Free translation for information purposes only

Telepizza Group, S.A.

Annual accounts
31 December 2016

Management Report
Financial year 2016

(Together with the Independent Audit Report)

Free translation for information purposes only

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

Report on the Independent Audit of Annual Accounts

To the Shareholders of
Telepizza Group S.A.

Annual accounts report

We have audited the attached annual accounts of Telepizza Group S.A. (formerly called Foodco Pastries Spain, S.A.U.) (hereinafter, the "Company"), that include the balance up to 31 December 2016, the loss and gains accounts, the statement of changes to net equity, the statement of cash flows and the relevant report from the mentioned financial year.

Responsibility of the Administrators with regard to the annual accounts

The Administrators are responsible for creating the attached annual accounts in a manner that depicts the truth of the equity, financial situation and profits of Telepizza Group S.A., pursuant to the regulatory framework on financial information applicable to the Company in Spain. This is identified in note 2 of the attached report and the internal control deemed necessary to allow the preparation of the annual accounts free of fraudulent or erratic material.

Responsibility of the auditor

Our responsibility is to provide an opinion on the attached annual accounts based on our audit, which has been performed pursuant to the regulatory account auditing regulations in force in Spain. These regulations require the compliance of ethics as well as a planning and performance of the audit that provides reasonable assurance that the accounts are free of incorrect material.

An audit involves the application of procedures to achieve evidence of the audit on the sums and information revealed in the annual accounts. The selected procedures depend on the judgement of the auditor, including the assessment of risks from fraudulent or erratic incorrect material in the annual accounts. When performing risk assessments, the auditor takes into account any relevant internal control for the creation of the annual accounts by the entity in order to design audit procedures that are appropriate with regard to the circumstances, and no to present an opinion on the efficiency of the entity's internal control. An audit also includes the assessment of the adequacy of the applied accounting policies and the reasonableness of the accounting calculations made by the managers, in addition to the presentation of the assessment of the annual accounts as a whole.

We believe that the auditing evidence that we have achieved is a sufficient and adequate base for our auditing opinion.

Opinion

In our opinion, the attached annual accounts reflect the true image of the equity and financial situation of Telepizza Group S.A. up to 31 December 2016. The results and cash flows belong to the aforementioned financial year, pursuant to the applicable regulatory framework on financial information and, in particular, the accounting principles and criteria included therein.

Report on other legal requirements and regulations

The attached management report for 2016 includes explanations that the Administrators consider relevant regarding the Company's situation, the evolvement of its business and other aspects and is not part of the annual accounts. We have verified that the accounting information included in the mentioned management report is in line with the annual accounts for financial year 2016. As auditors, our task is to verify the management report to the extent stated herein and it does not include any addition information than the achieved through the Company's accounting registries.

KPMG Auditores, S.L.

[illegible signature]

Carlos Peregrina García

27 February 2017

TELEPIZZA GROUP, S.A.

Balance
up to the 31st of December 2016
and 2015 (in Euros)

Assets	Notes	2016	2015
Tangible fixed assets	6	1,256	-
Investments in companies of the group and long-term partners			
Equity instruments	7	519,291,428	431,565,680
Loans the companies belonging to the group or related party	8 (a)	47,769,651	51,487,276
Deferred tax asset	11	16,273,192	4,632,189
Total non current assets		583,335,527	487,685,145
Commercial debtors and other accounts receivable	8 (b)		
Clients, companies of the group and short-term partners		261,268	43,560
Other loans with Public Administrations		1,938,731	1,063,089
Investments in companies of the group and short-term partners	8 (a)		
Loans to companies		4,286,936	4,743,505
Cash and other equivalent liquid assets			
Treasury		22,713,334	1,004
Total current assets		29,200,269	5,851,158
Total assets		612,535,796	493,536,303

Passive	Notes	2016	2015
Own funds	9		
Capital			
Declared capital		25,180,170	18,000,000
Issue premium		533,695,773	321,388,009
Reserves			
Legal reserve		10,831,946	10,831,946
Other reserves		170,448,761	160,477,298
Results from previous years			
(Negative results from previous years)		(121.439.537)	(109.392.788)
Results of the year		(10.792.151)	(12.046.749)
Total net equity		607,924,962	389,257,716
Debts in companies of the group and long-term partners	10 (a)	-	96,488,845
Total long term liabilities		-	96,488,845
Debts with companies of the group and short-term partners	10 (a)	2,242,405	7,567,194
Commercial creditors and other payable accounts	10 (b)	705,409	38,957
Creditors from companies of the group		1,217,395	9,904
Personal		352,470	-
Current tax liabilities		-	136,071
Other debts with Public Administrations		93,155	37,616
Total current liabilities		4,610,834	7,789,742
Total net equity and liabilities		612,535,796	493,536,303

The attached report is part of the annual accounts for fiscal year 2016

TELEPIZZA GROUP, S.A.

Loss and gains accounts for the financial years ended in 31st of December 2016 and 2015 (in Euros)

	Reports	2016	2015
Net amount of the business numbers			
Income from services provided	12 (a)	2,165,629	432,783
Employee expenses			
Wages, salaries and expenditures	12 (b)	(14,434,319)	(254,442)
Social burdens		(26,677)	(13,173)
Other exploit expenses			
External services	12 (c)	(5,986,390)	(109,501)
Taxes		(1,304)	(1,021)
Depreciation of fixed assets	6	(180)	-
Exploitation result		(18,283,241)	54,646
Financial income			
Negotiable values and fixed asset loans			
Of companies of the group and partners	14 (b)	1,108,195	683,319
From third		37	42
parties Financial expenses	14 (b)	(7,063,020)	(12,868,357)
Due to debt with third parties		(4,027)	(223)
Exchange differences		(390)	-
Financial result		(5,959,205)	(12,185,219)
Result before taxes		(24,242,446)	(12,130,573)
Tax on benefits	11	13,450,295	83,824
Results of the year from ongoing operations		(10,792,151)	(12,046,749)

The attached report is part of the annual accounts for fiscal year 2016

TELEPIZZA GROUP, S.A.

Statements of changes in the Net Equity of the annual financial years ending on the 31st of December 2016 and 2015

A) Statement of income and expenditure Recognised

(In Euros)

	2016	2015
Results of the loss and gains account	(10,792,151)	(12,046,749)
Total income and expenses recognised	(10,792,151)	(12,046,749)

The attached report is part of the annual accounts for fiscal year 2016

TELEPIZZA GROUP, S.A.

Statements of changes in the Net Equity of the annual financial years ending on the 31st of December 2016 and 2015

B) Total Statements of Changes to the Net Equity

(In Euros)

	Capital declared	Premium issue	Legal reserve	Reserves first Application GAAP	Contributions of partners	Others reserves	Results of financial previous	Results of financial year	Total
Credit on the 31st of December 2014	18,000,000	321,388,009	-	(36,423)	161,147,935	(634,214)	(206,880,306)	108,319,464	401,304,465
Operations with partners and owners (report 8)									
Application of the loss of the year									-
Negative results from previous years Accepted	-	-	10,831,946	-		-	97,487,518	(108,319,464)	-
income and expenditure	-	-	-	-		-	-	(12,046,749)	(12,046,749)
Balance on the 31st of December 2015	18,000,000	321,388,009	10,831,946	(36,423)	161,147,935	(634,214)	(109,392,788)	(12,046,749)	389,257,716
Operations with partners and owners (reports 1 and									
9) Increase of the capital 25 April 2017 Increase	3,823,580	114,707,385	-	-	-	-	-	-	118,530,965
of capital 27 April 2017 Costs of increase of	3,356,590	100,697,708	-	-	-	-	-	-	104,054,298
capital	-	(3,097,329)	-	-	-	-	-	-	(3,097,329)
Social contributions (incentives plan) (report	-	-	-	-	9,971,463	-	-	-	9,971,463
12(b)) Application of the loss of the year									
To the negative results from previous years	-	-	-	-	-	-	(12,046,749)	12,046,749	-
Accepted income and expenditure	-	-	-	-	-	-	-	(10,792,151)	(10,792,151)
Balance on the 31st of December 2016	25,180,170	533,695,773	10,831,946	(36,423)	171,119,398	(634,214)	(121,439,537)	(10,792,151)	607,924,962

The attached report is part of the annual accounts for fiscal year 2016

TELEPIZZA GROUP, S.A.

Statements of Cash Flows for the financial years ended in 31st of December 2016 and 2015 (in Euros)

	2016	2015
Cash flows from exploitation activities		
Results of the year before taxes	(24,242,446)	(12,130,573)
Adjustments to the result		
Amortisation	180	-
Financial income	(1,108,232)	(683,361)
Financial expenses	7,067,047	12,868,580
Employee expenses	9,971,463	-
Changes to the current capital		
Debtors and other accounts receivable	(762,757)	-
Creditors and other accounts payable	2,281,951	(11,482)
Others cash flows from exploitation activities		
Interests receivable	1,108,232	683,361
Payment of interests	(504,027)	(1,482,506)
Receivable from tax on benefits	606,442	(270,639)
Total cash flows from exploitation activities	(5,582,147)	(1,026,620)
Cash flows from investments Payments by investments		
Tangible fixed assets	(1,436)	-
Companies of the group and	(87,725,748)	1,026,270
Other financial assets	(2,037,200)	-
Receivable from disinvestments		
Companies of the group and	9,275,955	-
Cash flows from investment activities	(80,488,429)	(1,026,270)
Cash flows from funding activities		
Receivables and payables from equity instruments		
Capital increases	114,401,193	-
Receivables and payables from equity instruments		
Issue		
Debts with companies of the group and partners	2,022,941	-
Termination		
Debts with companies of the group and partners	(7,641,228)	-
Cash flows from funding activities	108,782,906	-
Net Increase/Decrease of cash or equivalents	22,712,330	(350)
Cash or equivalents at the beginning of the year	1,004	1,354
Cash or equivalents at the end of the year	22,713,334	1,004

TELEPIZZA GROUP, S.A.

Annual Accounts Report up to

31 December 2016

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

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

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

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

As described in Note 7, the Company has the ownership of all the assets in the dependent company Tele Pizza, S.A. Therefore, the Company dominates a group of companies pursuant to current legislation. The presentation of the consolidated annual accounts is necessary by virtue of the principles and generally accepted accounting rules, in order to give a true image of the financial conditions and the results of its operations, of any changes to the net equity and the group's cash flows.

The Administrators of the Company set forth the consolidated annual accounts of Telepizza Group S.A. and dependent companies for the 2016 financial year on 22 February 2016. These show a consolidated benefit of 10,691 thousand Euros and a consolidated net equity of 607,059 thousand Euros (a loss of 1,149 thousand Euros and a consolidated net equity of 354,342 thousand Euros of 31 December 2015.

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Going public

On 27 April 2016, Telepizza Group S.A. shares have been accepted to officially be listed on the Stock Exchange of Madrid, Barcelona, Valencia and Bilbao, with no restrictions for their free transmission. Going public was carried out as follows:

a) On 25 April 2016, the Company increased its capital to a total of 118,530,965 thousand Euros by issuing 15,294,318 current assets with a nominal value of 0.25 Euros and a 7.5 Euro issuing premium. The newly issued shares were offered by means of a Public Subscription Offer (see note 9) for 7.75 Euros per share.

b) The Public Sales Offer of 55,673,423 assets represented 55% of the capital, sold at 7.75 Euros each, made a total sum of 431,469,028 Euros.

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

On 15 April 2016, the Company closed the petition of assets subscription period, and on 26 April 2016 it granted by public deeds of execution, the termination of the capital increase and the awarding of shares at the price of 7.75 Euros per share, as stated in the offer. On 27 April 2016, new shares were admitted and negotiated. Consequently, on 31 December 2016, the Company's shares were accepted for negotiation on the Exchange Markets of Madrid, Barcelona, Bilbao and Valencia.

In the frame of the above procedure, Merrill Lynch International and UBS Limited were designated as the global coordination entities. The issuing expenses rose to 9,669 thousand Euros, of which 4,129,774 Euros (without taking into account the taxation effect) belong to the Public Subscription Offer and, therefore, directly charged against the net equity (see note 9(b)). The remaining 5,539 thousand Euros belong to the Public Sales Offer and, thus, are registered in the loss and gains account (see note 12 (c)).

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

(2) Submission bases

(a) True image

The annual accounts have been created from the available accounting registries of Telepizza Group S.A., pursuant to the current companies act and the resolutions stipulated in the General Accounting Plan in order to show the true image of the equity of the financial situation up to 31 December 2016 as well as the results of its operations, changes to its net equity and its cash flows for the financial year ended on that date.

The Company Administrators submitted these annual accounts on 22 February 2017 and believe that they will be approved by the Board of Shareholders with no amendments.

(b) Comparison of information

For comparative reasons, the annual accounts, with each of the balance sheet items, the loss and gains account, the statement of changes in the net equity, the statement of cash flows and the report, and the numbers for year 2016 will be compared to those of the previous financial year, that were part of the annual accounts for financial year 2015 approved by the former Sole Shareholder on 15 April 2016.

(c) Functional currency and presentation currency

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

(d) Critical aspects in the valuation and calculation of the uncertainties and relevant judgements in the application of accounting policies

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

i. Relevant accounting calculations and hypothesis

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

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

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

ii. *Calculation changes*

In the same way, although the Company Managers' calculations were based on the best information available up to 31 December 2016, future events may require amendments in the coming years. The effect of amendments on the annual accounts that, should it be the case, could be due to adjustments that must be performed during the coming financial years would be registered progressively.

(3) Application of the result

The application of the 10,792,151 Euros loss from 2016 formulated by the Administrators, and pending approval by the General Assembly of Shareholders, consists of the whole transfer to the negative results account from previous years.

The application of the 12,046,749 Euros loss from 2015, approved by the Sole Shareholder on 15 April 2016, consists of the transfer in full to the negative results account from previous years.

(4) Registry rules and Valuation

(a) Tangible fixed assets

(i) *Initial acceptance*

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

(ii) *Amortisations*

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

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

	Years
Other tangible fixed assets	4

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

(b) Financial instruments

(i) *Clasification and separation of financial instruments*

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

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

(ii) *Loans and receivables*

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

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

(iii) *Investments in group companies*

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

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

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

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

(iv) *Interest and dividends*

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

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

(v) *Financial assets losses*

Financial assets are de-recognised when the rights to receive cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and benefits derived from their ownership.

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

(vi) *Value impairment of financial assets*

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

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

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

- *Value impairment of group company investments*

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

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

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

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

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

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

(vii) *Financial liabilities*

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

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

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(viii) Losses and amendments of financial liabilities

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

The issue of equity instruments by the Company to pay a contracted financial liability is part of the consideration paid to settle the financial liability. As a consequence of this, equity instruments issued to totally or partially pay a financial liability are valued at their fair value, except when the fair value of the settled financial liability can be measured with the greater reliability. If the Company only pays part of the financial liability, where appropriate, a part of the fair value of the equity instruments issued are allocated to evaluate if a modification of the held financial liability has occurred. The difference between the fair value of the equity instruments issued corresponding to payment of the financial liability, or where appropriate, the fair value of the liability and its book value, is recognised in the section Profits from the liquidation of financial liabilities through the issue of the equity instruments in the profit and loss account.

(c) Own equity instruments

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

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

(d) Cash and other equivalent liquid assets

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

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

(e) Income from service provision

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

(f) Tax on profits

Expenditure or income from tax on profits includes both the current and differed tax.

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

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

From 1 January 2007, the Company is the dominant company in a tax group, in accordance with the Consolidated Taxation Status granted by the Tax Authorities. As of 31 December 2016 this group consists of Tele Pizza, S.A., Mixor, S.A., Circol, S.A., and Luxtor, S.A.

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

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

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

The temporary difference derived from the elimination of profits between the companies of the fiscal group, are recognised in the company which has generated the profit and is assessed by the applicable tax rate.

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

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

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(i) *Recognition of taxable temporary differences*

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

(ii) *Recognition of deductible temporary differences*

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

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

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

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

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

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

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In order to determine the future tax earnings, the Company takes into account the opportunities for tax planning, as long as they have the intention to adopt them or it is likely that they are going to adopt them.

(iii) *Assessment*

The deferred tax assets and liabilities are assessed by the tax rates that shall be applicable in the financial years in which assets are expected to be carried out or the liabilities paid, through the regulations and rates that shall be in force, approved and pending publication. Once the tax consequences are considered, they shall be derived in a form in which the Company expects to recover the assets or liquidate the liabilities.

(iv) *Compensation and classification*

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

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

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

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

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

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

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(h) Transactions with payments based on equity instruments

The Company recognises the goods and services received or acquired in a transaction with payments based on assets, at the time of obtaining said goods or when the services are received. If the goods and services are received in a transaction with payments based on assets which are liquidated in equity instruments, an increase in net equity is recognised, and if they are liquidated in cash a liability is recognised, with offsetting in profits or in assets on the balance sheet.

Equity instrument payments in remuneration for services provided by employees of the Company or third parties who supply similar services are assessed in terms of the fair value of the offered equity instruments.

- *Payments to employees based on liquidated assets through payment or issue of equity instruments*

  Payments to employees through payment or issue of equity instruments are recorded through application of the following criteria:

  - If the equity instruments granted are irrevocably converted immediately at the time of being granted, the services received are recognised and charged to the income for the year with payment of the net equity accounts;

  - If the equity instruments granted are irrevocably converted when employees complete a determined service period, the services received are recognised for a period of irrevocability charged to the income with payment of the net equity accounts.

  The Company determines the fair value of the instruments granted to the employees on the date of their being granted.

  The market conditions and other non-determining conditions of irrevocability are considered in assessment of the fair value of the instrument. The rest of the conditions for irrevocability are considered adjusting the number of equity instruments included in the determination of the amount of the transaction, in such a way that finally, the recognised amount of the received services is based on the number of equity instruments which shall eventually be consolidated. As a consequence, the Company recognises the amount for the services received during the period for irrevocability, based on the best estimation of the number of instruments which are going to be consolidated and this estimate is revised in terms of the rights expected to be consolidated.

  Once the services received and the corresponding increase in net equity have been recognised, there are no additional adjustments of net equity after the date of irrevocability, without damage to the completion of the corresponding reclassifications in net equity.

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- *Tax effect*

In accordance with the provisions of current Spanish tax legislation, the expenditure liquidated through payment of equity instruments shall be deductible in the tax period when the payment of these instruments occurs, causing in these cases a temporary deductible difference as a consequence of the temporary different time in which the accounting record of the cited expenditure occurs and its tax deductibility.

(i) Environment

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

The costs derived from environmental activities is recognised as Other operation expenses in the financial year where they are incurred.

(j) Transactions among group companies

The transactions among group companies, except those related to business combinations, mergers, splits and non-monetary business contributions, are recognised by the fair value of the delivered or received service. The difference between this value and the agreed amount is recorded in accordance with the underlying economic substance.

(5) Policy and Risk Management

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

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

(i) Type of interest risk

Variations in interest rates modify the fair value of those assets and liabilities which accrue a fixed interest rate as well as future flows of assets and liabilities referencing a variable interest rate. As of 31 December 2016, the Company does not have any financial borrowing and therefore an elevated interest rate risk.

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The objective of interest rate risk management is reaching a balance in the structure of the debt which shall allow the cost of the debt to be minimised in the multi-year outlook with a reduced volatility in the profit and loss account. Therefore, exhaustive monitoring of the tendency of reference interest rates is essential so that any substantial identified variation, being evaluated and resulting in contracting, as the case may be, of the optimum hedging allowing for the risks to be minimised, ensuring a fair interest rate.

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

(ii) *Credit risk*

The Company maintains the majority of its credit with companies from the group which does not have a relevant risk.

(iii) *Liquidity risk*

The Company applies a prudent policy to cover its liquidity risks, based on the maintenance of sufficient case and availability of financing through a sufficient amount of committed credit facilities. Given the dynamic nature of its underlying business, the Company's Economic-finance Department has the objective of maintaining financing flexibility through availability of the credits granted by their sole shareholder.

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

(6) Fixed assets

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

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

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(7) Investments in Group Company Equity Instruments

The details of the investments in equity instruments from group companies is as follows:

	Non-current Euro	
	2016	2015
Group companies		
Participations	519,291,428	431,565,680

Participations in group companies correspond in their totality to the participation in 100% of the capital of Tele Pizza S.A., the registered office of which is in Madrid. Tele Pizza S.A. is the head of a Group of companies (Telepizza group), whose main activity consists of the management and operation of “telepizza”, “Pizza World” and “Jenos Pizza” shops for take away and on site products, which from 31 December 2016 and 2015 is developing through a franchised system mainly located in Spain, Portugal, Poland, Chile, Guatemala, Colombia, Peru and Ecuador.

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

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

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

	2016	2015
Discount rate (WACC)	7.00%	7.70%
Permanent income growth rate (g)	2.00%	1.70%

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In the budgeted period of 5 years, for calculation of the usage values of the different groups of CGUs the Directors have considered as an operating business hypothesis some growth in the net amount of annual income without openings, nor acquisitions of new shops between 2% and 3%, according to the characteristics of each market and the inflation estimations. This growth in annual income amounts has a practically proportional impact on other operating business hypotheses, such as the net margin and EBITDA.

In the sensitivity analysis of the decreasing participation of group companies, considering some reasonably possible variations in an interval between 50 and 25 basic points in the growth rate of the permanent income and a variation of an interval between 50 and 25 points in the business operating hypothesis, would not lead to a significant impact on the financial statements on 31 December 2016.

The information relating to the direct and indirect participations in the Tele Pizza Group on 31 December 2016 and 2015, is presented in the Appendix.

(8) Financial Assets by Category

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

	Euros			
	2016		2015	
	No current	Current	No current	Current
Loans and receivables				
Investments in group companies and associates in the long term				
Credits	47,769,651	4,286,936	51,487,276	4,743,505
Debtors and other accounts receivable				
Clients group companies	-	261,268	-	43,560
Total financial assets	47,769,651	4,548,204	51,487,276	4,787,065

The amount of net income through categories of financial assets in 2016 and 2015 corresponding to loans and receivables through credits and current accounts with companies from the group reaches 1,108,195 Euro and 683,319 Euro, respectively (see note 14(b)).

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(a) Financial investments in group companies and associates

The details of financial investments in group companies and associates is as follows:

	Euros			
	2016		2015	
	Non current	Current	Non-current	Current
Group (note 14 (a))				
Credits	2,037,200	3,766,364	-	4,743,505
Current accounts with group companies	45,732,451	520,572	51,487,276	-
Total	47,769,651	4,286,936	51,487,276	4,743,505

During the 2016 financial year the Company has granted credits to staff for an amount of 2,037,200 Euro with expiration in 2021 accruing an annual Euribor interest rate plus 1%, The interest accrued from 2016 which has been capitalised together with the main interest reaching 12,970 Euro.

The short term credits recognise the corporation tax received from those subsidiary companies from the tax group headed by the Company and bring accounts to be paid from 31 December of 2016 and 2015 respectively (see note 11).

Current accounts with Group companies collect the current account held with Tele Pizza S.A. which leads to a Euribor annual interest rate plus 1%. On 31 December 2016 a new contract has been executed with an expiry date in the 2018 financial year. The current account with group companies in the short term receives interest accrued those mentioned in the current accounts during the 2016 financial year that are going to be liquidated in January 2017.

(b) Commercial debtors and other accounts receivable

The detail of the commercial debtors and other accounts receivable is as follows:

	Euros	
	2016	2015
Group (note 14 (a))		
Clients	261,268	43,560
Not linked		
Other credits with Public Administrations (note 11)	1,938,731	1,063,089
Total	2,199,999	1,106,649

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(9) Own funds

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

(a) Capital

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

On 31 December 2015, the share capital was integrated by 360,000 participations with a nominal value of 50 Euro each, subscribed in their totality by Foodco Finance S.à.r.l., with a registered office in Luxembourg (see note 1).

On 17 March 2016, the single shareholder adopted the decision to reduce the nominal value of Company shares through a share split in the number of shares for 200 new shares for each old share and amendment of the company by-laws.

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

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

  Merrill Lynh International and UBS Limited in their capacity as Global Coordinating Entities of the subscription offer (see note 1), acting on behalf of the final adjudicators of the subscription offer shares, subscribed each of the 15,294,318 new ordinary shares for an exchange value of 118,530,964.50 Euro, with express waiver from Foodco Finance S.à.r.l of any appropriate preferential subscription right.

- On 27 April 2016 the previous single shareholder adopted the decision to increase the share capital by 3,356,590.25 Euro, with an issue premium of 100,697,707.50 Euro, through issue of 13,426,361 new participations with a nominal value of 0.25 each and with an issue premium of 7.50 Euro each, pursuant to the agreement of the previous Single Shareholder on 27 April 2014. The participations were completely subscribed and paid up by Foodco Finance, S.à.r.l. through compensation of the part of the subordinated loan maintaining this on 25 April 2016, for an amount of 104,054,297.75 Euro (see notes 1 and 10 (a)).

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

The companies who directly or indirectly participated in the share capital of the Company for an percentage equal or superior to 10% are as follows:

	Participation percentage
KKR Credit Advisors (US) LLC	15.5%
Foodco Finance S.A.R.L.	11.2%

(b) Issue premium

As of 31 December 2016 and 2015, this is an unrestricted reserve. As mentioned in section a) of this note, during the 2016 financial year the Company capital has been increased on two occasions, increasing the issue premium to an amount of 215,405,092 Euro.

As of 31 December 2016, the issue premium of the dominant Company has been reduced to 4,129,774 Euro due to the expenses of expanding the capital as well as of the relative advisers, mainly Merrill Lynch International and UBS Limited in their capacity as Global Coordinating Entities, in relation to the Public Share Subscription Offer (see note 1).

(c) Legal reserve

The Company is obliged, in accordance with Article 214 of the Law on Capital Companies, to allocate an amount equal to 10 out of 100 of the profit of the financial year to this reserve until it reaches, at least 20 out of 100 of the share capital.

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

During the 2015 financial year, the Company provided an amount of 10% of the profit from the previous financial year as a legal reserve and therefore from 31 December 2016 the Company had this fully recorded.

(e) Shareholders' contribution

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

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The increase of this section during the 2016 financial year corresponds to the recognition of 9971 thousand Euro in relation to the incentive plans related to the initial public offering that the then Single Shareholder approved prior to the initial public offering (see notes 1 and 12(b)).

(10) Financial Liabilities by Category

All the Company's financial liabilities correspond to the category of debits and items payable. The financial liabilities are valued at an amortized cost or at cost, the fair value being identical or similar to the book value on 31 December 2016 and 2015.

The amount of net losses through financial liabilities categories in 2016 that correspond to the debits and items payable through participating loans and subordinates reach 7,063,020 Euro (12,868,580 Euro in 2015).

(a) Debts with group companies and associates

The detail of the debts with group companies and associates as of 31 December 2016 is as follows:

	Euros	
	Non-current	Current
Debts with Group Companies (note 14 (a))		
Through taxes on tax group Companies (note 11)	-	221,753
Current accounts with group	-	2,022,941
Total	-	2,244,694

The debts with companies from the group include the tax on companies to pay to those subsidiary companies from the tax group headed by the Company and which bring the payments receivable on 31 December 2016 and 2015.

The current accounts with the group collect the accounts payable that the Company has with other group companies as a consequence of the initial public offering, as a consequence of the payments that the previous Single Shareholder completed with the Company and this, in turn, as the dominant company, has distributed it among the subsidiaries.

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The detail of the debts with group companies and associates as of 31 December 2015 was as follows:

	Euros	
	Non current	Current
Debts with Group Companies (note 14 (a))		
Subordinate loan	96,488,845	-
Through taxes on tax group Companies (note 11)	-	5,385,091
Interest		
Subordinate loan	-	2,182,103
Total	96,488,845	7,567,194

(i) Subordinate loan

On 20 October 2014 the Company signed a subordinate loan contract with the Single Shareholder for an amount of 84,824,950 Euro, with an interest rate of 14.5% and with expiry in the 2021 financial year. This loan corresponds to the subordinate debt that the previous Single Shareholder maintained with third parties. The amount pending payment of this subordinate loan together with the accrued or non-capitalised interest on 27 April 2016, the date on which the part of the appropriation to a capital increase reached 105,233,969 Euro.

On 27 April 2016 through the Minutes recording the decisions of the single shareholder it was approved that this subordinate loan together with its accrued and pending payment interest to this date were brought to a capital increase through compensation of credits for an amount of 104,054,297.75 Euro. This capital increase is carried out through the creation of 13,426,361 new shares with a nominal value each of 0.25 Euro and an issue premium of 7.50 Euro per share, all with the same rights and in the class as the existing shares subscribed by Foodco Finance S.à.r.l (note 9). The rest of the amount pending payment of an amount of 1,179,671.90 is returned as cash to the Single Shareholder.

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(b) Commercial creditors and other accounts payable

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

	Euros	
	2016	2015
Commercial creditors	705,409	38,957
Group Company Creditors (note 14 (a))	1,217,395	9,904
Staff	352,470	-
Liability through current taxes	-	136,071
Other debts with Public Administrations (note 11)	93,155	37,616
Total	2,368,429	222,548

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

Information on deferred payments completed to suppliers is as follows:

	2016	2015
	Days	Days
Average supplier payment period	64	98
Ratio of paid operations	63	104
Ratio of operations pending payment	85	55
	Euros	Euros
Total completed payments	7,479,462	157,939
Total pending payments	171,667	1,003

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(11) Tax situation

Detail of the balances to Public Administrations in the 2016 and 2015 financial years is as follows:

	Euros			
	2016		2015	
	Non current	Current	Non current	Current
Assets (note 8 (b))				
Deferred tax assets.	16,273,192	-	4,632,189	-
Consolidated corporation tax				
Value added tax		1,393,682	-	1,063,089
	-	545,049	-	-
	16,273,192	1,938,731	4,632,189	1,063,089
Liabilities (note 10 (b))				
Liability through current tax.				
Value added tax. Social	-	-	-	136,071
Security	-	-	-	20,944
Retentions	-	3,415	-	1,379
	-	89,740	-	15,293
	-	93,155	-	173,687

The company profits, determined in accordance with tax legislation, are subject to a tax that for the 2016 and 2015 financial years has been 25% of the 28% on the taxable base, respectively. From the resulting instalment deductions and bonuses may be determined.

As indicated in note 1, Telepizza Group S.A., as the dominant company, is accepted with determined companies who comply with the requirements of tax legislation, as part of the Consolidated Taxation Status.

The detail of the credits and debits with subsidiary companies of the tax group of the tax effect generated by the consolidated taxation status in the 2016 and 2015 financial years has been as follows:

	Euros	
	2016	2015
Debtors		
Credits through tax effect (note 8 (a))	3,766,364	4,743,505
Creditors		
Debts through tax effect (note 10 (a))	219,463	5,385,091

According to current legislation, taxes cannot be considered as definitively liquidated until the presented declarations have been inspected by the tax authorities or a prescription period of four years has passed. On 31 December 2016, the Company opened all taxes applicable from 1 January 2012 for inspection by the tax authorities.

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As a consequence of the different possible interpretations of the current tax legislation, additional liabilities could arise. In all cases, the Company Directors consider that these liabilities, if they occur, shall not significantly affect the annual accounts.

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

	Euros						
	Profit and loss account			Reserves			
	Increases	Reductions	Net	Increases	Reductions	Net	Total
Income and expenses balance for the financial		(10,792,151)	(10,792,151)		(4,120,792)	(4,120,792)	(14,912,943)
Corporation tax		(13,450,295)	(13,450,295)				(13,450,295)
Losses before tax			(24,242,446)			(4,120,792)	(28,363,238)
Permanent differences:							
Financial expenses	6,479,812	-	6,479,812				6,479,812
Insurance/ pension plans	25,080	-	25,080				25,080
Individual tax base							(21,858,346)
Tax bases brought by group companies							18,634,437
Group tax base							(3,223,909)
Tax liability							-
Deductions							-
Liquidated							-
Account payments and retentions from the tax							(1,393,790)
Liquidated liability pending recovery of the tax							(1,393,790)

Reconciliation between the net amount of the income and expenditure of the tax year and the taxable base for the 2015 financial year for the purpose of Corporation Tax is detailed as follows:

	Euros		
	Profit and loss account		
	Increases	Reductions	Net
Profits before tax		12,130,573	(12,130,573)
Permanent differences:			
Financial expenses	10,161,066		10,161,066
Insurance/ pension plans	24,634		24,634
Individual tax base			(1,994,872)
Tax bases brought by tax group companies			25,789,105
Group tax base			23,844,232
Compensation from tax bases			(5,961,058)
			17,883,174
Tax liability			5,007,289
Deductions			(975,688)
Liquidated liability			4,031,601
Account payments and retentions from the tax			(3,895,530)
Liquidated liability pending recovery of the tax			136,071

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The permanent differences mainly correspond to the non deductible interest (see note 8).

The existing relation between the tax expenditure on the profit and loss from the 2016 and 2015 financial years is as follows:

	Euros	
	2016	2015
Profit and loss balance from the financial year before tax	(24,242,447)	(12,130,573)
Tax on 25%/28%	(6,060,612)	(3,396,560)
Non deductible costs		
Financial costs and others	1,626,223	2,851,996
Recognition of deferred tax assets	(9,813,931)	-
Other differences	798,025	460,740
Cost of taxes on profits	(13,450,295)	(83,824)

Other differences correspond to those generated from the tax estimated in the previous financial year 2016 and 2015 and that which is currently presented.

The detail of the expenditure of the tax on profits on 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Current tax		
Of the financial year	(5,464,586)	(544,564)
From previous financial years	758,104	-
Deferred taxes		
Other	(8,743,813)	460,740
	(13,450,295)	(83,824)

On 28 November 2014, Law 27/2014 of 27 November was approved concerning Corporation tax and incorporating a new complete text on Corporation tax. This shall enters into effect for tax periods starting from 1 January 2015. Among the amendments is the reduction in the general rate from the current 30% to 28% in 2015 and 25% for 2016 and subsequent financial years.

Similarly, with negative tax bases for the tax periods starting from 2015, a compensation limit of 70% has been established for the tax base prior to compensation for 2015, 2017 and subsequent years, maintaining a limit of 25% in 2015. In addition, a compensation period for the 18 year compensation for negative tax bases is eliminated, and shall instead be unlimited.

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

On 31 December 2016 and 2015, the amounts of the bases, in accordance with the provisions of the aforementioned Law 27/2014 are as follows:

	Euros	
Year	2016	2015
2008	8,356,651	8,356,651
2009	6,306,192	6,306,192
2011	7,702,087	7,702,087
2014	248,206	248,206
2016	3,223,909	-
	25,837,045	22,613,136

On 31 December 2016 and 2015, the Company recognises the deferred tax assets relating to negative tax bases from the previous financial years for an amount of 6,459,261 Euro, as it is probable that there will be future tax earnings that allow for the application of these assets.

On 31 December 2016 and 2015 the amounts of expenditure of non deductible interest pending application is as follows:

	Euros	
Year	2016	2015
2012	30,562,707	30,562,707
2013	22,466,796	22,466,796
2014	20,163,545	20,163,545
2015	12,868,580	10,161,066
2015 (estimated)	6,479,813	-
	92,541,441	83,354,114

During the 2016 financial year due to the reduction in the Group debt, the Company has recognised deferred tax assets relating to non deductible interest from the previous financial year for an amount of 9,813,931 Euro, it is deemed probable that there will be future tax gains on this amount allowing for the application of those assets.

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(12) Income and expenditure

(a) Net amount of the turnover

The composition of this section of the profit and loss account of the financial years ended 31 December 2016 and 2015 attached is as follows:

	Euros	
	2016	2015
Services provided to Group companies	2,165,629	432,783

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

(b) Staff expenditure

The composition of this section of the profit and loss account of the financial years 2016 and 2015 attached is as follows:

	Euros	
	2016	2015
Wages, salaries and similar expenses		
Wages and salaries	14,434,319	254,442
Business costs		
Social security costs charged to the Company	26,677	13,173
	14,460,996	267,615

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

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

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(c) External services

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

	Euros	
	2016	2015
Repairs and maintenance	13,169	8,571
Independent professional services	5,850,118	76,113
Insurance premiums	25,080	24,634
Supplies	1,485	-
Other services	96,538	183
	5,986,390	109,501

This section of the profit and loss account from 31 December 2016 includes, mainly non recurring advice costs related to the Public Sale Offer for an amount of 5,538,889 Euro (see note 1).

(13) Environmental Information

Significant investments dedicated to the protection and improvement of the environment have not been carried out during the financial year, nor have relevant expenses of this nature been incurred. Finally, environmental subsidies have not been received.

The Company Directors believe that there are no significant contingencies related to the protection and improvement of the environment, and do not consider it necessary to record any funding for the provision of risks and environmental costs on 31 December 2016 and 2015.

(Continues

(14) Balances and Transactions with Linked Parties

(a) Company Balances with linked parties

The Company balances with linked parties on 31 December 2016 and 2015 are as follows:

	Euros		
	31/12/06	31/12/2005	
	Group companie	Shareholder Single	Companies of the group
Long term investments in group companies Current accounts with the group and credits (note 8 (a))	47,769,651	-	51,487,276
Total non current shares	47,769,651		51,487,276
Clients through sales and service provision in the short term (note 8 (b))	261,268	-	43,560
Investments in group companies in the short term Credit through tax effect (note 8 (a))	3,766,365	-	3,766,365
	520,571	-	520,571
Total current shares	4,548,204	-	4,330,496
Total asset	52,317,855	-	55,817,772
Debts with Group Companies in the long term Loans (note 10 (a))	-	96,488,845	-
Total non current liabilities	-	96,488,845	-
Debts with group companies in the short term Debt through tax effect (note 11)	219,463	-	5,385,091
Current accounts with Group Companies (note 10 (a)	2,022,941	2,182,103	-
Commercial creditors and other accounts payable Suppliers, group companies (note 10 (b))	1,217,395	-	9,904
Total current liabilities	3,459,799	2,182,103	5,394,995
Total liability	3,462,089	98,670,948	5,394,995

(Continues

(b) Company Transactions with linked parties

The transaction amounts the Company has with linked parties during the 2016 financial year are as follows:

	Euro		
	Group companies	Other linked parties	Total
Service provision	2,165,629	-	2,165,629
Credit interest (note 8)	1,108,195	-	1,108,195
Total income	3,273,824	-	3,273,824
Received services	(147,818)	(250,000)	(397,818)
Financial credit expenses	-	(7,063,020)	(7,063,030)
Total expenses	(147,818)	(7,449,901)	(7,597,719)

The financial costs correspond to the accrued interest of the subordinate loan, granted by the previous Single Shareholder of the Company (see note 10 (a)).

The remunerations to the Directors are detailed as follows in section (c) of this note.

The transaction amounts the Company has with linked parties during the 2015 financial year were as follows:

	Euros		
	Group companie	Single	Total
Service provision Credit interest (note 8)	432,783	-	432,783
	683,319	-	683,319
Total income	1,116,102	-	1,116,102
Received services	(15,196)	-	(15,196)
Financial credit expenses Total	-	(12,868,357)	(12,868,357)
expenses	(15,196)	(12,868,357)	(12,883,553)

The financial expenses correspond to the accrued interest of the participating and subordinate loans granted by the Company's Single Shareholder (see note 10 (a)).

(c) Information relating to the Directors and the Company's Senior Management staff

The Company Directors have received remuneration for an amount of 9,169,229 Euro for the 2016 financial year, the previous Directors not having received any remuneration during 2015. In addition, no obligations have been assumed on behalf of them as security and nor do they have contractual obligations relating to previous or current Company Directors.

(Continues

On 31 December 2016 the Company granted credits to members of the Board of Directors for an amount of 1,336,755 Euro. In addition to 31 December 2016, the savings plan contracted for the Directors has reached 84,801 Euro.

In addition, the members of Senior Management have accrued remunerations for an amount of
4,757,308 Euro during the 2016 financial year and 364,795 Euro during the 2015 financial year. On 31 December 2016 the Company granted credits to the Senior Management for an amount of 687,475 Euro and have not assumed obligations on behalf of them for securities, nor are there contractual obligations in terms of pensions. In addition to 31 December 2016, the savings plan contracted for the Senior Management has reached 11,810 Euro (11,247 Euro in 2015). The insurance premiums paid in 2016 to the Senior Management reached 1,420 Euro (1,322 Euro in 2015).

(d) Conflicts of Interest concerning the Directors

The Company Directors and persons linked to them, have not incurred any conflicts of interest which have been the subject of a communication in accordance with the provisions of Article 229 of the CTLCC.

During the 2015 financial year the Director Steve Winegar who represents the company Ebitda Consulting S.L. declared his conflict of interest in relation to the operations developed by the Group in Poland, as Ebitda Consulting S.L. is a shareholder of Amrest Z.o.o. a company with a similar or identical objective (hospitality) and a member of the Board of Directors of the distinctive subsidiaries of Amrest Z.o.o.

(e) External transactions to ordinary traffic or in distinctive market conditions carried out by the Company Directors

During the 2016 and 2015 financial years neither the Company Directors, nor members of the Senior Management or linked parties have carried out operations outside of ordinary traffic with the Company or under distinctive market conditions.

(15) Information on Employees

The average number of employees of the Company during the 2016 and 2015 financial years broken down by category is as follows:

	2016	2015
Senior Management	2	1
Other staff	1	-
	3	1

All the employees are Directors are men.

(Continues

The Company does not have employees with a disability higher or equal to 33% during the 2016 and 2015 financial years.

(16) Auditing fees

The auditing company KPMG Auditors S.L. for the Company's annual accounts have accrued during the financial periods ended 2016 and 2015 fees and expenses for professional services as follows:

	Euros	
	2016	2015
For auditing services	11,875	7,875
For other services	280,000	3,143
Total	291,875	11,018

The amount indicated in the table above includes the entirety of the fees relating to the services provided during the 2016 and 2015 financial years, with independence at the time of invoicing.

TELEPIZZA GROUP, S.A.

Information relating to Group Companies and Associates for the financial year ended 31 December 2016

	Address	Activity	Auditor	% of participation Name Add	Ind	Total
Tele Pizza, S.A.	Madrid	Restaurants and holder of Assets	KPMG	100.00	-	100.00
Circol, S.A.	Madrid	Restaurants		-	100.00	100.00
Chile Telepizza Group	Santiago de Chile	Restaurants	KPMG	-	100.00	100.00
Telepizza Portugal	Lisbon	Restaurants	KPMG	-	100.00	100.00
Telepizza Poland Sp. Z o.o.	Varsovia	Restaurants	KPMG	-	100.00	100.00
Telepizza Morocco, S.A. (in liquidation)	Casablanca	Inactive		-	100.00	100.00
Telepizza Guatemala	Guatemala	Restaurants		-	100.00	100.00
Luxtor, S.A.	Madrid	Marketing Manufacture of Dairy products	KPMG	-	100.00	100.00
Cozicharme, Lda.	Lisbon	Shareholder		-	100.00	100.00
Bazigual SGPS, Lda.	Lisbon	Shareholder		-	100.00	100.00
Inverjenos SAS	Bogota	Restaurants	KPMG	-	100.00	100.00
Telepizza Andina S.A.C	Lima	Restaurants		-	100.00	100.00
Telepizza Shanghai CO.LTD	Shanghai	Restaurants		-	100.00	100.00
Telepizza Ecuador, S.A.	Quito	Restaurants		-	100.00	100.00
Foodco Pastries Morocco	Morocco	Restaurants		-	100.00	100.00
Foodco Pastries Panama	Panama	Restaurants		-	100.00	100.00
Telepizza Switzerland, GmbH	Switzerland	Restaurants		-	100.00	100.00

TELEPIZZA GROUP, S.A.

Information relating to Group Companies and Associates for the financial year ended 31 December 2015

				% of participation Name		
	Address	Activity	Auditor	Add	Ind	Total
Tele Pizza, S.A.	Madrid	Restaurants and holder Assets	KPMG	100.00	-	100.00
		Restaurants and others		-	100.00	100.00
Burmasa Delivery, S.L.	Burgos	Food outlets	KPMG	-	100.00	100.00
Circol, S.A.	Madrid	Restaurants		-	100.00	100.00
Chile Telepizza Group	Santiago de Chile	Restaurants	KPMG	-	100.00	100.00
Telepizza Portugal	Lisbon	Restaurants	KPMG	-	100.00	100.00
Telepizza Poland Sp. Z o.o.	Varsovia	Restaurants	KPMG	-	100.00	100.00
Telepizza Morocco, S.A. (in liquidation)	Casablanca	Inactive		-	100.00	100.00
Lubasto Holding, B.V.	Amsterdam	Shareholder		-	100.00	100.00
Telepizza Guatemala	Guatemala	Restaurants Marketing		-	100.00	100.00
Luxtor, S.A.	Madrid	Product manufacturer Dairy	KPMG	-	100.00	100.00
Cozicharme, Lda.	Lisbon	Shareholder		-	100.00	100.00
Bazigual SGPS, Lda.	Lisbon	Shareholder		-	100.00	100.00
Inverjenos SAS	Bogota	Restaurants	KPMG	-	100.00	100.00
Restauración Contemporánea, S.A.	Andorra	Restaurants			33.00	33.00
Telepizza Andina S.A.C	Lima	Restaurants		-	100.00	100.00
Telepizza Shanghai CO.LTD	Shanghai	Restaurants			100.00	100.00
Telepizza Ecuador, S.A.	Quito	Restaurants			100.00	100.00

TELEPIZZA GROUP, S.A.

Information relating to the Group Companies for the financial year ended 31 December 2016 (expressed

in Euro)

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

TELEPIZZA GROUP, S.A.

Information relating to the Group Companies for the financial year ended 31 December 2015 (expressed in Euro)

books	Capital	Reserves	Profits from the financial year Of the activities Continued	Interrupted	Total	Total funds own	Net value in Named participation
Tele Pizza, S.A.	7,800,000	333,978,170	33,123,069	(6,711)	33,116,358	374,894,528	431,565,680
Burmasa Delivery, S.L.	355,020	(24,448)	-	-	-	330,572	
Circol, S.A.	1,084,640	3,232,633	226,227	-	226,227	4,543,500	
Chile Telepizza Group	3,064,926	39,099,996	6,039,087	-	6,039,087	54,349,228	
Telepizza Portugal	1,900,000	15,537,866	4,600,484	-	4,600,484	22,038,350	
Telepizza Poland Sp. Z o.o.	9,319,015	(9,957,280)	(438,539)	-	(438,539)	(554,128)	
Telepizza Morocco, S.A. (in liquidation)	58,671	(793,324)	-	-	-	(734,653)	
Lubasto Holding, B.V.	27,227	3,854	(31,893)	-	(31,893)	(812)	
Telepizza Guatemala	604	183,869	554,802	-	554,802	739,275	
Luxtor, S.A.	6,127,640	12,675,451	10,257,913	-	10,257,913	29,061,004	
Cozicharme, Lda.	5,000	(28,154,181)	(3,827,383)	-	(3,827,383)	(31,976,564)	
Bazigual SGPS,Lda	5,000	(141,314)	695,090	-	695,090	558,776	
Inverjenos S.A.S.	1,471,008	6,934,656	(6,257,063)	-	(6,257,063)	2,148,601	
Telepizza Andina S.A.C	8,043,065	(2,627,450)	(629,984)	-	(629,984)	4,787,631	
Telepizza Ecuador S.A.	1,547,618	(556,234)	(204,068)	-	(204,068)	787,316	
Telepizza Shanghai CO.LTD	99,861	20,065	(24,714)	-	(24,714)	95,212	
Mixor, S.A.	3,215,350	3,782,953	(11,594)	-	(11,594)	6,986,709	

TELEPIZZA GROUP, S.A.
Mangement Report
31 December 2016

1. **Company Status and Business Development**

   During the 2016 financial year the Company has suffered some losses of 10,792,151 Euro, mainly as a consequence of the financial costs derived from the financing obtained for the acquisition of Tele Pizza S.A., shares.

2. **Expected progress**

   The Company does not expect any specific changes requiring a mention in relation to the progress of its activity in the short term.

3. **Research and Development**

   The Company has not carried out any activities related to research and development during the 2016 financial year.

4. **Own assets**

   On 31 December 2016, the Company did not maintain ownership of its own assets or rights over them, and therefore, there are not political or economic treasury share rights.

5. **Referred financial instruments**

   The Company does not have any kind of referred financial instrument.

6. **Risks and uncertainty**

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

7. **Medium payment period**

   The average payment period shall reach 64 days,

8. **Information on Employees**

   The Company has 3 employees,

ACT OF SIGNATURE

During a meeting on 22 February 2017 and in compliance with the requirements established by Article 253.2 of the Consolidated Text of the Law on Capital Companies (CTLCC) and Article 37 of the Spanish Commercial Code, the Board of Directors of the Company Telepizza Group S.A. have formulated the annual accounts and management report of the financial year comprising 1 January 2016 and 31 December 2016. The annual accounts comprise the attached documents which precede this certification.
In order to comply with the provisions of Article 243.2 of the CTLCC each and every one of the members of the Board of Directors has signed below:

[SIGNATURE]
Pablo Juantegui Azpilicueta
President- Managing Director

[SIGNATURE]
Carlos Mallo Álvarez
Director

[SIGNATURE]
Alejo Vidal Quadras de Caralt
Director

[SIGNATURE]
John Derkach
Director

[SIGNATURE]
Luis Daniel Sanz Suárez
Director

[SIGNATURE]
Javier Gaspar Pardo de Andrade
Director- Secretary

[SIGNATURE]
Juan Riva de Aldama
Director

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

[SIGNATURE]