TELEPIZZA GROUP, S.A.
AND SUBSIDIARY COMPANIES

Explanatory notes to the Interim Condensed Consolidated Financial Statements for the six month period ending 30 June 2016

Consolidated Statements of Financial Position
30 of June of 2016 and 31 of December of 2015

(Expressed in thousands of euros)

Assets	30.06.16	31.12.15
Property, Plant and Equipment (note 5)	40,597	40,158
Goodwill (note 3)	382,971	382,694
Other intangible assets (note 4)	331,919	333,982
Deferred tax assets (note 12)	14,979	11,859
Non-current financial assets (note 7)	30,340	23,711
Total non-current assets	800,806	792,404
Inventories	12,107	11,392
Commercial debtors and other receivable accounts (note 8)	34,361	34,430
Other current financial assets	3,041	4,516
Other current assets	5,540	3,672
Cash and other equivalent	62,550	39,946
Subtotal current assets	117,599	93,956
Non-current assets held for sale	-	130
Total current assets	117,599	94,086
Total assets	918,405	886,490

Consolidated Statements of Financial Position

to 30 June 2016

(Expressed in thousands of euros)

Equity and Liabilities	30.06.16	31.12.15
Share capital	25,180	18,000
Share premium	532,529	321,388
Accumulated gain/loses	16,236	23,054
Translation differences	(3,208)	(8,100)
Total equity (note 9)	570,737	354,342
Loans and borrowings (note 10)	196,983	286,176
Financial liabilities at fair value (note 11)	-	215
Other financial liabilities (note 16)	-	96,489
Capital grants	-	-
Deferred tax liabilities	84,239	84,747
Non-current provisions	87	87
Other non-current liabilities	5,146	5,274
Total non-current liabilities	286,455	472,988
Loans and borrowings (note 10)	1,418	4,985
Financial liabilities at fair value (note 11)	-	-
Other financial liabilities	14	2,182
Trade and other accounts to pay	54,824	47,515
Current tax liabilities	1,094	1,181
Current provisions	71	83
Other current liabilities	3,792	3,129
Subtotal current liabilities	61,213	59,075
Liabilities associated with non-current assets held for sale	-	85
Total current liabilities	61,213	59,160
Total equity and liabilities	918,405	886,490

Consolidated Interim Income Statement
for the first six months of the 2016 financial year

(Expressed in thousands of euros)

	30.06.16	30.06.15
Revenues	165,595	164,000
Product inventory variation	715	306
Supplies	(39,141)	(43,742)
Personnel costs (note 12 a))	(71,900)	(45,743)
Other operating expenses	(51,468)	(43,435)
Depreciation and amortisation	(8,818)	(8,046)
Impairment and result from disposal of fixed assets	(152)	(1,741)
Operating profit	(5,169)	21,599
Financial income	1,236	1,099
Financial expenses	(18,134)	(19,476)
Financial result	(16,898)	(18,377)
Profit before taxes from continuous operations	(22,067)	3,222
Tax on profits (note 12 c))	2,752	(4,128)
Result from continued activities	(19,315)	(906)
Net profit from discontinued activities	-	(13)
Profit/(loss) for the year	(19,315)	(919)
Earnings per share (note 9)	(0.36)	(2.55)

Consolidated Summarised Interim Global Result Statements
for the first six months of the 2016 financial year

(Expressed in thousands of euros)

	30.06.16	30.06.15
Profit/(loss) for the year	(19,315)	(919)
Other Comprehensive income:		
Items that will be reclassified to results		
Translation differences of financial statements of foreign operations	4,892	(3,943
Total global result of the period	(14,423)	(4,862)
Total comprehensive income	(14,423)	(4,862)

Consolidated Summarised Interim Cash Flow Statements
for the first six months of the 2016 financial year

(Expressed in thousands of euros)

	30.06.16	30.06.15
Cash flow of operation activities	6,256	23,418
Profit (loss) before taxes	(22,067)	3,222
Adjustments of the result:	8,604	8,779
Amortisation and depreciation	8,818	8,046
Other adjustments of the result	(214)	733
Changes in the working capital	2,546	(4,057)
Other adjustments of the operation activities:	17,173	15,474
Interest paid	18,134	19,476
Interest received	0	(1,099)
Income tax paid	(961)	(2,903)
Cash flow from investment activities	(13,370)	(15,628)
Payments of investments:	(16,615)	(16,727)
Tangible and intangible fixed assets, and real estate investments	(9,987)	(13,940)
Other financial assets	(6,628)	(2,787)
Proceeds from sale of property, plant, equipment and intangible assets	3,246	-
Other cash flow of financing activities:	-	1,099
Receipts of dividends	-	-
Receipts of interests	-	1,099
Cash flow of financing activities	25,556	(14,271)
Proceeds from equity instruments:	126,764	(1,407)
Issue	126,794	(1,407)
Proceeds from financial liability instruments:	(87,906)	-
Return and amortisation	(87,906)	-
Interest payment	(13,302)	(12,864)
Effect of exchange rate variations	4,163	1,031
Increase (decrease) of cash and equivalent	22,604	(5,450)
Cash and equivalent at the beginning of the period	39,946	44,905
Cash and equivalent at the end of the period	62,550	39,456

Consolidated Statements of Changes in Equity
For the first six months of the 2016 financial year

(Expressed in thousands of euros)

	Share capital	Share premium and reserves	Result of the period	Translation differences	Total equity
Balances to 31.12.15	18,000	345,591	(1,149)	(8,100)	354,342
Total recognised Income (expenses)	-	-	(19,315)	4,892	(14,423)
Operations with partners and proprietors	7,180	223,638	-	-	230,818
Extension of capital	7,180	211,141	-	-	218,321
Contribution of partners	-	12,786	-	-	12,786
Other operations	-	(289)	-	-	(289)
Other equity variations	-	(1,149)	1,149	-	-
Transfers between equity items	-	(1,149)	1,149	-	-
Balances to 30.06.16	25,180	568,080	(19,315)	(3,208)	570,737

Consolidated Statements of Changes in Equity
for the first six months of the 2015 financial year

(Expressed in thousands of euros)

	Share capital	Share premium and reserves	Result of the period	Adjustments for change of value	Total equity
Balances to 31.12.14	18,000	255,602	90,737	(4,419)	359,920
Total recognised Income (expenses)	-	-	(919)	-	(919)
Operations with partners and proprietors	-	(1,884)	-	-	(1,884)
Extension of capital	-	-	-	-	-
Contribution of partners	-	-	-	-	-
Other operations	-	(1,884)	-	-	(1,884)
Other equity variations	-	90,737	(90,737)	477	477
Transfers between equity items	-	90,737	(90,737)	477	477
Balances to 30.06.15	18,000	344,455	(919)	(4,419)	357,594

TELEPIZZAA GROUP, S.A.
AND SUBSIDIARY COMPANIES

Explanatory notes

(1) Nature, Activities and Composition of Group

Telepizza Group, S.A. (the Company or parent Company) was incorporated as a limited liability company in Spain on 11 May 2005 for an indefinite period of time, under the name of Bahíaflora Investments, S.L. On 30 June 2005, its company name was modified to Foodco Pastries Spain SAU, and in April 2016 it was modified to the present name. Its company address is located in San Sebastián de los Reyes (Madrid).

In accordance with the minutes of the decisions of the Sole Shareholder, dated 22 January 2016 and executed by public deed on 5 February 2016, it is approved to transform the Company into a public liability company, as well as new Articles of Association to adapt them to the new company form.

The social object of the Company consists of the accomplishment of economic studies, promotion of sales of all type of products for its own account or that of third parties, including mailshots, import and export of all classes of products and raw materials, the manufacture, distribution and commercialisation of products destined for human consumption and for rent of machinery and capital goods. The activities which integrate the social object may be developed totally or partially, directly or indirectly by means of the ownership of shares or holdings in other companies that operate in accordance with its social object, whether in Spain or abroad. The Company did not undertake any activity for which the laws demand the fulfilment of specific conditions or requirements without the fulfilment of such.

The principal activity of Telepizza Group, S.A. is the holdings of the interest in Tele Pizza, S.A. and the rendering of services related to the corporate and strategic management on behalf of Tele Pizza, S.A.

The main activity of its subsidiary companies consists of the management and operation of stores under the brands “Telepizza”, “Pizza World” and “Jeno's Pizza” for consumption at home and on the premises, which as at 30 June 2016 operated through its own 461 premises and the 850 premises under franchise, located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador. Also, the Group undertakes its activity through master franchisees located in Guatemala, El Salvador, Russia, Angola, Bolivia, Panama and Abu Dhabi.

The Group purchases cheese in Spain through a supplier with which it has signed a long term agreement of exclusivity and with an annual minimum volume. This agreement provides flexibility and optimal maintenance of the inventories. On the other hand, through its factory and logistic centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the existing stores in Spain and Portugal operated directly by the Group or through its franchisees. Additionally, the Group has another 6 factories distributed in other countries in which it operates, which also act as logistic centres. The high volume of purchases provides economies of scale and facilitates the homogenisation of the bought products.

The franchise activity consists mainly of advising on the management of stores of third parties that operate with the brands "Telepizza" and "Pizza World", with Telepizza Group receives a percentage on the sales of its franchisees as a royalty. Also, it centralises the activity of promotion and publicity of all the stores that operate under the mentioned brands, obtaining a percentage on the sales of their franchisees for publicity. On the other hand, the Group subleases some of the premises in which the franchisees develop their activity and carries out the provision of services consisting of personnel management, such as the preparation of the payroll for of some of its franchisees.

The master franchise activity includes the operations that are carried out in those countries in which the Group does not operate directly, because it has signed a contract licencing the brand with a local operator. The master franchise contracts guarantee to allow the master franchisee to operate with the Telepizza brand in a certain market, enabling them to open their own stores or also to franchise them.

On 31 March 2016, the Board of Directors of the Parent company, Telepizza Group, unanimously decided to request admission to official trading on the Stocko Exchanges of Madrid, Barcelona, Bilbao and Valencia, and the consequent Initial Public Offer of sale and subscription of new shares in the Spanish Stock Market. This process was successfully completed and all the securities of the Parent Company have been quoted on the exchanges from the 27 April 2016.

The terms of the Offer have been fixed as follows: (a) Offer of subscription: An amount of 118,530,964.50 euros that correspond with an increase of capital of the Company of 3,823,579.50 euros what means the issue and putting into circulation of 15,294,318 new ordinary shares in the Company with the same economic and political rights as the rest of the shares of Telepizza Group (see note 8). (b) Offer of sale: An amount of 431,469,028.25 euros what means the placing of 55,673,423 existing shares in the ownership of the Offering Shareholder.

(2) Bases of Presentation

(a) Bases of presentation of the annual accounts

The accompanying interim summarised consolidated financial statements, corresponding to 30 June 2016, have been formulated from the accounting records of Telepizza Group, S.A. and those of the consolidated organisations. Additionally, they have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other applicable provisions of the financial information regulatory framework, with the object of showing a faithful image of the consolidated equity and the consolidated financial situation of Telepizza Group, S.A. and subsidiary companies as at 30 June 2016 and of the consolidated financial performance, of its consolidated cash flow and of the changes in the consolidated equity corresponding to the period ending on that date.

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

The present consolidated summarised interim financial statements were formulated by the Board of Directors of the Parent Company in their meeting held on the 28 July 2016.

(b) Comparison of the information

According to paragraph 20 of the International Accounting Standard (IAS) 34, and with the objective of having comparative information, the present interim condensed consolidated financial statements include the statements of the condensed consolidated financial situation to 30 June 2016 and 31 December 2015, the condensed interim consolidated interim results accounts for the six month periods ending 30 June 2016 and 2015, the condensed consolidated global earnings statements for the six month periods ending 30 June 2016 and 2015, the statements of changes in the interim condensed consolidated equity for the six month periods ending 30 June 2016 and 2015, the interim condensed consolidated summarised interim cash flow statements for the six month periods ending 30 June 2016 and 2015, in addition to the explanatory notes to the interim condensed consolidated financial statements of the six month period ending 30 June 2016.

(c) Responsibility for the information and estimates made

The information contained in these interim condensed consolidated financial statements is the responsibility of the Parent's Directors who are responsible for the authorization of the interim condensed consolidated statements in accordance with the applicable financial information regulatory framework (see section (a) above), as well as of the internal control that they consider necessary to allow the preparation of the interim condensed consolidated financial statements free of material errors.

Also, although the estimates made by the Parent's Directors have been calculated, based on the best information available to the 30 June 2016, it is possible that events which could take place in the future may oblige their modification in the coming financial years. The effect on consolidated annual accounts of the modifications that, if applicable, were derived from the adjustments to be made during the coming financial years would be recorded prospectively.

(d) Accounting policies and valuation standards

The accounting policies and valuation standards that have been followed in these consolidated summarised interim financial statements to 30 June 2016 are the same as those used in the consolidated annual accounts for the financial year ending 31 December 2015

(e) Accounting standards and interpretations not applied

Effective standards and interpretations from the 2016 financial year

The Modifications of standards and interpretations, as well as new standards introduced after 1 January 2016, have not supposed important impact on the accounts presentation.

Also, below are detailed the standards or interpretations that have not yet been adopted by the European Union, which will be of obligatory application in the coming financial years and which will suppose a greater effect on the Group:

- IFRS 9 Financial instruments. Effective for financial years initiated after 1 January 2018.

- IFRS 15 Income from contracts with clients. Effective for financial years initiated after 1 January 2018.

- IFRS 16 Rents. Effective for financial years initiated after 1 January 2019.

The standard that will foreseeably have a more significant impact is IFRS 16. The Group is analysing the potential impact that this standard will have on the first-time application in the consolidated accounts. This process has still not been concluded given to the recent publication of this standard and due to the various transition options established in the standard for its first application. Given this, in order to carry out its activity, the group is the renter of a great number of premises, and to a lesser extent of offices and factories or warehouses, for a period longer than a year, it is expected that the application of IFRS 16 in the 2019 financial year will have a significant impact on the accounts of the Group.

(3) Goodwill

The composition and movement of the “Goodwill” item of the consolidated statement of financial position is as follows:

	Thousands of euros
Cost	
Balance at 31.12.14	376,239
Goodwill on business combination of the period	8,098
Exchange gains/(loses)	932
Disposals	(115)
Losses of value of the period (note 26)	(2,082)
Balance at 31.12.15	382,694
Goodwill on business combination of the period	879
Exchange gains/(loses)	247
Disposals	(849)
Balance at 30.06.16	382,971

The additions correspond to the acquisition of stores to franchisees. The detail of the goodwill at 31 December 2015 and 2014 by country is as follows:

	Thousands of euros	
	30.06.16	2015
Spain	267,031	267,601
Portugal	61,311	61,311
Poland	4,620	4,620
Chile	41,525	40,672
Colombia	8,144	8,144
Others	340	346
	382,971	382,694

(4) Other Intangible Assets

The composition and movement of the “Other intangible assets” item of the consolidated statement of financial position is as follows:

	Thousands of euros					
	Concessions patents, licences	Trademarks	Contractual rights and others	Other intangible assets	Computer software	Total
Cost						
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 Differences	(2)	-	-	(17)	(99)	(118)
Balances at 31.12.15	1,568	253,502	151,359	528	23,347	430,304
Additions	-	-	28	16	1,627	1,671
Disposals	-	-	8	(15)	(2,824)	(2,832)
Exchange Differences	-	-	-	6	41	47
Balances at 30.06.16	1,568	253,502	151,394	535	22,191	429,190
Depreciation or Loss of Value						
Amortisation at 31.12.14	(874)	(18,526)	(50,736)	(566)	(18,731)	(89,433)
Loss of value balance to 31.12.14	(8)	-	-	-	-	(8)
Depreciation of the period	(181)	-	(5,818)	(6)	(1,565)	(7,570)
Disposals	155	-	-	271	163	589
Other transfers	129	-	-	(129)	-	-
Exchange differences	2	-	-	19	79	100
Amortisation at 31.12.15	(769)	(18,526)	(56,554)	(411)	(20,054)	(96,314)
Loss of value balance at 31.12.15	(8)	-	-	-	-	(8)
Depreciation of the period	-	-	(2,997)	(4)	(814)	(3,815)
Disposals	-	-	(93)	15	2,996	2,917
Exchange differences	(8)		(8)	(3)	(40)	(59)
Loss	8	-				8
Amortisation at 30.06.16	(777)	(18,526)	(59,653)	(403)	(17,912)	(97,271)
Loss of value balance to 30.06.16	(8)					(8)
Carrying amount						
Balance at 31.12.14	703	234,976	100,623	205	3,034	339,541
Balance at 31.12.15	791	234,976	94,805	117	3,293	333,982
Balance at 30.06.16	791	234,976	91,741	132	4,279	331,919

(5) Property, Plant and equipment

The composition and movement of the "Other intangible assets" item of the consolidated statement of financial position is as follows:

Data	Land and constructions	Technical installations & machinery	Other installations, equipment & furniture	Advances & tangible fixed assets in progress	Other fixed assets	Total
	Thousands of euros					
Cost						
Balance 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 differences	(158)	(1,264)	(361)	-	(84)	(1,867)
Balances at 31.12.15	7,612	104,849	11,736	391	15,042	139,630
Additions	1	5,445	511	402	1,072	7,431
Disposals	312	(8,731)	(571)	-	(862)	(10,476)
Other transfers	5	225	203	(452)	14	(5)
Exchange differences	101	701	61	(7)	83	939
Balances at 30.06.16	7,407	102,489	11,940	334	15,349	137,519
Depreciation or Loss of Value						
Amortisation at 31.12.14	(4,613)	(76,763)	(9,224)	-	(11,285)	(101,885)
Loss of value at 31.12.14	(350)	(6,811)	(14)	-	-	(7,175)
Depreciation of the exercise	(390)	(6,046)	(1,303)	-	(1,300)	(9,039)
Disposals	511	12,768	1,460	-	1,618	16,357
Exchange differences	116	724	191	-	103	1,134
Loss of value	349	786	-	-	-	1,135
Amortisation at 31.12.15	(4,376)	(69,317)	(8,876)	-	(10,864)	(93,433)
Loss of value at 31.12.15	-	(6,027)	(12)	-	-	(6,039)
Depreciation of the period	(287)	(3,796)	(280)	-	(646)	(5,009)
Disposals	244	5,965	376	-	661	7,246
Exchange differences	(91)	(217)	(63)	(1)	(83)	(455)
Loss of value	-	768	-	-	-	768
Amortisation at 30.06.16	(4,510)	(67,365)	(8,843)	(1)	(10,932)	(91,6531
Loss of value at 30.06.16	-	(5,299)	(12)	-	-	(5,271)
Carrying amount						
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
Balance at 30.06.16	2,897	29,865	3,084	333	4,417	40,597

The additions correspond mainly to the opening of stores, investment of replacement, machinery of the factory and acquisition of stores for franchisees.

The Group has taken out sufficient insurance policies to cover the risks that could take place in their elements of tangible fixed assets.

At 30 June 2016, the Group does not have commitments for the acquisition of fixed assets to any significant amounts.

(6) Impairment

At 30 June 2016, the Parent's Directors consider that there is no significant evidence of impairment for any of their Cash Generating Units, accordingly no impairment loses have been recognised.

(7) Non-Current Financial Assets

The detail of the other non-current financial assets to 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	30.06.16	30.06.15
Deposits and guarantees	6,254	6,119
Long-term debtors through trade receivables	20,298	16,390
Other loans and receivables	3,788	1,202
	30,340	23,711

Long-term debtors through trade operations reflect amounts receivable for franchising activity and from the sale of non-current assets to the franchisees.

Other loans and receivables mainly include the loans that the Group has granted to certain directors for the payment of the withholding tax in relation to the part of the plan of incentives to the management that Foodco Finance, selling shareholder of the shares, has satisfied the beneficiaries in company shares. (See note 9)

(8) Commercial Debtors and Other Accounts to Receive

The detail is as follows:

	Thousands of euros	
	30.06.16	31.12.15
Trade receivables	33,179	34,724
Other debtors	4,514	3,661
Public entities	3,769	3,186
Impairment	(7,101)	(7,141)
Trade and other receivables	34,361	34,430

Other debtors mainly includes volume discounts on purchases from suppliers and advertising promotions.

(9) Equity

(a) Capital

Throughout the first six months of 2016, the sole shareholder decided to reduce the nominal value of the shares by splitting the number of shares in circulation priced at 50 euros per share to 0.25 euros per share, simultaneously increasing the number of shares in circulation from 360,000 to 72,000,000 what means of the splitting of each old share of 50 euros nominal value into 200 new shares of 0.25 euros nominal value without alteration of the share capital.

Also, during the first six months of 2016, the parent Company increased its share capital by 3,356 thousand euros, with a share premium of 100,698 thousand euros, by issuing 13,426,369 new shares of 0.25 euros nominal value each and with a share premium of 7.5 euros each, by virtue of that decided by the Sole Partner on 31 March 2016. The shares were fully subscribed and disbursed by the Sole Shareholder, by offsetting credit they had with the same amount of 104,054 thousand euros (See note 28).

Additionally, as a result of the Public Offer of Shares, the Company increased its capital on 27 April 2016 by 3,824 thousand euros, with a share premium of 114,707 thousand euros by issuing 15,294,318 new shares.

As a result of the issued equity instruments, the share capital to 30 June 2016 is 25,180 thousand euros, and at 31 December 2015 was 18,000 thousand euros.

(b) Share premium

At 30 June 2016 and 31 December 2015, this premium is freely available provided that, as a result of the distribution, the equity of the parent Company is not found to be less than the share capital.

Throughout these first six months of 2016, the Group has registered expenses related to the Public Offer of Shares in an amount of 4,264 thousand euros.

(c) Accumulated Profits

- Legal reserve

  The amount of legal reserve of the parent Company to 30 June 2016 and to 31 December 2015 rises to 10,832 miles of euros.

- Other reserves

  Other reserves reflect the expenses incurred in increasing share capital in 2008, 2010, 2011, 2013 and 2014 financial years, net of the tax effect and the cash and non-cash contributions received in 2014 to the amount of 160,514 thousand euros.

  Throughout the first six months of 2016, as a result of the Public Offer of Shares and within the Plan of incentives for the management, the outgoing shareholder has transmitted shares of the company as remuneration to a group of directors of the Group. In fulfilment of IFRS 2 Payments based on shares, as the shares are contributed by Foodco Finance, shareholder of Telepizza Group, to certain working beneficiaries of the Group, this transmission has been entered as a contribution of the sole partner.

- Rest of accumulated profits / losses

  These correspond to the results obtained by the companies of the group and the corresponding adjustments of consolidation.

(d) Translation Differences

These correspond to those generated from the incorporation into the Group of the Telepizza sub-group in September 2006.

(e) Distribution of loss

On 17 March 2016, the General Shareholders Meeting of the Parent Company approved to allocate the loss of the Parent Company in the 2015 financial year, amounting to 12,046,749 euros, to the account of negative results of previous financial years.

(f) Profits/(Losses) per Share

Basic

The basic profits/(losses) per share are calculated dividing the result of the period attributable to the holders of equity instruments of the parent Company between the weighted average number of ordinary shares in circulation during the period, excluding, when applicable, their own shares.

	30.06.2016	30.06.2015
Profit/(Loss) of the period attributable to the holders of equity instruments of the parent Company (in euros)	(19,315,019)	(1,148,968)
Weighted average number of ordinary shares in circulation (in titles)	56.866.210	360,000
Basic Profits (Losses) per share (in euros)	(0.36)	(2.55)

As mentioned in note 9, during the first six months of 2016, the sole shareholder decided to reduce the nominal value of the shares by splitting the number of shares. This means that the basic Losses per share are not comparable with the previous period.

At 30 June 2016 and at 31 December 2015, the diluted losses per share are equal to the basic, because the ordinary shares do not have dilutive effects.

(10) Obligations, Loans and Other Remunerated Liabilities

(a) Non-current debts with credit organisations

On 29 April 2016, the date of the Public Offer of Shares of the Company, the Group has cancelled the syndicated loan that it had for an amount of 285 million euros that was fully drawn. This loan included a revolving loan for the sum of 10 million euros, which at the time of the cancellation was undrawn.

Additionally, on the same date the Group has proceeded to constitute a new syndicated loan for a total of 215,000 thousand euros of which 200,000 thousand euros correspond to Tranche B and 15,000 thousand euros to a revolving line which to 30 June 2016 was undrawn. The interest rate is EURIBOR plus a differential, according to the level of indebtedness at the date, of 2.75%. Both tranches are due on the 29 April 2021 with partial maturities prior to this date according to the attached table:

Date	(Thousands of euros)
48 months after commencement	30,000
54 months after commencement	40,000
60 months after commencement	130,000

A detail of the payments and present value of the financial liabilities with credit organisations broken down by maturity dates is shown as follows:

	Thousands of euros			
	30.06.16		30.06.15	
	Principal	Interests	Principal	Interests
Less than one year (note 18 (b))	431	987	884	4,101
Between two and five years	201,443	-	286,176	-
More than five years	-	-	-	-
Debt arrangement costs	(4,460)	-	-	-
	197,414	987	287,060	4,101

The detail to 30 June 2016 and to 31 December 2015 of the long term debts with credit organisations is the following:

Tranche	Maturity	Thousands of euros Limit	Balance 31/12/15	Margin as % of Euribor
Senior				
Senior Facility	2021	200,000	200,000	EUR+ 2.75%
Revolving	2021	15,000	-	EUR+ 2.75%
Creditors through financial leasing			1.443	
Arrangement costs			(4,460)	
Balances at 30 June 2016			196,983	

Tranche	Maturity	Thousands of euros Limit	Balance 31/12/15	Margin as % of Euribor
Senior				
Senior Facility	2020	285,000	285,000	EUR+ 6%
Revolving	2020	10,000	-	EUR+ 5.75%
Creditors through financial leasing			1,176	-
Balances at 31 December 2015			286,176	

The reduction that has taken place in the indebtedness of the group with financial organisations has been satisfied with the funds that the group has received with the extension of capital that took place in April 2016 with the Public Offer of Shares (see note 9)

In the first six months of 2016, the group has entered the expenses corresponding to the issue of the new syndicated loan in the liabilities, reducing the item of loans with credit organisations in the long term. The amount of these expenses rises to 4,460 thousand euros and it will be transferred to the results account following the method of the cost amortised throughout the duration of the credit. Despite the above, the debt arrangement costs are not going to represent any additional payment in the future as they are mostly satisfied to 30 June 2016

At 31 December 2015, the Group had formalised a swap contract from variable interest rate to fixed rate as detailed in note 17, but these contracts have been cancelled. Later the group has no contract any one.

The Group has constituted a pledge on the shares of the subsidiary companies, Tele Pizza, S.A., Telepizza Chile, S.A., Telepizza Portugal, Telepizza Poland Sp. Z o.o and Luxtor, S.A. in guarantee of the loan detailed previously. Also, the parent Company is obliged to fulfil certain financial ratio.

The liabilities through financial leasing are effectively guaranteed, given that the rights on the leased asset revert to the lessor in case of breach.

(b) Debts with current credit organisations

The detail of this summary of the statement of the consolidated financial situation to 30 June 2016 and 31 December 2015 is as follows:

	Thousands of euros	
	30.06.2016	31.12.15
Creditors through financial leasing	987	875
Accrued interest (note 18 (a))	431	4,101
Other debts	3	9
	1,418	4,985

(11) <u>Current and Non-Current Financial Liabilities at Fair Value</u>

As indicated in note 9, to 30 June 2016, the Group has not contracted any instrument of cover of the interest rate. The detail of the derived financial instruments valued at fair value to 31 December 2015 is as follows:

2015 Financial Year	Notional Amount	Thousands of euros – Fair values – Liabilities – Non-current	Current
Derivatives			
Interest Rate Swaps	(205,000)	215	-
Exchange Rate Swaps	(1,625)	-	-
Total derivatives at fair value with changes in the profit and loss account	(206,625)	215	-

Thousands of euros

In the 2014 financial year, the Group contracted a new instrument of interest rate cover for the sum of 205,000 thousand euros, covering the Euribor for a fixed rate of 1.06%. This instrument had the effective start date of 22 December 2014 and expiry on 22 December 2017. At 31 December 2015, it had a negative fair value of 215 thousand euros. Also, with an effective start date of 15 April 2015 and expiry on 15 April 2016, the Group contracted an instrument of exchange rate cover for an amount of 1,625 thousand euros to cover part of the operations that the Group makes in Chilean pesos.

In the first six months of the 2016 financial year, the Group cancelled the instrument of interest rate cover held until that moment, due to the cancellation of the syndicated loan that the Group had to 27 April 2016.

(12) Income and expenses

(a) Personnel costs

The details of the personnel costs of the consolidated summarised interim results account are the following:

	Thousands of euros	
	0616	0615
Wages, salaries and similar expenses	63,604	36,597
Social security	8,155	8,094
Compensation (note 19)	227	199
Other social expenses	214	234
Total personnel costs	71,900	45,483

The amounts corresponding to 30 June 2016 include the accounting of the Plan of Incentives for the management that Outgoing Shareholder has satisfied toward determined employees as a result of the Public Offer of Shares of the company. The total amount that has been accounted for as a cost has been 26,325 thousand euros.

The accounting of this cost has been made on the basis of the IFRS 19 in general and the IAS 2 in the case of the payments based on shares. Although the payments are made by the outgoing shareholder, because the beneficiaries of the plan are employees of the Group, they correspond to the accounting of the cost of associated personnel (see note 9)

The distribution of the personnel and the Administrators of the parent Company by gender at the end of the financial year is the following:

	Number			
	30.06.16		30.06.15	
	Men	Women	Men	Women
Board Managers				
Managers	20	6	20	6
Store managers	206	216	215	213
Other personnel	5,983	4,358	5,989	4,325
	6,209	4,580	6,224	4,544

(b) Other Expenses

The account of results of the first six months of 2016 includes the expenses incurred as a result of the Public Offer of Shares of the group. In the application of the IFRS 32 the company has accounted those expenses directly related to the shares corresponding to the sale offer as expenses of the financial year. The expenses related to the subscription Offer have been accounted to equity. The expenses corresponding to both issues have been accounted to cost or equity according to the percentage that they represent on the total of the issue.

In relation to the nature of these expenses, they largely correspond to the services of independent professionals such as advisors, lawyers and bank syndicates as well as all the expenses necessary to carry out the project.

As a result of the above, the amount that has been entered in the account of results corresponding to these expenses has been 5,876 thousand euros.

(d) Tax on Profits

To 30 June 2016, the Group has recognised those assets corresponding to the negative tax bases in Spain and Portugal as assets by deferred tax, for the sum of 52,012 thousand euros, 41,066 thousand euros at 31 December 2015.

In the first six months of 2016 negative tax bases have been generated for the sum of 11,216 thousand euros because the expenses of the period include those related to the Public Offer of Shares.

The companies that compose the Group have calculated the provision of Corporation Tax to 30 June 2016, having applied the effective standard in each of the countries in which it develops its activity.

According the effective legislation, the taxes cannot be considered definitively liquidated until the presented declarations have been inspected by the tax authorities, or the prescribed term of four years has passed. At 31 December 2015, the Company has open to inspection by the tax authorities regarding all the main taxes that are applicable to it from 1 January 2012, with the exception of Corporation Tax, which is also open to inspection for the 2011 financial year.

As a consequence, among others, of the different possible interpretations of the effective tax legislation, additional liabilities could arise as the result of the inspection. In any case, the Directors of the parent Company consider that these liabilities, if they are produced, would not significantly affect the annual accounts.

(13) Financial information by Segments

The Group is organised internally by operational segments, as described further ahead, which are the strategic units of the business. The strategic units of the business operate under different market conditions and they are managed separately because they require different strategies.

At 30 June 2016 and 2015, the Group is composed of the following operational segments:

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

The performance of the segments is measured on the profit of the segments. The profit of the segment is used as a measure of the performance because the Group considers that this information is the most important in the evaluation of the results of certain segments in relation to other groups that operate in these businesses.

The prices of the inter-segments transactions are established following the normal commercial terms and conditions that are available for unconnected third parties.

	30.06.2016					
	Thousands of euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Operational Income						
Sales from own stores		16,469	23,610	-	-	97,639
Sales to franchisees from factory	35,776	6,831	4,027	141	-	46,775
Royalty	8,775	920	994	441	-	11,130
Other income	5,757	787	3,088	420	-	10,052
To other segments	5,846	-	-	-	-	-
Total operational income	113,714	25,006	31,718	1,003	(5,846)	165,595
Profit (loss) before tax	(29,610)	2,832	3,825	886	-	(22,067)

	30.06.2015					
	Thousands of euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Operational Income						
Sales from own stores	59,263	15,783	25,760	-	-	100,896
Sales to franchisees from factory	34,301	6,228	3,800	179	-	44,509
Royalty	7,749	833	905	419	-	9,906
Other income	5,672	869	2,024	125	-	8,689
To other segments	5,053	-	-	-	(5,053)	-
Total operational income	112,038	23,803	32,489	723	(5,053)	164,000
Result attributed to the Company Parent	(1,853)	2.817	1,668	590	-	3,222

(14) Contingences guarantees and commitments

The consolidated annual accounts of the 2015 financial year in note 20 it is detailed contingences granted by the Group. During the first six months of 2016 there are no significant variations of contingences granted with respect to 31 December 2016.

At 30 June 2016 the Group has no commitments to acquire fixed assets to any important amount.

Throughout this first six months of the year no litigation has taken place from which significant consequences could be derived in the future.

(15) Transactions and Balances with Connected Parties

During the first six months of 2016 the parent Company cancelled the credit that it held with its Sole Partner for the sum of 104,054 thousand euros by means of the extension of share capital with issue premium as explained in note (9)

(1) Information Relative to the Administrators and Senior Management Personnel of the Parent Company

During the first six months of the 2016 financial year, repayments and other benefits have been granted to the members of the Board of the Parent Company to the sum of 6,662 thousand euros, 940 thousand euros in the first six months of 2015 according to the following detail.

	Miles of euros	
	30.06.16	30.06.15
Fixed payment	280	198
Variable payment	1.851	735
Other	4.531	7
Total personnel expenses	6.662	940

Other	Miles of euros	
	30.06.16	30.06.15
Loans	1.337	-
Aportaciones a fondos y planes de pensiones	75	75
Pensions Funds and Plans. Contributions	11	11
Total Other ítems	6.662	940

During the first six months of the 2016 financial year, repayments and other benefits were granted to members of the Senior Management to the sum of 12,476 thousand euros, 1,408 thousand euros in the first six months of 2015. This includes the Long Term Incentives Plan

(18) Subsequent events

There are no other significant events after 30 June 2016.