esperamos reinvertir nuestras ganancias y el efectivo generado en el corto plazo en iniciativas encaminadas a hacer crecer el negocio y reducir el apalancamiento, y por tanto, no prevemos el pago de un dividendo sobre nuestros resultados del ejercicio 2016 ni en el medio plazo. Revisaremos nuestra política de dividendos en función del desarrollo de nuestras actividades.<br><br>El importe de los dividendos futuros que decidamos pagar, si proceden, y nuestra política de dividendos futuros dependerán de una serie de factores, incluyendo, entre otros, nuestras ganancias, situación financiera, obligaciones del servicio de la deuda, requisitos de efectivo |

| Sección C- Valores | | |
|---|---|---|
| | | (incluyendo gastos de capital y planes de inversión), previsiones, las condiciones de mercado y otros factores que se consideren relevantes en cada momento. Cualquier distribución de dividendos será propuesta por nuestro consejo de administración y aprobada por nuestros accionistas en la junta general de accionistas.<br><br>La Sociedad no ha declarado o pagado dividendos en los tres años finalizados el 31 de diciembre de 2015, 2014 y 2013.<br><br>No existen limitaciones de naturaleza contractual a la distribución de dividendos por la Sociedad y sus filiales en virtud del Nuevo Contrato de Financiación o de cualquier otro acuerdo financiero en vigor en el momento de la Admisión.<br><br>Al ser una sociedad *holding* que desarrollamos nuestra actividad principalmente a través de nuestra filial participada al 100%, Telepizza Sub y sus filiales, la distribución de nuestros dividendos estará sujeta al cumplimiento previo por parte de Telepizza Sub y sus filiales correspondientes de los requisitos establecidos en sus estatutos y en la legislación aplicable. En particular, la Ley 22/2015, de 20 de julio, de auditoría de cuentas, modificó con efectos desde el 1 de enero de 2016 el régimen previsto en la Ley de Sociedades de Capital sobre la reserva legal por fondo de comercio y estableció nuevas reglas en relación con la amortización de los inmovilizados intangibles.<br><br>Desde el 1 de enero de 2016 no es necesaria la dotación de una reserva legal no distribuible por fondo de comercio. Las cantidades de dicha reserva se reclasifican como reservas voluntarias y pueden distribuirse en el importe que exceda el fondo de comercio registrado como activo en el estado de situación financiera de la Sociedad. A 31 de diciembre de 2015, la reserva legal no distribuible por fondo de comercio de Telepizza Sub ascendía a 110,3 millones de euros (frente a los 294,5 millones de euros del fondo de comercio) y, por tanto, no se prevé que la amortización de su fondo de comercio en el corto plazo permita a Telepizza Sub distribuir las cantidades de esta reserva.<br><br>Asimismo, desde del 1 de enero de 2016, los inmovilizados intangibles (incluido el fondo de comercio) deben amortizarse contablemente de forma lineal durante su vida útil, que se presumirá que es de diez años salvo que se pueda determinar de otra manera de forma fiable. El fondo de comercio que conste como activo en el estado de situación financiera se reducirá anualmente en un importe que equivalga al menos a su amortización. Telepizza Sub cuenta con importe elevado de inmovilizados intangibles en su estado de situación financiera individual elaborado conforme a las normas contables españolas, derivado del valor del fondo de comercio y de las marcas de las que es titular Telepizza Sub. A 31 de diciembre de 2015 el fondo de comercio de Telepizza Sub ascendía a 294,5 millones de euros y los otros activos intangibles ascendían a 324,4 millones de euros (incluyendo los 230,6 millones de euros del valor de la marca).<br><br>Las recientes modificaciones en el régimen legal de la reserva por fondo de comercio y en los criterios de contabilización de los inmovilizados intangibles reducirán significativamente los beneficios individuales de Telepizza Sub en el año 2016 y en los próximos años y darán lugar a pérdidas en 2016, lo que podría afectar de forma negativa a su capacidad para distribuir dividendos.<br><br>Considerando que nuestros ingresos y flujo de efectivo dependen de las distribuciones de dividendo y otros pagos procedentes de Telepizza Sub, la amortización de los activos intangibles de Telepizza Sub puede reducir considerablemente cada año el beneficio de la Sociedad y podría afectar material y negativamente a la capacidad de la Sociedad para distribuir dividendos. |

| Sección D- Riesgos | | |
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| **D.1** | Información sobre los riesgos específicos y relevantes del emisor o su sector | *La inversión en nuestras Acciones supone un alto grado de riesgo. Deberá usted considerar cuidadosamente los riesgos e incertidumbres que se describen a continuación, junto con la restante información contenida en el folleto antes de tomar cualquier decisión de inversión. Cualquiera de los riesgos e incertidumbres siguientes podría tener un efecto negativo sustancial sobre nuestro negocio, los resultados de nuestras operaciones, nuestra situación financiera, flujos de efectivo y perspectivas. El precio de mercado de nuestras Acciones podría caer debido a cualquiera de estos riesgos e incertidumbres, y podría usted perder la totalidad o parte de su inversión.*<br><br>**INFORMACIÓN IMPORTANTE**<br><br>Deseamos llamar la atención a los inversores en las Acciones de la Oferta así como a cualquier futuro accionista de la Sociedad sobre los siguientes asuntos:<br><br>• ***Nuestra rentabilidad ha experimentado fluctuaciones y hemos incurrido en pérdidas significativas en el pasado y esperamos incurrir en pérdidas en el año en curso***<br>Incurrimos en pérdidas en 2013 y en 2015. En 2013, las pérdidas consolidadas e individuales de la Sociedad alcanzaron 84,8 y 44,3 millones de euros, respectivamente, y en 2015 las pérdidas consolidadas e individuales de la Sociedad alcanzaron 1,1 y 12,0 millones de euros, respectivamente. En 2014, la Sociedad registró un beneficio consolidado e individual de 90,7 y 108,3 millones de euros, respectivamente. Lo anterior, resultó de reconocer como ganancia la cantidad de 128,6 millones de euros tras la emisión de instrumentos de capital por compensación de un préstamo participativo por importe de 107,1 millones de euros, y la compensación parcial de un préstamo subordinado por importe de 106,3 millones de euros en relación con la refinanciación de nuestra deuda llevada a cabo en 2014.<br>En 2016 esperamos incurrir en pérdidas como resultado de la amortización de nuestro fondo de comercio y de otros inmovilizados intangibles derivada de los recientes cambios en la normativa contable española y de otros gastos no recurrentes por importe de 44,5 millones de euros incurridos en relación con la Oferta, la Capitalización del Préstamo Subordinado y el Nuevo Contrato de Financiación (que está previsto que alcancen un importe agregado de 16,1 millones de euros, asumiendo que el Precio de la Oferta (como se define en E.3) es de 8,25 euros, el punto medio del Rango de Precio de la Oferta), y el impacto de los planes de incentivos para directivos en nuestra cuenta de resultados (que prevemos alcancen un importe agregado de 28,4 millones de euros, asumiendo que el Precio de la Oferta (como se define en E.3) es de 8,25 euros, el punto medio del Rango de Precio de la Oferta).<br>• ***Nuestro fondo de comercio ascendía a 382,7 millones de euros y nuestros otros activos intangibles a 334,0 millones de euros (incluyendo 228,5 millones de euros relacionados con el valor de nuestra marca) en nuestros estados de situación financiera consolidados a 31 de diciembre de 2015, lo que conjuntamente representa un 80,8% de la totalidad de nuestros activos consolidados. Nuestro fondo de comercio y otros activos intangibles podrían estar sujetos a deterioros futuros***<br>Tenemos reconocidos en nuestros estados de situación financiera un importe significativo correspondiente al fondo de comercio y a otros activos intangibles correspondientes, principalmente, a las adquisiciones llevadas a cabo por la Sociedad en el contexto de la reorganización societaria de 2006 en relación con el valor de la marca “Telepizza” y con los derechos contractuales de los contratos de franquicia. A 31 de diciembre de 2015, la contabilización en nuestros estados de situación financiera consolidados del fondo de comercio y de otros activos intangibles ascendía a 382,7 y 334,0 millones de euros, respectivamente, lo que conjuntamente suponía un 80,8% de la totalidad de nuestros activos consolidados. El deterioro significativo de nuestro fondo de comercio y activos intangibles tendría un impacto negativo en nuestra cuenta de resultados por el reconocimiento de dichos deterioros y en nuestro estado de situación financiera |

| Sección D- Riesgos | | |
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| | | consolidado derivado de la reducción de su valor residual.<br>• ***Las acciones de Telepizza Sub y otras filiales se pignorarán en favor de los prestamistas bajo el Nuevo Contrato de Financiación***<br>Todas las obligaciones derivadas del Nuevo Contrato de Financiación estarán garantizadas por medio de una prenda de primer rango sobre las acciones representativas del 100% del capital social de Telepizza Sub, así como por medio de otras garantías reales sobre los valores representativos del capital social de determinadas filiales y garantías personales otorgadas por sociedades del grupo. Si no pudiéramos cumplir con las obligaciones derivadas del Nuevo Contrato de Financiación, los prestamistas podrían exigir el pago anticipado de las cantidades debidas y, si no estuviésemos en situación de hacer frente a dichas cantidades, los prestamistas tendrían derecho a ejecutar las mencionadas garantías reales y personales.<br>• ***Somos una sociedad holding y nuestros únicos activos materiales son y está previsto que sean, nuestra participación en Telepizza Sub y sus filiales, de las cuáles dependemos para pagar dividendos, impuestos y otros gastos***<br>Nuestra actividad principal es ser la sociedad holding de nuestra filial Telepizza Sub. Nuestra filial Telepizza Sub es titular de una gran cantidad de inmovilizados intangibles, de acuerdo con sus estados de situación financiera individuales, como consecuencia del valor de su fondo de comercio y de las marcas de que es titular. A 31 de diciembre de 2015, el fondo de comercio de Telepizza ascendía a 294,5 millones de euros y los otros activos intangibles a 324,4 millones de euros (incluyendo los 230,6 millones de euros en que está valorada la marca). Los últimos cambios en la normativa contable española exigen que los activos intangibles sean amortizados en las cuentas individuales de forma lineal durante su vida útil (los activos intangibles con vida útil indefinida desaparecen), que se presumirá que es de 10 años salvo que pueda estimarse de otra manera de forma fiable. Aunque a la fecha de este folleto no podemos predecir la amortización de los inmovilizados intangibles que será contabilizada en las cuentas anuales de Telepizza Sub en el futuro, las amortizaciones que realicemos en 2016 y en los próximos años de acuerdo con los referidos cambios en los criterios de contabilización de activos intangibles reducirán considerablemente los beneficios anuales individuales de Telepizza Sub y provocará que incurra en pérdidas en 2016, lo que afectará de forma negativa a su capacidad para distribuir dividendos, lo cual podría afectar significativa y negativamente a la capacidad de la Sociedad para distribuir dividendos.<br><br>Para una descripción más detallada de estos asuntos, véanse los factores de riesgo a continuación.<br><br>**Riesgos relacionados con la Sociedad**<br><br>• Nuestra rentabilidad ha experimentado fluctuaciones y hemos incurrido en pérdidas significativas en el pasado y esperamos incurrir en pérdidas en el año en curso;<br>• Nuestro fondo de comercio ascendía a 382,7 millones de euros y nuestros otros activos intangibles a 334,0 millones de euros (incluyendo 228,5 millones de euros relacionados con el valor de nuestra marca) en nuestros estados de situación financiera consolidados a 31 de diciembre de 2015, lo que conjuntamente representa un 80,8% de la totalidad de nuestros activos consolidados. Nuestro fondo de comercio y otros activos intangibles podrían estar sujetos a deterioros futuros<br>• Las acciones de Telepizza Sub y otras filiales serán pignoradas en favor de los prestamistas bajo el Nuevo Contrato de Financiación;<br>• Somos una sociedad *holding* y nuestros únicos activos materiales son y está previsto que sean, nuestra participación en Telepizza Sub y sus filiales, de las cuáles dependemos para pagar dividendos, impuestos y otros gastos;<br>• Nuestro negocio podría verse afectado de forma adversa debido a la pérdida de ciertos clientes o franquiciados y máster franquiciados; |

| Sección D- Riesgos | | |
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| | | • Dependemos de terceros proveedores y podríamos sufrir restricciones o interrupciones en el suministro de materias primas, ingredientes y productos complementarios;<br>• Algunos de nuestros contratos de suministro establecen obligaciones a largo plazo en relación con los precios y el volumen de suministro. En otros casos, no contamos con contratos a largo plazo con suministradores, quienes podrían tratar de incrementar significativamente los precios o incumplir sus obligaciones de suministro;<br>• Nuestra estrategia de crecimiento depende en parte de la apertura de nuevas tiendas rentables tanto en mercados nuevos como en ya existentes y en el crecimiento de estas tiendas;<br>• Puede que nuestras iniciativas de marketing no tengan éxito, y que nuestros nuevos productos, campañas publicitarias y el diseño y la remodelación de nuestras tiendas no generen un incremento de las ventas o del beneficio;<br>• Dependemos de nuestros franquiciados y máster franquiciados y de sus sub-franquiciados para desarrollar nuestro negocio;<br>• Nuestros planes de apertura de nuevas tiendas y el mantenimiento y renovación de las ya existentes requieren que realicemos inversiones de capital considerables;<br>• Nuestra actividad internacional está sujeta a riesgos adicionales;<br>• Nuestro negocio depende de nuestra habilidad para entregar nuestros productos a domicilio a nuestros clientes;<br>• Podríamos afrontar escasez de personal o un incremento de los costes laborales;<br>• Podríamos no ser capaces de proteger de forma adecuada nuestra propiedad intelectual o el valor de nuestra marca y de los productos de nuestra marca;<br>• No somos titulares de ninguna propiedad inmobiliaria relevante y nuestra actividad se lleva a cabo principalmente en locales alquilados;<br>• Las fluctuaciones de los tipos de cambio podrían afectar a nuestros resultados;<br>• La implementación de la NIIF 16 podría tener un impacto significativo en nuestras cuentas; y<br>• La legislación fiscal española podría limitar la deducibilidad, a efectos del impuesto sobre sociedades español, de los gastos financieros incurridos como consecuencia de nuestro endeudamiento. Esto podría afectar de forma negativa nuestra situación financiera y podría reducir nuestros flujos de efectivo disponibles.<br><br>**Riesgos relacionados con nuestro endeudamiento**<br><br>• Nuestro nivel de endeudamiento es significativo;<br>• Nuestros contratos de financiación contienen restricciones y la inobservancia de alguna de estas podría colocarnos en situación de incumplimiento;<br>• Estamos sujetos al riesgo de tipo de interés relacionado con nuestro endeudamiento; y<br>• Podríamos no ser capaces de generar suficientes flujos de efectivo para satisfacer nuestras obligaciones relativas al servicio de la deuda, las cuales son significativas, y nuestro nivel de endeudamiento podría tener otras importantes consecuencias en la Sociedad.<br><br>**Riesgos relacionados con nuestro negocio**<br><br>• Nuestra reputación y la calidad de nuestra marca son críticas para nuestro negocio;<br>• Podríamos sufrir episodios de intoxicaciones alimenticias;<br>• Dependemos del personal directivo clave;<br>• Dependemos, de las tecnologías de la información y podríamos sufrir vulneraciones en nuestra seguridad;<br>• Nuestra estrategia incluye adquisiciones, lo cual requiere una inversión significativa en tiempo y recursos;<br>• Puede que nuestros seguros no confieran los niveles adecuados de cobertura; |

| Sección D- Riesgos | | |
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| | | • Los cambios normativos, regulatorios, así como de otros requisitos legales podrían tener un impacto significativo en nuestros resultados operativos y financieros; y<br><br>**Riesgos relacionados con nuestro sector**<br><br>• Somos vulnerables a las condiciones económicas y políticas, particularmente en España;<br>• El sector de la comida rápida, y en particular, el de venta de pizza a domicilio, son altamente competitivos; y<br>• Un incremento en el coste de los alimentos y de los suministros, o de los impuestos asociados con las ventas, podría reducir nuestros márgenes operativos de nuestras tiendas o provocar que nuestra variedad de productos se vea limitada o modificada de alguna manera. |
| **D.3** | Información sobre los riesgos específicos y relevantes de los valores | **Riesgos relacionados con la Oferta y las Acciones**<br><br>• Algunos accionistas indirectos serán accionistas significativos y ejercerán una influencia sustancial sobre la Sociedad. Podríamos tener que asumir ciertos riesgos relativos a conflictos de interés entre algunos de nuestros accionistas;<br>• No prevemos pagar dividendos en 2016 ni en el medio plazo y, como consecuencia, la única oportunidad de los accionistas de obtener una rentabilidad de su inversión sería la derivada de una subida del precio de nuestras acciones;<br>• No podemos asegurar que el Precio de la Oferta (definido al continuación) iguale el precio de cotización de las Acciones después de la Oferta;<br>• Ventas significativas de nuestras Acciones después de la Oferta podrían ocasionar una disminución en el precio de mercado de las mismas;<br>• Podría no desarrollarse un mercado activo de nuestras Acciones;<br>• La volatilidad del mercado podría afectar el precio de nuestras Acciones, y la emisión de Acciones adicionales u otros valores de capital o relacionados con el capital podrían diluir la participación de los accionistas;<br>• Accionistas situados en otros territorios diferentes de España podrían no poder ejercitar sus derechos de adquisición preferente;<br>• La Oferta podría ser revocada;<br>• Accionistas ubicados en países con moneda diferente al euro podrían verse sujetos a riesgos adicionales respecto de sus Acciones derivados de fluctuaciones en el tipo de interés de la divisa;<br>• La capacidad de los accionistas que residen fuera de España para iniciar de forma efectiva una acción judicial o ejecutar una resolución judicial extranjera contra la Sociedad o nuestros consejeros podría ser limitada; y<br>• Las Acciones de la Oferta (según se definen en la sección E.3) no serán libremente transmisibles en Estados Unidos. |

| Sección E- La Oferta | | |
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| **E.1** | Ingresos netos totales de la Oferta y gastos estimados totales | Esperamos obtener unos fondos brutos de 118,5 millones de euros por la emisión de Acciones Nuevas de la Oferta. Se prevé que las comisiones de aseguramiento, honorarios y gastos que deberá pagar la Sociedad en relación con la Oferta asciendan a la cantidad aproximada de 16,1 millones de euros.<br><br>No recibiremos ingreso alguno de la venta de las Acciones Existentes de la Oferta (como se define en E.3) ni de las Acciones de Sobre-adjudicación (como se define en E.3) por parte del Accionista Vendedor en la Oferta. |

| Sección E- La Oferta | | |
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| | | El Accionista Vendedor espera obtener unos fondos brutos de 431,5 millones de euros por la venta de Acciones Existentes de la Oferta. Se prevé que las comisiones de aseguramiento, honorarios y gastos que deberá pagar el Accionista Vendedor en relación con la Oferta asciendan a la cantidad aproximada de 14.6 millones de euros. |
| **E.2** | Motivos de la Oferta y destino de los ingresos | Tenemos previsto utilizar los fondos netos de la emisión de Acciones Nuevas de la Oferta de la siguiente forma: (i) 87,4 millones de euros, junto con las disposiciones realizadas en virtud del Nuevo Contrato de Financiación, para el reembolso íntegro de las cantidades pendientes derivadas del Contrato de Financiación Existente; (ii) 1,2 millones de euros, para el reembolso íntegro de Préstamo Subordinado después de la Capitalización del Préstamo Subordinado; (iii) 5,0 millones de euros, para hacer un pago global en efectivo por parte de la Sociedad a nuestro equipo directivo en el marco del plan de incentivos en efectivo y acciones aprobado por la Sociedad, Telepizza Sub y el Accionista Vendedor con fecha 6 de abril de 2016 (el "Plan de Incentivos en Efectivo y Acciones") una vez que tenga lugar la Admisión; (iv) hasta 4,0 millones de euros, para la concesión de un préstamo opcional, a discreción de nuestros directivos, a cada uno de los directivos al objeto de financiar parcialmente los impuestos que hayan de pagar como consecuencia de la percepción de Acciones en el marco del Plan de Incentivos en Efectivo y Acciones una vez que tenga lugar la Admisión; y (v) hasta 4,9 millones de euros, para hacer un pago en abril de 2018 en el contexto del bonus en efectivo concedido a nuestros directivos y a algunos gerentes correspondiente a algunos o a todos los ejercicios 2015, 2016 y 2017 bajo los planes de incentivos para directivos a largo plazo.<br><br>El Accionista Vendedor tiene intención de utilizar los ingresos recibidos de la venta de Acciones Existentes de la Oferta para (i) el reembolso íntegro de un préstamo subordinado que le fue concedido en 2014 por algunos de nuestros actuales accionistas indirectos, al tiempo o inmediatamente después del reembolso de la financiación existente y (ii) realizar un pago en efectivo a favor de nuestros directivos (del cual una parte se aportará a las reservas de la Sociedad para financiar las retenciones a pagar por la Sociedad como consecuencia de los pagos a realizar por el Accionista Vendedor a los altos directivos bajo el Plan de Incentivos en Efectivo y Acciones, una vez que tenga lugar la Admisión). |
| **E.3** | Términos y condiciones de la Oferta | En el marco de la oferta, la Sociedad está ofreciendo entre 12.477.335 y 16.933.526 acciones nuevas (las "Acciones Nuevas de la Oferta"), y se fijarán en el número que sea necesario, al Precio de la Oferta, para proporcionar a la Sociedad unos ingresos brutos de 118,5 millones de euros, y el Accionista Vendedor está entre 45.417.402 y 61.637.903 acciones existentes (las "Acciones Existentes de la Oferta" y de forma conjunta con las Acciones Nuevas de la Oferta, las "Acciones Iniciales de la Oferta"). Las Acciones Existentes de la Oferta se fijarán en el número que sea necesario, al Precio de la Oferta, para proporcionar al Accionista Vendedor unos fondos brutos de 431,5 millones de euros (de forma conjunta, la "Oferta").<br><br>Adicionalmente, el Accionista Vendedor otorgará una opción a las Entidades Aseguradoras (como se define a continuación) ejercitable por UBS Limited como agente de estabilización (el "Agente de Estabilización") no más tarde de los 30 días naturales siguientes a la fecha en la que las Acciones comiencen a cotizar en las Bolsas de Valores, para comprar acciones adicionales (las "Acciones de Sobre-adjudicación" y junto con las Acciones Iniciales de la Oferta, las "Acciones de la Oferta") hasta un 10% del volumen de la Oferta al Precio de la Oferta, únicamente para cubrir sobre-adjudicaciones de Acciones que pudieran tener lugar en el contexto de la Oferta, en su caso, y posiciones a corto resultantes de operaciones de estabilización, en su caso.<br><br>Adicionalmente, y sujeto al Precio de la Oferta, el Accionista Vendedor suscribirá tantas Acciones nuevas como sea necesario, al Precio de la Oferta, para llevar a cabo la |

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Capitalización del Préstamo Subordinado (las "Acciones Nuevas de la Capitalización"), parcialmente por cuenta de ciertos actuales accionistas indirectos de la Compañía que pasarán a ser accionistas directos de la Compañía una vez completada la Reestructuración Accionarial.

En estados miembros del Espacio Económico Europeo, la Oferta no se considera una oferta pública a los efectos de la Directiva del Parlamento Europeo y del Consejo 2003/71/CE de 4 de noviembre de 2003 (con sus modificaciones, incluyendo la Directiva 2010/73/UE, la "Directiva de Folletos") y solo se dirige a personas que se consideren inversores cualificados dentro del significado del artículo 2(1)(e) de la Directiva de Folletos (incluyendo cualesquiera medidas de implementación correspondientes en cada estado miembro del Espacio Económico Europeo que corresponda, tales como el Real Decreto Legislativo 4/2015, de 23 de octubre, que aprueba el Texto Refundido de la Ley del Mercado de Valores y el Real Decreto 1310/2005).

Adicionalmente, la Oferta es una oferta (i) en los Estados Unidos, dirigida a personas que de forma razonable se consideren compradores institucionales cualificados (QIBs) según se definen en y basándose en la Norma 144A de la Ley de Valores estadounidense de 1993 (*U.S. Securities Act*, la "Ley de Valores"), tal como haya sido modificada, y (ii) fuera de Estados Unidos, en cumplimiento de la Norma S bajo la Ley de Valores.

El rango del Precio de la oferta está entre 7,00 y 9,50 euros por Acción (el "Rango de Precio de la Oferta"). El Rango de Precio de la Oferta es indicativo y podría cambiar durante el curso de la Oferta y el Precio de la Oferta se podrá fijar dentro de, por encima o por debajo del Rango de Precio de la Oferta. El precio final de las Acciones en la Oferta (el "Precio de la Oferta") lo determinarán la Sociedad, el Accionista Vendedor, y Merrill Lynch International y a UBS Limited (las "Entidades Coordinadoras Globales"), una vez finalice el periodo de prospección de la demanda (lo que se prevé que ocurra en o alrededor del 25 de abril de 2016) y será anunciado a través de la publicación del correspondiente hecho relevante. No se consultará con expertos independientes para la determinación del Precio de la Oferta.

Finalizado el periodo de prospección de la demanda (lo que se prevé que ocurra en o alrededor del 25 de abril de 2016), la Sociedad, el Accionista Vendedor y las Entidades Coordinadoras Globales, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Nomura International plc, Banco Santander, S.A., Banca IMI S.p.A. e ING Bank NV (de forma conjunta, las "Entidades Aseguradoras") suscribirán un contrato de aseguramiento con respecto las Acciones de la Oferta (el "Contrato de Aseguramiento"). Sujeto al cumplimiento de ciertas condiciones establecidas en el Contrato de Aseguramiento, cada Entidad Aseguradora se comprometerá, de forma mancomunada y no solidaria, a conseguir compradores de, o a suscribir o comprar (según proceda) el porcentaje del número total de las Acciones Iniciales de la Oferta tal como se establece a continuación de su nombre en la siguiente tabla:

| Entidades Aseguradoras | % Acciones Iniciales de la Oferta |
|---|---|
| Merrill Lynch International | 32,5% |
| UBS Limited | 32,5% |
| Banco Bilbao Vizcaya Argentaria, S.A. | 10,5% |
| Barclays Bank PLC | 10,5% |
| Nomura International plc | 6,0% |
| Banco Santander, S.A. | 4,0% |

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| | | Banca IMI S.p.A ........................................ 2,0%<br>ING Bank NV ........................................ 2,0% |

Se estima que la fecha de operación bursátil de la Oferta (la "Fecha de la Operación") tenga lugar en o alrededor del 26 de abril de 2016. Conforme a la legislación española, en la Fecha de la Operación los inversores asumen de forma incondicional la obligación de pagar, y adquieren el derecho a recibir las correspondientes Acciones Iniciales de la Oferta que hubieran suscrito o comprado en el marco de la Oferta.

Al objeto de agilizar la Admisión de las Acciones Iniciales de la Oferta, las Entidades Coordinadoras Globales, en su capacidad de bancos pre-financiadores, suscribirán y pagarán por las Acciones Nuevas de la Oferta en la Fecha de la Operación de la Oferta, cada uno de ellos actuando en nombre y representación de las Entidades Aseguradoras, y cada Entidad Aseguradora actuando en nombre y representación de los inversores finales. Se estima que el pago de las Acciones Nuevas de la Oferta por los bancos pre-financiadores se efectúe a favor de la Sociedad antes de las 9.00 CET en la Fecha de la Operación, en la cuenta que la Sociedad tenga abierta en Banco Santander, S.A., como banco agente, y se entenderá que las Acciones Nuevas de la Oferta existen una vez queden inscritas en el Registro Mercantil de Madrid y se registren como anotaciones en cuenta en la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("Iberclear").

El pago por los inversores finales de las Acciones Iniciales de la Oferta, incluyendo las Acciones Nuevas de la Oferta suscritas y pagadas en la Fecha de la Operación por las Entidades Coordinadoras Globales como bancos pre-financiadores, se llevará a cabo no más tarde del tercer día hábil después de la Fecha de la Operación, contra entrega a través de Iberclear de las Acciones Iniciales de la Oferta a los inversores finales, lo cual se estima que sucederá en o alrededor del 29 de abril de 2016 (la "Fecha de Liquidación").

La ejecución de la ampliación de capital que resulte de la Capitalización del Préstamo Subordinado será aprobada por nuestro consejo de administración en o alrededor del 25 de abril de 2016. La escritura pública de la Capitalización del Préstamo Subordinado se otorgará tan pronto sea posible tras la Admisión. Las Acciones Nuevas de la Capitalización serán consideradas emitidas una vez que la escritura de Capitalización del Préstamo Subordinado sea inscrita en el Registro Mercantil de Madrid y las Acciones Nuevas de la Capitalización estén representadas mediante anotaciones en cuenta en Iberclear, lo que está previsto que ocurra tan pronto como sea posible tras la Admisión.

Se estima que las Acciones serán admitidas a negociación en las Bolsas Españolas y el SIBE con el ticker "TPZ" en o alrededor del 27 de abril de 2016, excepto las Acciones Nuevas de la Capitalización, las cuales se estima que serán admitidas a negociación en las Bolsas Españolas y el SIBE tan pronto como sea posible tras la Admisión.

En caso de retirada o revocación de la Oferta, todas las ofertas de suscripción o compra se cancelarán y se resolverán todas las órdenes de suscripción o compra relativas a la Oferta. Adicionalmente, la Sociedad no tendrá obligación alguna de emitir y entregar las Acciones Nuevas de la Oferta y el Accionista Vendedor no tendrá obligación alguna de entregar las Acciones Existentes de la Oferta y los inversores (incluyendo, a los efectos de este apartado, las Entidades Aseguradoras en nombre de los inversores finales) no tendrán obligación alguna de suscribir o comprar, según proceda, las Acciones Iniciales de la Oferta.

En caso de que la las Acciones Nuevas de la Oferta hubieran sido emitidas y desembolsadas por los inversores antes de la fecha de extinción de la Oferta, la Sociedad recomprará las Acciones Nuevas de la Oferta que hubieran sido emitidas y desembolsadas, y reducirá a continuación su capital social y cancelará las Acciones Nuevas de la Oferta al objeto de devolver los fondos recibidos por la Sociedad tras la suscripción. La Sociedad recomprará las Acciones Nuevas de la Oferta por un precio equivalente a los importes pagados por los

| Sección E- La Oferta | | |
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| | | inversores en relación con la suscripción de las Acciones Nuevas de la Oferta en la Oferta, junto con los intereses calculados según el tipo del interés legal del dinero (actualmente establecido en un 3,0%) desde la fecha en la que los inversores desembolsaron las Acciones Nuevas de la Oferta hasta la fecha en la que la Sociedad devuelva el precio de suscripción.<br><br>En caso de que la las Acciones Existentes de la Oferta ya hubieran sido entregadas por el Accionista Vendedor y el precio de compra hubiera sido pagado por los inversores, estos serán requeridos para que devuelvan el título de las Acciones Existentes de la Oferta al Accionista Vendedor, y el Accionista Vendedor recomprará las Acciones Existentes de la Oferta de los compradores de aquellas, por el precio pagado por éstos en relación con la compra de las Acciones Existentes de la Oferta en la Oferta, junto con los intereses calculados según el tipo del interés legal del dinero (actualmente establecido en un 3%) desde la fecha en la que los compradores pagaron las Acciones Existentes de la Oferta hasta la fecha en la que el Accionista Vendedor devuelva el precio de compra.<br><br>En la medida en que así lo permita la legislación aplicable, el Agente de Estabilización, en relación con la Oferta, podrá (pero no tendrá obligación de) involucrarse en operaciones que estabilicen, den soporte, mantengan o de otra manera pudieran afectar al precio, así como realizar una sobreasignación de las Acciones o efectuar operaciones con el objeto de respaldar el precio de mercado de las Acciones, situándolo en un nivel superior a aquel que de otro modo estaría vigente en el mercado abierto. Cualesquiera operaciones de estabilización serán llevadas a cabo de conformidad con las leyes y reglamentos aplicables, en particular, el Reglamento de la Comisión Europea (CE) número 2273/2003 de 22 de diciembre. |
| **E.4** | Intereses relevantes en la Oferta | Las Entidades Aseguradoras y las sociedades de sus respectivos grupos han estado, están en la actualidad y puede que en un futuro estén involucradas en operaciones con, y podrían prestar servicios, para la Sociedad en el curso ordinario de su negocio.<br><br>Algunas Entidades Aseguradoras y las sociedades de sus respectivos grupos son prestamistas o participan de alguna forma en nuestros contratos de financiación, incluyendo el Nuevo Contrato de Financiación, cuyas obligaciones serán garantizadas a través de prendas de primer rango sobre las acciones que representan el 100% del capital social de nuestras filiales españolas.<br><br>Con fecha 29 de Febrero de 2016, la Sociedad suscribió una carta de compromiso con KKR Capital Markets Limited, para la prestación de ciertos servicios de asesoría relacionados con la Oferta y la Refinanciación del Contrato de Financiación Existente. En contraprestación por estos servicios, se estima que la Sociedad pagará a KKR Capital Markets Limited una comisión de 2,2 millones de euros, pagadera cuando el Nuevo Contrato de Financiación sea efectivo. |
| **E.5** | Entidades que ofrecen las Acciones y acuerdos de no disposición (*lock-up*) | **(A) Entidades que ofrecen las Acciones**<br><br>La Sociedad es la entidad que ofrece las Acciones Nuevas de la Oferta. El Accionista Vendedor es la entidad que ofrece las Acciones Existentes de la Oferta.<br><br>**(B) Acuerdos de no disposición**<br><br>De conformidad con los términos del Contrato de Aseguramiento, las siguientes partes estarán sujetas a acuerdos de no disposición temporal durante el periodo desde la formalización del Contrato de Aseguramiento hasta la fecha que se corresponda con los días siguientes después de la Fecha de Liquidación de la Oferta:<br><br>La Sociedad .......... 180 días<br>El Accionista Vendedor .......... 180 días |

| Sección E- La Oferta | | |
|---|---|---|
| | | Directivos........................................ 365 días [(1)]<br>*Nota:—*<br>(1) Cada uno de los miembros de nuestra dirección también acordará con la Sociedad y el Accionista Vendedor restricciones similares a la transmisión de las Acciones que recibirán en relación con los planes de incentivos a directivos por un periodo de entre uno y dos años, según corresponda, tras la Fecha de la Operación.<br>Los acuerdos de no disposición están sujetos a las excepciones habituales. |
| **E.6** | Dilución | De conformidad con la Oferta, se emitirán entre 12.477.335 y 16.933.526 Acciones Nuevas de la Oferta y de conformidad con la Capitalización del Préstamo Subordinado, se emitirán entre 10.953.084 y 14.864.900 Acciones Nuevas de la Capitalización. Las Acciones existentes de la Sociedad a la fecha de este folleto representarán entre el 69,4% y el 75,4% del capital social total de la Sociedad tras la Capitalización del Préstamo Subordinado y tras la Oferta. |
| **E.7** | Gastos repercutidos a los inversores | Con independencia de cualquier gasto, comisión de agencia o de otro tipo que puedan aplicar las entidades que participan en Iberclear de conformidad con sus correspondientes comisiones (y que sean ajenas a la Sociedad), a efectos de la transmisión de las Acciones, nosotros no cobraremos a los inversores finales gasto alguno de forma adicional al Precio de la Oferta.<br>Es posible que los suscriptores o compradores de Acciones de la Oferta tengan que pagar aranceles y otros cargos en cumplimiento de las leyes y prácticas del país de compra, además del Precio de la Oferta. |

**EQUIVALENCE CHART**

**TELEPIZZA GROUP, S.A.U.**
**TABLA DE EQUIVALENCIAS DEL FOLLETO**
**RELATIVO A LA OFERTA DE SUSCRIPCIÓN Y VENTA DE ACCIONES Y POSTERIOR ADMISIÓN A NEGOCIACIÓN**

Madrid, a 15 de abril de 2016

**1** **Documento de registro**. Información sobre el emisor requerida por el Anexo I del Reglamento (CE) No 809/2004, de la Comisión Europea, relativo a la información contenida en los folletos así como al formato, la incorporación por referencia, la publicación de dichos folletos y la difusión de publicidad (el "**Reglamento 809/2004**")

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
|---|---|---|
| 1 | **Personas responsables** | |
| 1.1 | Identificación de las personas responsables del documento de registro de acciones. | • Sección *Declaration of Responsibility* (Declaración de Responsabilidad). |
| 1.2 | Declaración de las personas responsables del documento de registro de acciones. | • Sección *Declaration of Responsibility* (Declaración de Responsabilidad). |
| 2 | **Auditores de cuentas** | |
| 2.1 | Nombre y dirección de los auditores del emisor para el período cubierto por la información financiera histórica (así como su afiliación a un colegio profesional). | • Sección *Independent Auditors* (Auditores Independientes). |
| 2.2 | Si los auditores han renunciado, han sido apartados de sus funciones o no han sido redesignados durante el período cubierto por la información financiera histórica. | • No aplicable. |
| 3 | **Información financiera seleccionada** | |
| 3.1 | Información financiera histórica seleccionada relativa al emisor. | • Sección *Presentation of Financial and Other Information* (Presentación de Información Financiera y Otra Información).<br>• Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos). |
| 3.2 | Si se proporciona información financiera intermedia, datos comparativos del mismo período del ejercicio anterior, salvo que el requisito para la información comparativa del balance se satisfaga presentando la información del balance final del ejercicio. | • No aplicable<br>. |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| **4** | **Factores de riesgo** | • Sección *Risk Factors* (Factores de Riesgo). |
| **5** | **Información sobre el emisor** | |
| **5.1** | Historia y evolución del emisor. | |
| **5.1.1** | Nombre legal y comercial del emisor. | • Portada del Folleto.<br>• Sección *The Offering* (La Oferta); apartado *The Company* (la Sociedad).<br>• Sección *Business* (Negocio); sub-sección *Corporate History* (Historia Corporativa).<br>• Sección *Definitions* (Definiciones). |
| **5.1.2** | Lugar de registro del emisor y número de registro. | • Sección *Business* (Negocio); sub-sección *Corporate History* (Historia Corporativa).<br>• Sección *Definitions* (Definiciones). |
| **5.1.3** | Fecha de constitución y período de actividad del emisor. | • Sección *Business* (Negocio); sub-sección *Corporate History* (Historia Corporativa)<br>• Sección *Definitions* (Definiciones). |
| **5.1.4** | Domicilio y personalidad jurídica del emisor, legislación conforme a la cual opera, país de constitución, y dirección y número de teléfono de su domicilio social (o lugar principal de actividad empresarial si es diferente de su domicilio social). | • Portada del Folleto.<br>• Sección *Business* (Negocio); sub-secciones *Corporate History* (Historia Corporativa) y *Regulation* (Regulación).<br>• Sección *Description of Share Capital* (Descripción del Capital Social).<br>• Sección *Available Information* (Información Disponible); sub-sección *Documents on Display* (Documentos Disponibles para Consulta)<br>• Sección *Definitions* (Definiciones).<br>• Contraportada del Folleto, en la que consta el domicilio social del emisor. |
| **5.1.5** | Acontecimientos importantes en el desarrollo de la actividad del emisor. | • Sección *Business* (Negocio); sub-sección *Corporate History* (Historia corporativa).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos). |
| **5.2** | Inversiones. | |
| **5.2.1** | Descripción de las principales inversiones del emisor en cada ejercicio para el periodo cubierto por la información financiera histórica hasta la fecha del documento de registro. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital); apartado *Capital Expenditures* |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| | | (Inversiones de Capital).<br>• Sección *Business* (Negocio); sub-secciones *Overview* (Visión General) y *Our Segments* (Nuestros Segmentos). |
| **5.2.2** | Descripción de las inversiones principales del emisor actualmente en curso, incluida la distribución de estas inversiones geográficamente (nacionales y en el extranjero) y el método de financiación (interno o externo). | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos), *Liquidity and Capital Resources* (Liquidez y Recursos de Capital), *Capital Expenditures* (Inversiones de Capital) y *Contractual Obligations* (Obligaciones Contractuales). |
| **5.2.3** | Información sobre las principales inversiones futuras del emisor sobre las cuales sus órganos de gestión hayan adoptado ya compromisos firmes. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos) y *Capital Expenditures* (Inversiones de Capital). |
| **6** | **Descripción del negocio** | |
| **6.1** | Actividades principales. | |
| **6.1.1** | Descripción de, y factores clave relativos a, la naturaleza de las operaciones del emisor y de sus principales actividades, declarando las principales categorías de productos vendidos y/o servicios prestados en cada ejercicio durante el período cubierto por la información financiera histórica. | • Sección *Business* (Negocio); sub-secciones *Overview* (Visión General), *Our Growth Strategy* (Nuestra Estrategia de Crecimiento), *Distribution Channels* (Canales de Distribución), *Products and Marketing* (Productos y Marketing) y *Digital Sales Strategy* (Estrategia de Ventas Digitales). |
| **6.1.2** | Indicación de todo nuevo producto y/o servicio significativos que se hayan presentado y, en la medida en que se haya divulgado públicamente su desarrollo, dar la fase en que se encuentra. | • Sección *Business* (Negocio); sub-sección *Products and Marketing* (Productos y Marketing). |
| **6.2** | Mercados principales | |
| **6.2.1** | Descripción de los mercados principales en que el emisor compite, incluido un desglose de los ingresos totales por categoría de actividad y mercado geográfico para cada ejercicio durante el período cubierto por la información financiera histórica. | • Sección *Industry and Market Opportunity* (Industria y Oportunidades de Mercado).<br>• Sección *Business* (Negocio); sub-secciones *Overview* (Visión General) y *Our Segments* (Nuestros Segmentos).<br>• Sección *Management's Discussion and Analysis* |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| | | *of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Results of Operations* (Resultados Operativos). |
| **6.3** | Cuando la información dada de conformidad con los puntos 6.1. y 6.2. se haya visto influenciada por factores excepcionales, debe mencionarse este hecho. | • Sección *Industry and Market Opportunity.* (Industria y Oportunidades de Mercado).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos). |
| **6.4** | Si es importante para la actividad empresarial o para la rentabilidad del emisor, revelar información sucinta relativa al grado de dependencia del emisor de patentes o licencias, contratos industriales, mercantiles o financieros, o de nuevos procesos de fabricación. | • Sección Risk Factors (Factores de Riesgo).<br>• Sección Business (Negocio); sub-secciones Own Stores, Franchises and Master Franchises (Tiendas Propias, Franquicias y Master Franquicias), Intellectual Property (Propiedad Intelectual) y Supplies, Manufacturing and Distribution (Suministros, Fabricación y Distribución).<br>• Sección Management's Discussion and Analysis of Financial Condition and Results of Operations (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección Liquidity and Capital Resources (Liquidez y Recursos de Capital); apartados Contractual Obligations (Obligaciones Contractuales) y Indebtedness (Endeudamiento).<br>• Sección *Material Contracts* (Contratos Materiales). |
| **6.5** | Se incluirá la base de cualquier declaración efectuada por el emisor relativa a su posición competitiva. | • Sección *Business* (Negocio); sub-sección *Our Competitive Strengths* (Nuestras Fortalezas Competitivas). |
| **7** | **Estructura organizativa** | |
| **7.1** | Si el emisor es parte de un grupo, una breve descripción del grupo y la posición del emisor en el grupo. | • Sección *Business* (Negocio); sub-sección *Corporate Structure* (Estructura Corporativa). |
| **7.2** | Lista de las filiales significativas del emisor, incluido el nombre, el país de constitución o residencia, la participación en el capital y, si es diferente, su proporción de derechos de voto. | • Sección *Business* (Negocio); sub-sección *Corporate Structure* (Estructura Corporativa). |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| **8** | **Propiedad, instalaciones y equipo** | |
| **8.1** | Información relativa a todo inmovilizado material tangible existente o previsto, incluidas las propiedades arrendadas, y cualquier gravamen importante al respecto. | • Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información); *Statement of Financial Position Data* (Estado de la Situación Financiera Consolidada).<br>• Sección *Business* (Negocio); sub-sección *Properties and Leases* (Propiedades y Arrendamientos). |
| **8.2** | Descripción de cualquier aspecto medioambiental que pueda afectar al uso por el emisor del inmovilizado material tangible. | • Sección *Business* (Negocio); sub-sección *Regulation* (Regulación). |
| **9** | **Análisis operativo y financiero** | |
| **9.1** | Situación financiera. | • Sección *Presentation of Financial and Other Information* (Presentación de Información Financiera y Otra Información).<br>• Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos). |
| **9.2** | Resultados de explotación. | |
| **9.2.1** | Información relativa a factores significativos, incluidos los acontecimientos inusuales o infrecuentes o los nuevos avances, que afecten de manera importante a los ingresos del emisor por operaciones, indicando en qué medida han resultado afectados los ingresos. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos) y *Results of Operations* (Resultados Operativos). |
| **9.2.2** | Cuando los estados financieros revelen cambios importantes en las ventas netas o en los ingresos, proporcionar un comentario narrativo de los motivos de esos cambios. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Result of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos) y *Results of Operations* (Resultados Operativos). |
| **9.2.3** | Información relativa a cualquier actuación o factor de orden gubernamental, económico, | • Sección *Business* (Negocio); sub-sección *Regulation* (Regulación). |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| | fiscal, monetario o político que, directa o indirectamente, hayan afectado o pudieran afectar de manera importante a las operaciones del emisor. | • Sección *Industry and Market Opportunity* (Industria y Oportunidades de Mercado). |
| **10** | **Recursos financieros** | |
| **10.1** | Información relativa a los recursos financieros del emisor (a corto y a largo plazo). | • Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información); sub-sección *Statement of Financial Position Data* (Estado de la Situación Financiera Consolidada).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital); apartados *Indebtedness* (Endeudamiento) y *Existing Facilities* (Créditos existentes).<br>• Sección *Related Party Transactions* (Operaciones con Partes Vinculadas). |
| **10.2** | Explicación de las fuentes y cantidades y descripción narrativa de los flujos de tesorería del emisor. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital). |
| **10.3** | Información sobre las condiciones de los préstamos y la estructura de financiación del emisor. | • Sección *Capitalization and Indebtedness* (Capitalización y Endeudamiento).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital); apartados *Indebtedness* (Endeudamiento) y *Existing Facilities* (Créditos existentes).<br>• Sección *Related Party Transactions* (Operaciones con Partes Vinculadas). |
| **10.4** | Información relativa a cualquier restricción sobre el uso de los recursos de capital que, directa o indirectamente, haya afectado o pudiera afectar de manera importante a las operaciones del emisor. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de |

| Epígrafe del Anexo I del Reglamento 809/2004 | | Equivalencia en el Folleto |
|---|---|---|
| | | Capital); apartado *Indebtedness* (Endeudamiento). |
| **10.5** | Información relativa a las fuentes previstas de los fondos necesarios para cumplir los compromisos mencionados en 5.2.3. y 8.1. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital); apartado *Indebtedness* (Endeudamiento). |
| **11** | **Investigación y desarrollo, patentes y licencias** | |
| **11.1** | Descripción de las políticas de investigación y desarrollo del emisor para cada ejercicio durante el período cubierto por la información financiera histórica, incluida la cantidad dedicada a actividades de investigación y desarrollo emprendidas por el emisor, en los casos en los que sea importante. | • No aplicable. |
| **12** | **Información sobre tendencias** | |
| **12.1** | Tendencias recientes más significativas de la producción, ventas e inventario, y costes y precios de venta desde el fin del último ejercicio. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos). |
| **12.2** | Información sobre cualquier tendencia conocida, incertidumbres, demandas, compromisos o hechos que pudieran razonablemente tener una incidencia importante en las perspectivas del emisor, por lo menos para el ejercicio actual. | • Sección *Risk Factors* (Factores de Riesgo).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Principal Factors Affecting Our Results of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos).<br>• Sección *Industry and Market Opportunity.* (Industria y Oportunidades de Mercado).<br>• Sección *Business* (Negocio); sub-sección *Regulation* (Regulación). |
| **13** | **Previsiones o estimaciones de beneficios** | |
| **13.1** | Declaración que enumere los principales supuestos en los que el emisor ha basado su previsión o su estimación. | • El emisor ha decidido no incluir información de previsiones o estimaciones. |

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| **13.2** | Informe elaborado por contables o auditores independientes que declare que, a juicio de esos contables o auditores independientes, la previsión o estimación se ha calculado correctamente sobre la base declarada, y que el fundamento contable utilizado para la previsión o estimación de los beneficios es coherente con las políticas contables del emisor. | • El emisor ha decidido no incluir información de previsiones o estimaciones. |
| **13.3** | La previsión o estimación de los beneficios debe prepararse sobre una base comparable con la información financiera histórica. | • El emisor ha decidido no incluir información de previsiones o estimaciones. |
| **13.4** | Si el emisor ha publicado en un folleto una previsión de beneficios para una fecha no transcurrida, debe entonces proporcionar una declaración de si efectivamente ese pronóstico sigue siendo tan correcto como en la fecha del documento de registro, o una explicación de por qué el pronóstico ya no es válido, si ese es el caso. | • El emisor ha decidido no incluir información de previsiones o estimaciones. |
| **14** | **Órganos de administración, de gestión y de supervisión, y altos directivos** | |
| **14.1** | Información sobre la composición del Órgano de Administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración). |
| **14.2** | Nombre, dirección profesional y cargo en el emisor de los miembros de los órganos de administración, de gestión o de supervisión, indicando las principales actividades que éstas desarrollan al margen del emisor, si dichas actividades son significativas con respecto a ese emisor. | |
| (a) | Miembros de los órganos de gestión y supervisión. | |
| (i) | Miembros del Órgano de Administración: | |
| • | Nombre, dirección profesional y cargo en el emisor de los miembros de los órganos de administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Directors* (Administradores). |
| • | Datos sobre la preparación y experiencia pertinentes de gestión. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Directors* |

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| | (Administradores). |
| • Naturaleza de toda relación familiar entre cualquiera de los miembros del Órgano de Administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Family Relationships* (Relaciones Familiares). |
| • Nombres de todas las empresas y asociaciones de las que cada uno de los miembros del Órgano de Administración haya sido, en cualquier momento de los cinco años anteriores, miembro de los órganos de administración, de gestión o de supervisión, o socio, indicando si esa persona sigue siendo miembro de los órganos de administración, de gestión o de supervisión, o si es socio. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Directors* (Administradores). |
| • Información sobre: (a) cualquier condena en relación con delitos de fraude por lo menos en los cinco años anteriores; (b) cualquier quiebra, suspensión de pagos o liquidación con las que estuviera relacionada por lo menos durante los cinco años anteriores; (c) cualquier incriminación pública oficial y/o sanciones de esa persona por autoridades estatutarias o reguladoras (incluidos los organismos profesionales designados); (d) cualquier incriminación por un tribunal por su actuación como miembro de los órganos de administración, de gestión o de supervisión de un emisor o por su actuación en la gestión de los asuntos de un emisor durante por lo menos los cinco años anteriores. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *No Convictions and Other Negative Statements* (Ausencia de condenas y otras declaraciones negativas). |
| (ii) Miembros de los órganos de gestión y supervisión. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Board Committees* (Comisiones del Consejo de Administración); sub-apartados *Audit and Compliance Committee* (Comisión de Auditoría y Cumplimiento) y *Appointments and Compensation Committee* (Comisión de Nombramientos y Retribuciones). |
| (b) Socios comanditarios, si se trata de una sociedad comanditaria por acciones. | • No aplicable. |
| (c) Fundadores, si el emisor se constituyó hace menos de cinco años. | • No aplicable. |
| (d) Cualquier alto directivo que sea pertinente para establecer que el emisor posee las calificaciones y la experiencia apropiadas para gestionar las actividades del emisor. | |

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| • | Nombre, dirección profesional y cargo en el emisor de los altos directivos. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Management Team* (Equipo Directivo). |
| • | Datos sobre la preparación y experiencia pertinentes de gestión de los altos directivos. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Management Team* (Equipo Directivo). |
| • | Naturaleza de toda relación familiar entre cualquiera de los altos directivos. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Family Relationships* (Relaciones Familiares). |
| • | Nombres de todas las empresas y asociaciones de las que cada uno de los altos directivos haya sido, en cualquier momento de los cinco años anteriores, miembro de los órganos de administración, de gestión o de supervisión, o socio, indicando si esa persona sigue siendo miembro de los órganos de administración, de gestión o de supervisión, o si es socio. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Management Team* (Equipo Directivo). |
| • | Información sobre: (a) cualquier condena en relación con delitos de fraude por lo menos en los cinco años anteriores; (b) cualquier quiebra, suspensión de pagos o liquidación con las que estuviera relacionada por lo menos durante los cinco años anteriores; (c) cualquier incriminación pública oficial y/o sanciones de esa persona por autoridades estatutarias o reguladoras (incluidos los organismos profesionales designados); (d) cualquier incriminación por un tribunal por su actuación como miembro de los órganos de administración, de gestión, de supervisión de un emisor, o alto directivo o por su actuación en la gestión de los asuntos de un emisor durante por lo menos los cinco años anteriores. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *No Convictions and Other Negative Statements* (Ausencia de condenas y otras declaraciones negativas). |
| **14.3** | Conflictos de interés de los órganos de administración, de gestión y de supervisión, y altos directivos. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Conflicts of Interest* (Conflictos de Interés). |
| **15** | **Remuneración y beneficios** | |
| | En relación con el último ejercicio completo, para las personas mencionadas en a) y d) del primer párrafo del punto 14.1: | |
| **15.1** | Importe de la remuneración pagada (incluidos los honorarios contingentes o | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); |

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| | atrasados) y prestaciones en especie concedidas a esas personas por el emisor y sus filiales por servicios de todo tipo prestados por cualquier persona al emisor y sus filiales. | sub-sección *Compensation* (Remuneración). |
| **15.2** | Importes totales ahorrados o acumulados por el emisor o sus filiales para prestaciones de pensión, jubilación o similares. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Compensation* (Remuneración). |
| **16** | **Prácticas de gestión** | |
| | En relación con el último ejercicio completo del emisor, y salvo que se disponga lo contrario, con respecto a las personas mencionadas en a) del primer párrafo de 14.1: | |
| **16.1** | Fecha de expiración del actual mandato, en su caso, y período durante el cual la persona ha desempeñado servicios en ese cargo. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Directors* (Administradores) y *Management Team* (Equipo Directivo). |
| **16.2** | Información sobre los contratos de los miembros de los órganos de administración, de gestión o de supervisión con el emisor o cualquiera de sus filiales que prevean beneficios a la terminación de sus funciones, o la correspondiente declaración negativa. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Compensation* (Remuneración); apartado *Agreements with Directors and Senior Management including Post-Termination Benefits* (Contratos con los Administradores y con el Equipo Directivo incluido los Beneficios Derivados de la Finalización del Contrato). |
| **16.3** | Información sobre el comité de auditoría y el comité de retribuciones del emisor, incluidos los nombres de los miembros del comité y un resumen de su reglamento interno. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Board Committees* (Comisiones del Consejo de Administración); sub-apartados *Audit and Compliance Committee* (Comisión de Auditoría y Cumplimiento) y *Appointments and Compensation Committee* (Comisión de Nombramientos y Retribuciones). |
| **16.4** | Declaración de si el emisor cumple el régimen o regímenes de gobierno corporativo de su país de constitución. En caso de que el emisor no cumpla ese régimen, debe incluirse una declaración a ese efecto, así como una explicación del motivo por el cual el emisor no cumple dicho régimen. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); *Corporate Governance* (Gobierno Corporativo) y *Control of Financial Information System and Risk Control and Management Policy* (Control de Sistemas de Información Financiera y Política de Control y Gestión de Riesgos). |
| **17** | **Empleados** | |
| **17.1** | Número de empleados al final del período o la media para cada ejercicio durante el | • Sección *Business* (Negocio); sub-sección *Human Resources* (Recursos Humanos); apartado |

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| | período cubierto por la información financiera histórica y hasta la fecha del documento de registro (y las variaciones de ese número, si son importantes) y, si es posible y reviste importancia, un desglose de las personas empleadas por categoría principal de actividad y situación geográfica. Si el emisor emplea un número significativo de empleados eventuales, incluir datos sobre el número de empleados eventuales por término medio durante el ejercicio más reciente. | *Employees* (Empleados). |
| **17.2** | Acciones y opciones de compra de acciones de los miembros de los órganos de administración, gestión y supervisión, y de los altos directivos. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-secciones *Compensation* (Remuneración) y *Equity Interests* (Participaciones en el Capital). |
| **17.3** | Descripción de todo acuerdo de participación de los empleados en el capital del emisor. | • Sección Business (Negocio), sub-sección *Human Resources* (Recursos Humanos); apartado *Employee Benefits* (Beneficios a los Empleados). |
| **18** | **Accionistas principales** | |
| **18.1** | Nombre de cualquier persona que no pertenezca a los órganos de administración, de gestión o de supervisión que, directa o indirectamente, tenga un interés declarable, según el derecho nacional del emisor, en el capital o en los derechos de voto del emisor, así como la cuantía del interés de cada una de esas personas o, en caso de no haber tales personas, la correspondiente declaración negativa. | • Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente). |
| **18.2** | Si los accionistas principales del emisor tienen distintos derechos de voto, o la correspondiente declaración negativa. | • Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente); sub-sección *Voting Rights* (Derechos de Voto). |
| **18.3** | Declaración de si el emisor es directa o indirectamente propiedad o está bajo control y quién lo ejerce, y describir el carácter de ese control y las medidas adoptadas para garantizar que no se abusa de ese control. | • Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente). |
| **18.4** | Descripción de todo acuerdo, conocido del emisor, cuya aplicación pueda en una fecha ulterior dar lugar a un cambio en el control del emisor. | • Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente); sub-sección *Arrangements for Change in Control of the Company* (Acuerdos para el Cambio en el Control de la Compañía). |
| **19** | **Operaciones de partes vinculadas** | |

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| **19.1** | Operaciones con partes vinculadas (que para estos fines se definen según las normas adoptadas en virtud del Reglamento (CE) no 1606/2002 y en la Orden EHA/3050/2004, de 15 de septiembre, sobre la información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales), que el emisor haya realizado durante el período cubierto por la información financiera histórica, si son aplicables. | • Sección *Related Party Transactions* (Operaciones con Partes Vinculadas). |
| **20** | **Información financiera relativa al activo y el pasivo del emisor, posición financiera y pérdidas y beneficios** | |
| **20.1** | Información financiera histórica. | |
| **20.1.1** | Balance de situación. | • Sección *Financial Statements* (Estados Financieros).<br>• Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información). |
| **20.1.2** | Cuenta de resultados. | • Sección *Financial Statements* (Estados Financieros).<br>• Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Results of Operations* (Resultados Operativos). |
| **20.1.3** | Estado de flujos de tesorería. | • Sección *Financial Statements* (Estados Financieros).<br>• Sección *Selected Financial and Other Information* (Información Financiera Seleccionada y Otra Información). |
| **20.1.4** | Declaración que muestre todos los cambios en el neto patrimonial o los cambios en el neto patrimonial que no procedan de operaciones de capital con propietarios y distribuciones a propietarios | • Sección *Financial Statements* (Estados Financieros). |
| **20.1.5** | Políticas contables utilizadas y notas explicativas | • Sección *Financial Statements* (Estados Financieros).<br>• Sección *Presentation of Financial and Other* |

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| | *Information* (Presentación de Información Financiera y Otra Información).<br>• Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Financial Presentation and Accounting Policies* (Presentación Financiera y Políticas Contables); apartado *Critical Accounting Policies and Estimates* (Políticas Contables Materiales y Estimaciones). |
| **20.2** Información financiera pro-forma. | • No aplicable. |
| **20.3** Estados financieros. | • Sección *Financial Statements* (Estados Financieros). |
| **20.4** Auditoría de la información financiera histórica anual. | • Sección *Presentation of Financial and Other Information* (Presentación de Información Financiera y Otra Información).<br>• Sección *Independent Auditors* (Auditores Independientes). |
| **20.5** Edad de la información financiera más reciente. | • Sección *Presentation of Financial and Other Information* (Presentación de Información Financiera y Otra Información). |
| **20.6** Información intermedia y demás información financiera. | • No aplicable. |
| **20.7** Política de dividendos. | • Sección *Dividends and Dividend Policy* (Dividendos y Política de Dividendos).<br>• Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Dividend and Liquidation Rights* (Dividendos y Derechos en la Liquidación).<br>• Sección *The Offering* (La Oferta); apartado *Dividend Policy* (Política de Dividendos). |
| **20.8** Procedimientos judiciales y de arbitraje. | • Sección *Business* (Negocio); sub-sección *Legal Proceedings* (Procesos Legales). |
| **20.9** Cambios significativos en la posición financiera o comercial del emisor. | • Sección *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-secciones *Principal Factors Affecting Our Result of Operations* (Principales Factores que Afectan a Nuestros Resultados Operativos) y *Results of Operations* (Resultados Operativos), *Liquidity and Capital Resources* (Liquidez y Recursos de Capital); apartados *Indebtedness* (Endeudamiento) y |

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| | *Contractual Obligations* (Obligaciones Contractuales). |
| **21 Información adicional** | |
| **21.1** Capital social. | |
| **21.1.1** Importe del capital emitido. | • Sección *Description of Share Capital* (Descripción del Capital Social), sub-sección *General* (General). |
| **21.1.2** Si hay acciones que no representan capital, se declarará el número y las principales características de esas acciones. | • No aplicable. |
| **21.1.3** Número, valor contable y valor nominal de las acciones del emisor en poder o en nombre del propio emisor o de sus filiales. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| **21.1.4** Importe de todo valor convertible, valor canjeable o valor con warrants, indicando las condiciones y los procedimientos que rigen su conversión, canje o suscripción. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| **21.1.5** Información y condiciones de cualquier derecho de adquisición y/o obligaciones con respecto al capital autorizado pero no emitido o sobre un compromiso de aumentar el capital. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| **21.1.6** Información sobre cualquier capital de cualquier miembro del grupo que esté bajo opción o que se haya acordado condicional o incondicionalmente someter a opción y detalles de esas opciones, incluidas las personas a las que se dirigen esas opciones. | • No hay en el folleto. |
| **21.1.7** Evolución del capital social, resaltando la información sobre cualquier cambio durante el período cubierto por la información financiera histórica. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| **21.2** Estatutos y escritura de constitución. | |
| **21.2.1** Descripción del objeto social y fines del emisor y dónde pueden encontrarse en los estatutos y escritura de constitución. | • Sección *Business* (Negocio); sub-secciones *Overview* (Visión General) *y Corporate History* (Historia Corporativa).<br>• Sección *Definitions* (Definiciones).<br>• Sección *Description of Share Capital* (Descripción del Capital Social); segundo párrafo introductorio.<br>• Sección *Available Information* (Información Disponible); sub-sección *Documents on Display* (Documentos Disponibles para Consulta) |
| **21.2.2** Breve descripción de cualquier disposición | |

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| | de las cláusulas estatutarias o reglamento interno del emisor relativa a los miembros de los órganos de administración, de gestión y de supervisión: | |
| (a) | Consejo de Administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración). |
| (b) | Reglamento del Consejo de Administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración). |
| (c) | Comisiones del Consejo de Administración. | • Sección *Board of Directors and Management* (Consejo de Administración y Alta Dirección); sub-sección *Board of Directors* (Consejo de Administración); apartado *Board Committees* (Comisiones del Consejo de Administración). |
| **21.2.3** | Descripción de los derechos, preferencias y restricciones relativas a cada clase de las acciones existentes. | • Sección *The Offering* (La Oferta); apartado *Voting Rights* (Derechos de Voto).<br>• Sección *Description of Share Capital* (Descripción del Capital Social). |
| **21.2.4** | Descripción de qué se debe hacer para cambiar los derechos de los tenedores de las acciones, indicando si las condiciones son más exigentes que las que requiere la ley. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Representation and Transfer of Shares* (Representación y Transmisión de Acciones). |
| **21.2.5** | Descripción de las condiciones que rigen la manera de convocar las juntas generales anuales y las juntas generales extraordinarias de accionistas, incluyendo las condiciones de admisión. | • Sección *Description of Share Capital* (Descripción del Capital Social; sub-sección *General Shareholders' Meetings and Voting Rights* (Junta General de Accionistas y Derechos de Voto). |
| **21.2.6** | Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor que tenga por efecto retrasar, aplazar o impedir un cambio en el control del emisor. | • No aplicable. |
| **21.2.7** | Indicación de cualquier disposición de las cláusulas estatutarias o reglamentos internos, en su caso, que rija el umbral de participación por encima del cual deba revelarse la participación del accionista. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Reporting Requirements* (Requisitos de Notificación); apartado *Transactions Affecting Voting Rights* (Operaciones que Afectan a los Derechos de Voto). |
| **21.2.8** | Descripción de las condiciones impuestas por las cláusulas estatutarias o reglamento interno que rigen los cambios en el capital, si estas condiciones son más rigurosas que | • No aplicable. |

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| | las que requiere la ley. | |
| **22** | **Contratos relevantes** | |
| **22.1** | Resumen de cada contrato relevante, al margen de los contratos celebrados en el desarrollo corriente de la actividad empresarial, del cual es parte el emisor o cualquier miembro del grupo, celebrado durante los dos años inmediatamente anteriores a la publicación del documento de registro. | • Sección *Material Contracts* (Contratos Materiales). |
| **22.2** | Resumen de cualquier otro contrato (que no sea un contrato celebrado en el desarrollo corriente de la actividad empresarial) celebrado por cualquier miembro del grupo que contenga una cláusula en virtud de la cual cualquier miembro del grupo tenga una obligación o un derecho que sean relevantes para el grupo hasta la fecha del documento de registro. | • Sección *Material Contracts* (Contratos Materiales). |
| **23** | **Información de terceros, declaraciones de expertos y declaraciones de interés** | |
| **23.1** | Cuando se incluya una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de dicha persona, su dirección profesional, sus cualificaciones y, en su caso, cualquier interés importante que tenga en el emisor. Si el informe se presenta a petición del emisor, una declaración de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, y con el consentimiento de la persona que haya autorizado el contenido de esa parte del documento de registro. | • No aplicable. |
| **23.2** | En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información. | • Sección *Presentation of Industry and Market Data* (Presentación de los Datos de Industria y de Mercado).<br>• Sección *Industry and Market Opportunity* (Industria y Oportunidades de Mercado); *Overview of the Operating Environment in Spain* (Visión General del Entorno Operativo en España). |
| **24** | **Documentos para consulta** | |
| **24.1** | Declaración de que, en caso necesario, pueden inspeccionarse los siguientes documentos (o | • Sección *Description of Share Capital* (Descripción del Capital Social); segundo párrafo |

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| | copias de los mismos) durante el período de validez del documento de registro: (a) los estatutos y la escritura de constitución del emisor; (b) todos los informes, cartas, y otros documentos, información financiera histórica, evaluaciones y declaraciones elaborados por cualquier experto a petición del emisor, que estén incluidos en parte o mencionados en el documento de registro; (c) la información financiera histórica del emisor o, en el caso de un grupo, la información financiera histórica del emisor y sus filiales para cada uno de los dos ejercicios anteriores a la publicación del documento de registro. Indicación de dónde pueden examinarse los documentos para consulta, por medios físicos o electrónicos. | introductorio en relación a la escritura de constitución y a los estatutos sociales.<br>• Sección *Presentation of Financial and Other Information* (Presentación de Información Financiera y de Otra Información).<br>• Sección *Available Information* (Información Disponible); sub-sección *Documents on Display* (Documentos Disponibles para Consulta) |
| **25** | **Información sobre participaciones** | |
| **25.1** | Información relativa a las empresas en las que el emisor posee una proporción del capital que puede tener un efecto significativo en la evaluación de sus propios activos y pasivos, posición financiera o pérdidas y beneficios. | • Sección *Business* (Negocio); sub-sección *Corporate Structure* (Estructura Corporativa). |

**2** **Nota sobre las acciones**. Información sobre los valores a emitir requerida por el Anexo III del Reglamento 809/2004

| Epígrafe del Anexo III del Reglamento 809/2004 | | Equivalencia en el Folleto |
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| 1 | **Personas responsables** | |
| 1.1 | Identificación de las personas responsables de la nota sobre las acciones. | • Sección *Important Information about this Prospectus* (Información Relevante sobre este Folleto). |
| 1.2 | Declaración de las personas responsables de la nota sobre las acciones. | • Sección *Important Information about this Prospectus* (Información Relevante sobre este Folleto). |
| 2 | **Factores de riesgo** | • Sección *Risk Factors* (Factores de Riesgo). |
| 3 | **Información esencial** | |
| 3.1 | Declaración sobre el capital circulante. | • Sección *Management's Discussion and Anaysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos); sub-sección *Liquidity and Capital Resources* (Liquidez y Recursos de Capital). |
| 3.2 | Capitalización y endeudamiento. | • Sección *Capitalization and Indebtedness* (Capitalización y Endeudamiento).<br>• Sección *Management's Discussion and Anaysis of Financial Condition and Results of Operations* (Discusión y Análisis del Órgano de Administración de la Situación Financiera y Resultados Operativos). |
| 3.3 | Interés de las personas físicas y jurídicas participantes en la emisión/oferta. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Other Relationships* (Otras Relaciones). |
| 3.4 | Motivos de la oferta y destino de los ingresos. | • Sección *The Offering* (La Oferta); apartado *Use of Proceeds* (Destino de los Ingresos).<br>• Sección *Use of Proceeds* (Destino de los Ingresos). |
| 4 | **Información relativa a los valores que van a ofertarse/admitirse a negociación** | |
| 4.1 | Descripción del tipo y la clase de los valores ofertados y/o admitidos a cotización, con el Código ISIN (número internacional de identificación del valor) u otro código de identificación del valor. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| 4.2 | Legislación según la cual se han creado los valores. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| 4.3 | Indicación de si los valores están en forma | • Sección *Description of Share Capital* |

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| | registrada o al portador y si los valores están en forma de título o de anotación en cuenta. En el último caso, nombre y dirección de la entidad responsable de la llevanza de las anotaciones. | (Descripción del Capital Social); sub-sección *General* (General). |
| **4.4** | Divisa de la emisión de los valores. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General). |
| **4.5** | Descripción de los derechos vinculados a los valores, incluida cualquier limitación de esos derechos, y procedimiento para el ejercicio de los mismos. | |
| **4.5.1** | Derechos a participar en las ganancias sociales y en el patrimonio resultante de la liquidación. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Dividend and Liquidation Rights* (Dividendos y Derechos en la Liquidación). |
| **4.5.2** | Derechos de asistencia y voto. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General Shareholders' Meetings and Voting Rights* (Juntas Generales de Accionistas y Derechos de Voto). |
| **4.5.3** | Derechos de suscripción preferente en las ofertas de suscripción de valores de la misma clase. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Pre-emptive Rights and Increases of Share Capital* (Derechos de Suscripción Preferente y Aumentos del Capital Social). |
| **4.5.4** | Derecho de participación en los beneficios del emisor. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Dividend and Liquidation Rights* (Dividendos y Derechos en la Liquidación); apartado *Dividend Distribution* (Distribución de dividendos).<br>• Sección *Dividends and Dividend Policy* (Dividendos y Política de Dividendos).<br>• Sección *The Offering* (La Oferta); apartado *Dividend Policy* (Política de Dividendos). |
| **4.5.5** | Derechos de participación en cualquier excedente en caso de liquidación. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-secciones *Dividend and Liquidation Rights* (Dividendos y derechos en la Liquidación) y *Shareholder Liquidation Rights* (Derechos de los Accionistas en la Liquidación). |
| **4.5.6** | Cláusulas de amortización. | • No aplicable. |
| **4.5.7** | Cláusulas de conversión. | • No aplicable. |
| **4.6** | En el caso de nuevas emisiones, declaración de las resoluciones, | |

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| | autorizaciones y aprobaciones en virtud de las cuales los valores han sido o serán creados y/o emitidos. | |
| **4.6.1** | Acuerdos sociales. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *General* (General).<br>• Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Authorizations of the Offering* (Autorizaciones de la Oferta). |
| **4.6.2** | Autorizaciones. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Authorizations of the Offering* (Autorizaciones de la Oferta). |
| **4.7** | En el caso de nuevas emisiones, fecha prevista de emisión de los valores. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| **4.8** | Descripción de cualquier restricción sobre la libre transmisibilidad de los valores. | • Sección *Description of Share Capital* (Descripción del Capital Social); sub-sección *Representation and Transfer of Shares* (Representación y Transmisión de las Acciones). |
| **4.9** | Indicación de la existencia de cualquier oferta obligatoria de adquisición y/o normas de retirada y recompra obligatoria en relación con los valores. | • Sección *Market Information* (Información de Mercado); sub-sección *Tender Offers* (Ofertas Públicas de Adquisición). |
| **4.10** | Indicación de las ofertas públicas de adquisición realizadas por terceros sobre el capital del emisor, que se hayan producido durante el ejercicio anterior y el actual. Debe declararse el precio o las condiciones de canje de estas ofertas y su resultado. | • No aplicable. |
| **4.11** | Por lo que se refiere al país del domicilio social del emisor y al país o países en los que se está haciendo la oferta o se solicita la admisión a cotización: (i) información sobre los impuestos sobre la renta de los valores retenidos en origen e (ii) indicación de si el emisor asume la responsabilidad de la retención de impuestos en origen. | • Sección *Taxation* (Tributación). |
| **5** | **Cláusulas y condiciones de la oferta** | |
| **5.1.1** | Condiciones, estadísticas de la oferta, calendario previsto y procedimiento para la suscripción de la oferta. | |
| **5.1.2** | Condiciones a las que está sujeta la oferta. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Authorizations of the Offering* (Autorizaciones de la Oferta). |

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| 5.1.3 | Importe total de la emisión/oferta, distinguiendo los valores ofertados para la venta y los ofertados para suscripción; si el importe no es fijo, descripción de los acuerdos y del momento en que se anunciará al público el importe definitivo de la oferta. | • Portada del Folleto. |
| 5.1.4 | Plazo, incluida cualquier posible modificación, durante en el que estará abierta la oferta y descripción del proceso de solicitud. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| 5.1.5 | Indicación de cuándo, y en qué circunstancias, puede revocarse o suspenderse la oferta y de si la revocación puede producirse una vez iniciada la negociación. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Withdrawal and Revocation of the Offering* (Desistimiento y Revocación de la Oferta). |
| 5.1.6 | Descripción de la posibilidad de reducir suscripciones y la manera de devolver el importe sobrante de la cantidad pagada por los solicitantes. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| 5.1.7 | Detalles de la cantidad mínima y/o máxima de solicitud (ya sea por el número de los valores o por el importe total de la inversión). | • No aplicable. |
| 5.1.8 | Indicación del plazo en el cual pueden retirarse las solicitudes, siempre que se permita a los inversores dicha retirada. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| 5.1.9 | Método y plazos para el pago de los valores y para la entrega de los mismos. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| 5.1.10 | Descripción completa de la manera y fecha en la que se deben hacer públicos los resultados de la oferta. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Offering* (La Oferta). |
| 5.1.11 | Procedimiento para el ejercicio de cualquier derecho preferente de compra, la negociabilidad de los derechos de suscripción y el tratamiento de los derechos de suscripción no ejercidos. | • No aplicable. |
| 5.2 | Plan de colocación y adjudicación. | |
| 5.2.1 | Diversas categorías de posibles inversores a los que se ofertan los valores. Si la oferta se hace simultáneamente en los mercados de dos o más países y si se ha reservado o se va a reservar un tramo para determinados países, indicar el tramo. | • Portada del Folleto.<br>• Sección *Important Information about this Prospectus* (Información Relevante sobre este Folleto).<br>• Sección *Selling and Transfer Restrictions* (Restricciones de Venta y Transmisión). |
| 5.2.2 | En la medida en que tenga conocimiento de ello el emisor, indicar si los accionistas | • No aplicable. |

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| | principales o los miembros de los órganos de administración, de gestión o de supervisión del emisor tienen intención de suscribir la oferta, o si alguna persona tiene intención de suscribir más del cinco por ciento de la oferta. | |
| 5.2.3 | Información previa sobre la adjudicación: | |
| (a) | División de la oferta en tramos, incluidos los tramos institucional, minorista y de empleados del emisor y otros tramos. | • No aplicable. |
| (b) | Condiciones en las que pueden reasignar- se los tramos, volumen máximo de dicha reasignación y, en su caso, porcentaje mínimo destinado a cada tramo. | • No aplicable. |
| (c) | Método o métodos de asignación que deben utilizarse para el tramo minorista y para el de empleados del emisor en caso de sobre-suscripción de estos tramos. | • No aplicable. |
| (d) | Descripción de cualquier trato preferente predeterminado que se conceda a ciertas clases de inversores o a ciertos grupos afines (incluidos los programas para amigos y familia) en la asignación, el porcentaje de la oferta reservada a ese trato preferente y los criterios para la inclusión en tales clases o grupos. | • No aplicable. |
| (e) | Si el tratamiento de las suscripciones u ofertas de suscripción en la asignación depende de la empresa que las realiza o de la empresa a través de la que se realiza. | • No aplicable. |
| (f) | Cantidad mínima de adjudicación, en su caso, en el tramo minorista. | • No aplicable. |
| (g) | Condiciones para el cierre de la oferta así como la fecha más temprana en la que puede cerrarse la oferta. | • Sección *Plan of Distribution* (Plan de Distribución); sub-secciones *The Offering* (La Oferta) y *Authorizations of the Offering* (Autorizaciones de la Oferta). |
| (h) | Si se admiten o no las suscripciones múltiples y, en caso de no admitirse, cómo se gestionan las suscripciones múltiples. | • No aplicable. |
| 5.2.4 | Proceso de notificación a los solicitantes de la cantidad asignada e indicación de si la negociación puede comenzar antes de efectuarse la notificación. | • Sección *Plan of Distribution* (Plan de Distribución) sub-sección *The Offering* (La Oferta). |
| 5.2.5 | Sobre-adjudicación y «green shoe»: | |
| (a) | Existencia y volumen de cualquier mecanismo de sobre-adjudicación y/o de | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Over–allotment* |

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| | «green shoe». | *Option* (Opción de Sobre-adjudicación).<br>• Sección *The Offering* (La Oferta); apartado *Over–allotment Option* (Opción de Sobre-adjudicación). |
| (b) | Período de existencia del mecanismo de sobre-adjudicación y/o de «green shoe». | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Over–allotment Option* (Opción de Sobre-adjudicación).<br>• Sección *The Offering* (La Oferta); apartado *Over–allotment Option* (Opción de Sobre-adjudicación). |
| (c) | Cualquier condición para el uso del mecanismo de sobre-adjudicación o de «green shoe». | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Over–allotment Option* (Opción de Sobre-adjudicación).<br>• Sección *The Offering* (La Oferta); apartado *Over–allotment Option* (Opción de Sobre-adjudicación). |
| **5.3** | Precios. | |
| **5.3.1** | Indicación del precio al que se ofertarán los valores. Cuando no se conozca el precio o cuando no exista un mercado establecido y/o líquido para los valores, indicar el método para la determinación del precio de oferta, incluyendo una declaración sobre quién ha establecido los criterios o es formalmente responsable de su determinación. Indicación del importe de todo gasto e impuesto cargados específicamente al suscriptor o comprador. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Pricing of the Offering* (Precio de la Oferta).<br>• Sección *The Offering* (La Oferta); apartado *Offering Price* (Precio de la Oferta). |
| **5.3.2** | Proceso de publicación del precio de oferta. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Pricing of the Offering* (Precio de la Oferta); apartado *Offering Price* (Precio de la Oferta). |
| **5.3.3** | Si los tenedores de participaciones del emisor tienen derechos de adquisición preferente y este derecho está limitado o suprimido, indicar la base del precio de emisión si ésta es dineraria, junto con las razones y los beneficiarios de esa limitación o supresión. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Authorizations of the Offering* (Autorizaciones de la Oferta). |
| **5.3.4** | En los casos en que haya o pueda haber una disparidad importante entre el precio de oferta pública y el coste real en efectivo para los miembros de los órganos de administración, de gestión o de supervisión, o altos directivos o personas vinculadas, de los valores adquiridos por ellos en operaciones realizadas durante el último | • No aplicable. |

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| | año, o que tengan el derecho a adquirir, debe incluirse una comparación de la contribución pública en la oferta pública propuesta y las contribuciones reales en efectivo de esas personas. | |
| **5.4** | Colocación y aseguramiento. | |
| **5.4.1** | Nombre y dirección del coordinador o coordinadores de la oferta global y de determinadas partes de la misma y, en la medida en que tenga conocimiento de ello el emisor o el oferente, de los colocadores en los diversos países donde tiene lugar la oferta. | • Portada del Folleto.<br>• Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Underwriting Agreement* (El Contrato de Aseguramiento).<br>• Contraportada del Folleto. |
| **5.4.2** | Nombre y dirección de cualquier agente de pagos y de las entidades depositarias en cada país. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Underwriting Agreement* (El Contrato de Aseguramiento). |
| **5.4.3** | Nombre y dirección de las entidades que acuerdan asegurar la emisión con un compromiso firme, y detalles de las entidades que acuerdan colocar la emisión sin compromiso firme o con un acuerdo de «mejores esfuerzos». Indicación de las características importantes de los acuerdos, incluidas las cuotas. En los casos en que no se suscriba toda la emisión, declaración de la parte no cubierta. Indicación del importe global de la comisión de suscripción y de la comisión de colocación. | • Portada del Folleto.<br>• Sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Underwriting Agreement* (El Contrato de Aseguramiento).<br>• Contraportada del Folleto.<br>• En relación a las características importantes de los acuerdos de colocación y aseguramiento: sección *Plan of Distribution* (Plan de Distribución); sub-sección *The Underwriting Agreement* (El Contrato de Aseguramiento). |
| **5.4.4** | Cuándo se ha alcanzado o se alcanzará el acuerdo de aseguramiento. | • Sección *Plan of Distribution* (Plan de Distribución); sub-secciones *The Underwriting Agreement* (El Contrato de Aseguramiento) y *The Offering* (La Oferta). |
| **6** | **Acuerdos de admisión a cotización y negociación** | |
| **6.1** | Indicación de si los valores ofertados son o serán objeto de una solicitud de admisión a cotización, con vistas a su distribución en un mercado regulado o en otros mercados equivalentes, indicando los mercados en cuestión. Esta circunstancia debe mencionarse, sin crear la impresión de que se aprobará necesariamente la admisión a cotización. Si se conocen, deben darse las fechas más tempranas en las que los valores se admitirán a cotización. | • Portada del Folleto.<br>• Sección *Market Information* (Información de Mercado).<br>• Sección *The Offering* (La Oferta); apartado *Listings and Quotation* (Admisión a Cotización). |
| **6.2** | Todos los mercados regulados o mercados equivalentes en los que, según tenga | • No aplicable. |

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| | conocimiento de ello el emisor, estén admitidos ya a cotización valores de la misma clase que los valores que van a ofertarse o admitirse a cotización. | |
| **6.3** | Si, simultáneamente o casi simultáneamente a la creación de los valores para los que se busca la admisión en un mercado regulado, se suscriben o se colocan privadamente valores de la misma clase, o si se crean valores de otras clases para colocación pública o privada, deben darse detalles sobre la naturaleza de esas operaciones y del número y las características de los valores a los cuales se refieren. | • Sección *Plan of Distribution* (Plan de Distribución); sub-secciones *The Underwriting Agreement* (El Contrato de Aseguramiento) y *The Offering* (La Oferta).<br>• Sección *Selling and Transfer Restrictions* (Restricciones de Venta y Transmisión). |
| **6.4** | Detalles de las entidades que tienen un compromiso firme de actuar como intermediarios en la negociación secundaria, aportando liquidez a través de las órdenes de oferta y demanda y descripción de los principales términos de su compromiso. | • Sección *Plan of Distribution* (Plan de Distribución); sub- sección *Liquidity Providers* (Proveedores de liquidez). |
| **6.5** | Estabilización: en los casos en que un emisor o un accionista vendedor haya concedido una opción de sobre-adjudicación o se prevé que puedan realizarse actividades de estabilización de precios en relación con la oferta. | |
| **6.5.1** | El hecho de que pueda realizarse la estabilización, de que no hay ninguna garantía de que se realice y que puede detenerse en cualquier momento. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Stabilization* (Estabilización). |
| **6.5.2** | Principio y fin del período durante el cual puede realizarse la estabilización. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Stabilization* (Estabilización). |
| **6.5.3** | Identidad de la entidad que dirija la estabilización para cada jurisdicción pertinente, a menos que no se conozca en el momento de la publicación. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Stabilization* (Estabilización). |
| **6.5.4** | Hecho de que las operaciones de estabilización puedan dar lugar a un precio de mercado más alto del que habría de otro modo. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Stabilization* (Estabilización). |
| **7** | **Tenedores vendedores de valores** | |
| **7.1** | Nombre y dirección profesional de la persona o de la entidad que se ofrece a vender los valores, naturaleza de cualquier cargo u otra relación importante que los vendedores hayan tenido en los últimos tres | • Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente). |

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| | años con el emisor o con cualquiera de sus antecesores o personas vinculadas. | |
| 7.2 | Número y clase de los valores ofertados por cada uno de los tenedores vendedores de valores. | • Sección *The Offering* (La Oferta); apartado *Total Number of Initial Offer Shares* (Número Total de Acciones Inicialmente Ofertadas).<br>• Sección *Principal Shareholders and Selling Shareholder* (Accionistas Principales y Accionista Oferente). |
| 7.3 | Compromisos de no disposición (lock-up agreements). Partes implicadas. Contenido y excepciones del acuerdo. Indicación del periodo de no disposición. | • Sección *Plan of Distribution* (Plan de Distribución); sub-sección *Lock-up* (No Disposición). |
| **8** | **Gastos de la emisión/oferta** | |
| 8.1 | Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta. | • Sección *Use of Proceeds* (Destino de los Ingresos). sub-sección *Offering Expenses* (Gastos de la Oferta). |
| **9** | **Dilución** | |
| 9.1 | Cantidad y porcentaje de la dilución inmediata resultante de la oferta. | • *Summary* (Resumen); *Section E.6* (Sección E. 6). |
| 9.2 | En el caso de una oferta de suscripción a los tenedores actuales, importe y porcentaje de la dilución inmediata si no suscriben la nueva oferta. | • *Summary* (Resumen); *Section E.6* (Sección E. 6). |
| **10** | **Información adicional** | |
| 10.1 | Si en la nota sobre los valores se menciona a los asesores relacionados con una emisión, una declaración de la capacidad en que han actuado los asesores. | • Sección *Legal Matters* (Asuntos Legales). |
| 10.2 | Indicación de otra información de la nota sobre los valores que haya sido auditada o revisada por los auditores y si los auditores han presentado un informe. Reproducción del informe o, con el permiso de la autoridad competente, un resumen del mismo. | • Sección *Independent Auditors* (Auditores Independientes). |
| 10.3 | Cuando en la Nota sobre los valores se incluya una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de esas personas, dirección profesional, cualificaciones e interés importante en el emisor, según proceda. Si el informe se presenta a petición del emisor, una declaración de que se incluye dicha declaración o informe, la forma y el | • No aplicable. |

| Epígrafe del Anexo III del Reglamento 809/2004 | | Equivalencia en el Folleto |
|---|---|---|
| | contexto en que se incluye, y con el consentimiento de la persona que haya autorizado el contenido de esa parte de la Nota sobre los valores. | |
| **10.4** | En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información. | • No aplicable. |

## 3 Resumen. Información requerida por el Anexo XXII del Reglamento 809/2004

La información requerida por el Anexo XXII del Reglamento 809/2004 se encuentra recogida en la sección denominada *Summary* (Resumen) del Folleto y en su traducción contenida en la sección *Spanish Translation of the Summary* (Traducción al español del resumen) del Folleto.

In Madrid, on April 15, 2016

Telepizza Group, S.A.U.

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Mr. Pablo Juantegui Azpilicueta

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