TELEPIZZA GROUP, S.A.
AND SUBSIDIARIES

UNAUDITED INTERIM SELECTED CONSOLIDATED FINANCIAL INFORMATION

for the six-month period ended 30 June 2019

IINTRODUCTION

Telepizza Group S.A., through its fully owned subsidiary, Tasty Bondco 1, S.A.U., a public limited liability company incorporated under the laws of Spain, issued on May 3rd of 2019, €335.0 million in aggregate principal amount of its Senior Secured Notes due 2026.

The Notes will bear interest at a rate of 6.25% per annum. The Notes will mature on May 15, 2026. The Issuer will pay interest on the Notes semi-annually in arrears on January 15 and July 15, commencing on January 15, 2020. Prior to May 15, 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying a "make-whole" premium. At any time on or after May 15, 2022, the Issuer may redeem all or part of the Notes at the redemption prices set forth in the offering memorandum. In addition, prior to May 15, 2022, the Issuer may redeem, at its option, up to 40% of the Notes (including the aggregate principal amount of any additional Notes issued) with the net cash proceeds from certain equity offerings so long as at least 50% of the original principal amount of the Notes (including any additional Notes), issued under the Indenture (as defined herein) remain outstanding. Prior to May 15, 2022, the Issuer may redeem up to 10% of the aggregate principal amount of the Notes originally issued (including the aggregate principal amount of any additional Notes issued) in each calendar year at a redemption price equal to 103% of the principal amount thereof. Additionally, upon certain events defined as constituting a change of control triggering event or upon certain asset sales, the Issuer may be required to make an offer to purchase the Notes. A change of control triggering event, however, will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In the event of certain developments affecting taxation, the Issuer may elect to redeem all, but not less than all, of the Notes. In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "Description of the Notes—Optional Redemption."

The Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the Notes and will rank pari passu in right of payment with the Issuer's existing and future debt that is not so subordinated.

The Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market.

None of the Notes or the Guarantees have been, or will be, registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act"), that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act")), and outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. None of the Notes or the Guarantees is transferable except in accordance with the restrictions described under "Plan of Distribution" and "Notice to Investors." in the Offering Memorandum.

This Unaudited Selected Consolidated Financial Information is provided to the holders of the Notes pursuant to Article 4 Section 4.02 "Reports" of the Indenture.

Management report

Corporate History – Telepizza Group

Telepizza was founded in 1987 as a family business. Since the opening of its first store in Madrid in 1988, the Group has gradually increased its activities and expanded internationally. In 1992, Telepizza opened its first production facility for producing pizza dough in Guadalajara (Spain) and opened its first stores in Poland, Portugal and Chile. Telepizza completed its initial public offering in 1996 and its shares began trading on the Spanish Stock Exchanges. In 2004, Telepizza began its online expansion in Spain and four years later in 2008, Telepizza re-launched its telepizza.es site to improve home delivery.

In 2007, the Company delisted its shares from the Spanish Stock Exchanges. Telepizza continued its international expansion entering into master franchise agreements in Guatemala and El Salvador and the United Arab Emirates in 2009. In 2010, the Group acquired the Colombian pizza chain, Jeno's Pizza, the largest pizza chain in Colombia with 80 stores, and the following year, the Group opened its first store in Peru and entered the airline catering sector. In 2012, Telepizza established its footprint in Ecuador and expanded its presence in the air catering sector through partnerships with airlines. In 2013, Telepizza expanded its franchises network in Panama, Russia and Bolivia. In 2014, the Group entered Angola. Noting increased reliance on technology by its customer base, in 2015, Telepizza developed "Click & Pizza," an online delivery service, and started creating smartphone applications.

In April 2016, Telepizza once again became a listed company in Spain and entered Morocco and Saudi Arabia. Telepizza continued its expansion in 2017, announcing its entry in new markets, including the United Kingdom, France, Switzerland, the Czech Republic, Malta, Paraguay and Ireland (under the Apache brand). In December 2018, Telepizza signed a strategic agreement with Yum! Brands, becoming Pizza Hut's largest master franchisee globally.

Yum! (Pizza Hut) alliance

In June 2018, the shareholders at the Telepizza Group's General Meeting approved a strategic alliance and a multi-country master franchise agreement between Telepizza and Pizza Hut to accelerate their joint growth in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland.

Following the approval of the transaction by the European Commission's antitrust authority on

December 3rd, 2018, the global alliance and master franchise agreement with Pizza Hut was signed and came into force on December 30th, 2018.

Pizza Hut, a division of Yum! Brands, Inc. ("Yum! Brands"), is the world's largest pizza restaurant company with nearly 17,000 restaurants in over 100 countries. As a result of the transaction, as of

December 30th, 2018, Telepizza operated a total of 1,011 Pizza Hut stores (in addition to the existing

Telepizza 1,620 network stores and including the 38 Pizza Hut stores in Ecuador acquired prior to formalization of the agreement), thus making it the largest Pizza Hut master franchisee in the world by number of stores and a leading pizza operator worldwide with an ambitious growth plan in the coming years.

With the transaction, the Company is able to develop and improve its capacity to manage networks and supply pizza dough and ingredients while fostering its international growth (taking advantage of the synergies existing between both groups). As of December 30th, 2018, the Company almost doubled the number of Telepizza Group stores to 2,631, extending its international reach to 39 markets (more than 500 million potential customers), and recording total system sales of approximately Euros 1,200 million.

In Iberia, the Group will continue to operate the Telepizza brand alongside the Pizza Hut brand, given its leadership and privileged knowledge of the brand. Conversely, the current brands in Latin America ("Telepizza" and "Jeno's Pizza") will be gradually converted so as to operate solely under the Pizza Hut brand in the coming years, thereby taking advantage of its greater brand recognition in Latin America. A single master franchise for Pizza Hut that operates throughout Latin America will result in operating benefits and synergies, as well as accelerated growth. The long-term alliance with Pizza Hut is reinforced by a well-defined expansion plan, which considers 250 net openings in 2019-2021. There is also solid sector justification for this agreement, including the Telepizza Group becoming an authorized supplier for Pizza Hut, opening up significant opportunities with the resulting synergies due to the growth in current and future business

As a result of the foregoing, Telepizza Group Board of Directors expects the alliance to create value for

Telepizza's stakeholders.

Recent corporate and capital structure changes

In relation to the voluntary takeover bid for the acquisition of all the shares in Telepizza Group, S.A. made by Tasty Bidco, S.L.U., an investing vehicle controlled by various funds and accounts that are managed or advised by KKR Credit Advisors (US) LLC or its affiliates, with entities affiliated with Torreal, Safra, Artá and Altamar as co-investors, which was approved by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) on April 28th, 2019, the results of which were published on May 9th, 2019 and which was settled on May 13th, 2019, and pursuant to article 226 of the consolidated text of the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of October 23rd, Tasty Bidco reports the following:

On January 21st 2019, Tasty Bidco S.L.U., submitted to the Spanish National Securities Market Commission (CNMV) a voluntary takeover bid with a tender offer of €6.00 per share for the acquisition of all the shares in Telepizza Group S.A.. The offer was published by the CNMV on March 29th and approved by the CNMV on April 28th, 2019. The results of the voluntary takeover bid were published on May 9th, 2019, and settled on May 13th, 2019, resulting in Tasty Bidco as a holder of 56,699,827 shares in Telepizza, representing 56.29% of its share capital. Subsequently a sustained order for the purchase of shares of Telepizza Group was approved by Tasty Bidco.

As of June 12th, 2019, Telepizza Group completed the refinancing of its existing debt through the following transactions:

- The acquisition by the Company of all the shares representing the share capital of Tasty Bondco 1, S.A. On May 3rd, 2019, Tasty Bondco 1 S.A., a company affiliated with Tasty Bidco, completed the issuance of €335 million 6.25%senior secured notes due 2026. The Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange.
- The early repayment in full of the outstanding amounts under the senior facilities agreement amounting to €200 million entered into, among others, the company Tele Pizza, S.A.U. and certain financial entities on April 8th, 2016, out of the proceeds of the Notes. Simultaneously, the guarantees of the senior facilities were released and the Bonds were guaranteed.

As part of the recapitalization of Telepizza Group, the general shareholders meeting of the Company held on June 17th, 2019, approved, under item 5 of the agenda, the distribution of an extraordinary dividend with charge to unrestricted reserves for an amount of €130,936,882.70 million. This amount arises from adjustments depending on the operating cash needs of the Telepizza Group entities and the final amount of the costs and expenses related to the refinancing.

The general shareholders meeting of the Company held on June 17th, 2019 also approved the delisting of the shares traded in the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and, consequently, from the Automated Quotation System (Mercado Continuo), pursuant to the exemption provided for in article 11.d) of Royal Decree 1066/2007. The trading shares of Telepizza Group was suspended on July 9th, and effectively delisted on July 26th. As of July 10th, after the expiration of the sustained order for the purchase of shares of Telepizza Group, Tasty Bidco held 84,566,689 shares in Telepizza, representing 83.96% of the share capital of Telepizza Group

Business review and result of continued operations

System sales

	EMEA	LatAm	Total
System sales[1] growth	**5.4%**	**4.6%**	**5.0%**
System sales growth[1] constant currency (%)	5.6%	0.4%	2.9%
System sales growth[1] constant currency – Telepizza (%)	5.5%	-3.2%	4.0%
System sales growth[1] constant currency – Pizza Hut (%)	5.8%	1.2%	1.8%

Income statement summary

€m (unless otherwise stated)	6M 2018	6M 2019	% change
Own Store Sales	82.7	85.2	*3.1%*
Supply chain, royalties, marketing & other income	88.5	110.0	*24.3%*
Total revenue	**171.2**	**195.2**	***14.0%***
COGS	-46.1	-49.1	*6.5%*
% Gross margin	73.1%	74.8%	+1.8p.p.
Operating Expenses	-90.2	-112.8	*25.1%*
Adjusted EBITDA	**34.8**	**33.3**	***-4.5%***
% Adjusted EBITDA margin	*20.3%*	*17.0%*	*-3.3p.p.*
Non-recurring expenses related to Pizza Hut alliance and new corporate structure	-9.3	-7.3	*n.m.*
Non-operating items	-1.7	-1.4	*n.m.*
Phasing impacts[2]	2.4	-3.7	
Reported EBITDA	**26.2**	**20.8**	***-20.7%***

In the first half of 2019, Telepizza Group reported growth in system sales (which includes the total sales of own stores, franchisees and master franchisees) of +5.0%, up to €609.5 million, versus €580.4 million in the same period in 2018 (excluding discontinued operations of Poland and Czech Republic, including Pizza Hut sales proforma in 2018). This figure reflects a solid top line performance across geographies during the initial period of the integration of the Pizza Hut business.

[1] Excluding discontinued operations of Poland and Czech Republic; 2018 sales are shown pro forma for Pizza Hut system sales contribution
[2] Normalization of spending across the year

The total growth in system sales, excluding the proforma adjustment for 2018, was a +104.6%, up to €609.5 million, versus €297.9 million in the same period in 2018 (excluding discontinued operations of Poland and Czech Republic). This translated to a +14.0% increase in revenue, up to €195.2 million, versus €171.2 million in the same period in 2018, due to the inclusion of the Pizza Hut perimeter and its corresponding the royalty flow.

The reported EBITDA for the first half of 2019 was €20.8 million, versus €26.2 million in the same period in 2018 (-20.7%). The adjusted EBITDA, excluding non-recurring expenses related to Pizza Hut alliance, new corporate structure, add-back costs, and seasonal adjustments, declined -4.5% in the period.

The bottom line results in the first half reflect a strong underlying base business performance, yet being more than offset by (i) the negative short-term impact of the mandatory minimum salary increase of +22.3% approved in Spain for 2019, (ii) the impact of the turnaround process of the acquired Pizza Hut stores in the country, and (iii) the slow recovery of our Chilean business in the aftermath of the macro-economic and consumer sentiment meltdown in July 2018.

During the first half of 2019, Telepizza has focused on building a successful growth platform for the new Pizza Hut business. Our supply chain system was homologated to supply Pizza Hut, it is in the process of being resized to accommodate the new and future volumes of the new perimeter, the planification for new openings and stores conversion have been laid out with encouraging initial results, and we have made the expected progress in M&A operations.

EMEA

System sales in EMEA rose by +5.4% in the semester, up to €299.3 million, versus €283.9 million in the same period in 2018 (excluding discontinued operations of Poland and Czech Republic, including Pizza Hut sales proforma in 2018).

Spain and Portugal had solid top line performance, with medium single-digit growth while building growth platform for Pizza Hut in Spain. In Ireland and Switzerland, sales performance was also excellent with double-digit growth.

In Spain we are successfully integrating the existing Pizza Hut operation, following the acquisition of 13 stores from small franchisees during 2019 in order to build the growth platform for the brand in Spain. We have been upgrading the acquired stores to our state-of-the-art digital and delivery platforms.

The Pizza Hut operation in EMEA has increased by 4 new net stores and 6 Telepizza stores have been converted to Pizza Hut during the first half of the year. Those figures will keep increasing throughout the year as we accelerate expansion and conversions.

Bottom line results in Spain are negatively impacted in the short term by the mandatory minimum salary increase of +22.3% approved for 2019, and by the turnaround process of the acquired Pizza Hut the first half of 2019.

Latam

System sales in Latam rose by +4.6% in the semester, up to €310.2 million, versus €296.5 million in the same period in 2018 (including Pizza Hut sales proforma in 2018).

Positive topline growth across the region, underpinned by positive currency effect. Telepizza constant currency sales reflect conversion of stores to Pizza Hut. Pizza Hut, being mainly a franchised business, in transition with opportunity to accelerate growth and fix some underperforming countries.

The foodservice market in Chile suffered a downturn in July 2018, the recovery of which has been slow. Since the consumer sentiment meltdown, we have been focused on repositioning our commercial offer and restructuring the operation in the country. While the negative impact has still affected the first half of 2019, the business trend has started to improve towards the end of the period, and we expect a further recovery in the second half of 2019.

Expansion of the store network (continued operations)

At June 31st, 2019, there were 2,353 Telepizza and Pizza Hut stores within the master franchisee perimeter (Spain, Portugal, Switzerland and Latam ex-Brazil), of which 986 were located in EMEA and 1,367 in Latam, this compares to a total of 2,337 stores at December 31st, 2018.

We rebranded 34 stores from Telepizza to Pizza, 6 in EMEA and 28 in Latam. The sales increase of the rebranded stores in Latam have exceeded expectations, achieving high double-digit sales uplifts with limited capex investment.

The discontinued operations in Poland and Czech, classified as available for sale, accounted for a total of 99 stores operating as of June 30st, 2019.

Innovation

The Group works constantly to create, develop and improve all its products, taking consumer preferences into consideration at all times, and working with optimum ingredients that enable us to provide balanced products in terms of taste and nutritional composition. Quality is a key factor in this process and rigorous control measures are followed when approving new suppliers, thereby guaranteeing maximum product and service quality to outlets.

Acceptance tests are another decisive factor in research, development and innovation work. These tests are carried out with market research companies and mainly aim to gauge customer opinion and ensure product acceptance. They also incorporate the opinions and experience of personnel from other departments in the Company, such as operations and marketing. The entire testing process is based on suggestions regarding product preparation and the names, ingredients and presentation of different products. The Group regularly launches new products and pizza varieties, the common aim of these product launches is to reinforce the idea of variety, offering something new to consumers, as well as to provide a qualitative improvement in the range of products.

The international area benefits from research, development and innovation work performed in Spain, and also receives support in the local development and testing of products.

Alternative performance measures

This report includes several financial and non-financial metrics used to better represent the performance of Telepizza Group business.

- System sales: System sales are the retail sales of our own stores, plus those of the franchised stores and master franchisees.

- LFL sales growth: LFL growth is system sales growth after adjustments for openings and closures and the Euro exchange rate impact.

    - Adjustment. If a store has been open for the entire month, we consider it to be an "operating month" for the store in question; if not, that month is not an "operating month" for that store. LFL sales growth only takes into account the change in a store's sales for a given month if that month was an "operating month" for the store in the two periods being compared. The scope adjustment is the percentage variation between two periods resulting from dividing (i) the variation between system sales excluded in each of these periods ("system sales excluded") because they were obtained in operating months that were not operating months in the comparable period by (ii) the system sales for the prior period as adjusted to deduct system sales excluded from such period ("adjusted system sales"). This gives the actual changes in system sales between operating stores, eliminating the impact of changes between periods due to store openings and closings.
    - Exchange rate with respect to the Euro. We calculate the system's LFL sales growth on a constant currency basis to eliminate the impact of changes between the Euro and the currencies in certain countries where the Group operates. To make this adjustment, we

apply the average monthly exchange rate in Euros for the most recent operating month in the period to the comparable operating month of the previous period.

- EBITDA: EBITDA is operating profit plus asset depreciation and amortization.
- Adjusted EBITDA: Adjusted EBITDA is EBITDA adjusted for costs that are non-operating in nature, phasing impacts, and non-recurring costs related to both the Pizza Hut alliance and the new corporate structure.

Condensed Consolidated Statement of Financial Position
at 30 June 2019 and 31 December 2018

(Expressed in thousands of euros)

Assets	30.06.19	31.12.18
Property, plant and equipment (Note 4)	55,696	51,262
Goodwill (Note 2)	397,989	397,261
Other intangible assets (Note 3)	340,963	341,263
Deferred tax assets	40,050	39,999
Non-current financial assets (Note 6)	33,962	32,493
Total non-current assets	868,660	862,278
Inventories	11,010	10,208
Trade and other receivables (Note 7)	50,480	40,916
Other current financial assets	519	2,745
Other current assets	5,375	1,402
Cash and cash equivalents (Note 8)	68,008	56,698
Subtotal current assets	135,392	111,969
Non-current assets held for sale	18,004	14,981
Total current assets	153,396	126,950
Total assets	1,022,056	989,228

Condensed Consolidated Statements of Financial Position
at 30 June 2019 and 31 December 2018

(Expressed in thousands of euros)

Liabilities and equity	30.06.19	31.12.18
Share capital (Note 9 (a))	25,180	25,180
Share premium	402,759	533,695
Retained earnings	65,092	60,592
Own shares (Note 9 (d))	-	(15,500)
Translation differences	(8,295)	(9,118)
Equity attributable to equity holders of the Parent and total equity (Note 9)	484,736	594,849
Non-controlling interests	1,265	836
Equity	486,001	595,685
Loans and borrowings (Note 10)	317,087	197,743
Other financial liabilities	9,366	9,544
Deferred tax liabilities	81,595	81,955
Provisions	4,086	4,558
Other non-current liabilities	17,132	16,336
Total non-current liabilities	429,266	310,136
Loans and borrowings (Note 10)	1,058	962
Other financial liabilities	-	3,291
Trade and other payables (Note 12)	94,381	65,705
Provisions	4,166	4,733
Other current liabilities	2,257	4,050
Subtotal current liabilities	101,862	78,741
Liabilities directly associated with non-current assets held for sale	4,927	4,666
Total current liabilities	106,789	83,407
Total equity and liabilities	1,022,056	989,228

Condensed Consolidated Income Statements
at 30 June 2019 and 30 June 2018

(Expressed in thousands of euros)

	30.06.19	30.06.18
Revenues (Note 13 (a))	195,427	170,660
Merchandise and raw materials use	(49,973)	(45,557)
Personnel expense (Note 13 (b))	(48,393)	(46,176)
Amortization and depreciation (Notes 3 y 4)	(9,204)	(8,004)
Other expenses (Note 13 (c))	(76,265)	(52,641)
Other losses	(1,030)	(386)
Operating profit	10,560	17,897
Finance profit / (loss)	(6,165)	(2,837)
Profit before tax from continuing operations	4,395	15,060
Income tax/expense (Note 13 (d))	(1,578)	(4,250)
Profit/ (loss) for the year from continuing operations	2,817	10,810
Post-tax result from discontinuing operations	(468)	(994)
Profit/ (loss) for the year	2,349	9,815
Profit/ (loss) attributable to non-controlling interests	(429)	(372)
Profit/ (loss) for the year attributable to holders of the Parent	1,920	9,444
Earnings per share expressed in euros (Note 9 (g))	0.019	0.09

Condensed Consolidated Statements of Comprehensive Income
at 30 June 2019 and 30 June 2018

(Expressed in thousands of euros)

	30.06.19	30.06.18
Consolidated profit/(loss) for the period	2,349	9,815
Other comprehensive income:		
Items to be reclassified to profit and loss Translation differences from financial statements of foreign operations	823	(1,960)
Total comprehensive income for the period	3,172	7,855
Profit (loss) attributable to non-controlling interests	(429)	(1,960)
Total comprehensive income attributable to holders of equity instruments of the Parent	2,743	5,895

Condensed Consolidated Cash Flow Statements

	30.06.2019	30.06.2018
Cash Flows from operating activities		
Post tax profit/(loss) of continued operations	4,395	14,066
Adjustments for:		
Amortization and Depreciation	9,204	8,419
Reversal of / impairment losses	1,032	-
Financial income	(901)	(563)
Finance costs	7,066	4,036
Loss on disposal of property, plant and equipment and other losses		417
Share-based payment costs	1,241	-
Chang in value of financial assets	-	(373)
	22,037	**26,002**
Change in working capital		
Increase / (decrease) in inventories	(802)	455
Increase / (decrease) in trade and other receivables	(9,564)	(1,377)
Increase / (decrease) in other current and non current assets	(2,024)	(1,132)
Increase / (decrease) in trade and other payables	28,287	3,234
Increase / (decrease) in provisions	(1,039)	42
Increase / (decrease) in other current and non current liabilities	(997)	2,228
Increase / (decrease) in financial liabilities	(3,469)	(4,794)
Increase/(decrease) in current asset for sale	(1,683)	(494)
Increase / (decrease) in financial non current assets	757	1,625
	9,466	**(212)**
Income tax paid	(3,938)	(1,465)
Cash generated from operations	**27,565**	**24,324**
Cash flows from investing activities		
Proceed from sale of property plant and equipment and intangible assets	4,843	4,706
Adquisition of property plant and equipment	(12,808)	(7,700)
Adquisition of intangible assets	(5,131)	(2,241)
Adquisition of goodwill	(3,166)	(2,410)
Cash flows from (unsed in) discontinued operations	(384)	-
Net cash used in investing operations	**(16,646)**	**(7,645)**
Cash flows from financing activities		
Bond constitution	335,000	-
Sindycated loan	(200,000)	-
Interest received	901	563
Interest paid	(4,713)	(3,633)
Bond Expenses	(17,913)	´-
Change in retain earnings	(1,452)	(876)
Business combination	2,253	-
Own Shares	16,428	(7,787)
Dividend	(130,937)	-
Net increase / (decrease) in cash and cash and equivalents	**(433)**	**(11,733)**
Effect of exchange rate differences	825	(760)
Net increase / (decrease) in cash and cash and equivalents	**11,310**	**4,186**
Cash and cash equivalents at the beginning of the period	56,698	87,279
Cash and cash equivalents at the end of the period	68,008	91,464

Cash and equivalents don’t include cash in discontinued operations

Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of euros)

	Share capital	Share premium	Own shares	Previous years profit and loss	Other equity instruments	Translation differences	Non-controlling interests	Total equity
Balance at 31.12.17	25,180	533,695	-	74,669	-	(5,070)	168	628,642
Dividends	-	-	-	(6,370)	-	-	-	(6,370)
Transaction with own shares	-	-	(15,500)	-	-	-	-	(15,500)
Share-base payments	-	-	-	-	2,578	-	-	2,578
Profit/(loss)for the year	-	-	-	(10,285)	-	(4,048)	668	(13,665)
Balance at 31.12.18	25,180	533,695	(15,500)	58,014	2,578	(9,118)	836	595,685
Dividends	-	(130,937)	-	-	-	-	-	(130,937)
Transaction with own shares	-	-	15,500	928	-	-	-	16,428
Share-base payments	-	-	-	-	852	-	-	852
Business combination	-	-	-	2,253	-	-	-	2,253
Other changes	-	-	-	1,671	-	-	-	1,671
Total recognised income/(expenses)	-	-	-	1,920	-	823	429	3,172
Balances at 30.06.19	25,180	402,758	-	64,786	3,430	(8,295)	1,265	489,124

EXPLANATORY NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature, Activities and Breakdown of the Group

Telepizza Group, S.A. (the Company or the Parent) was incorporated with limited liability under Spanish law on May 11th, 2005, under the name of Bahíaflora Inversiones, S.L. On June 30th, 2005, the Company changed its name to Foodco Pastries Spain, S.L. In accordance with the minutes of the decisions taken by the Sole Shareholder on January 22nd, 2017, and raised to public deed on February 5th, 2017, approval was given to transform the Company into a corporation and to issue new articles of association to reflect the new corporate structure. On March 17th, 2016, the Company changed its name to the current one. From April 27th, 2016, the Company's shares traded on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. These shares were freely transferable. The Company's registered office is located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, (Madrid).

On February 8th, 2019, pursuant to article 17 of Royal Decree 1066/2007 of July 27th, 2007, on the rules for takeover bids, the CNMV admitted for processing the request for authorization filed on January 21st, 2019, by Tasty Bidco, S.L.U. (KKR) in relation to a voluntary takeover bid for Telepizza Group, S.A.

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

The main activity of its subsidiaries consists of the management and operation of stores under the “Telepizza” “Pizza Hut”, “Apache”, “Pizza World” and “Jeno’s Pizza” brands for consumption at home and on the premises which, at June 30th, 2019, was performed through 443 own premises and 2,193 franchises, located in 47 countries.

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

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

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

(a) Relevant events in 2019 and 2018

(i) Pizza Hut Agreement

In May 2018, the Telepizza Group announced it would enter into a long-term strategic alliance with Pizza Hut, a Yum! Brands group company. Once approval had been obtained from the European anti-trust authorities, the agreement entered into force on December 30th, 2018, through a master franchise contract. Through this alliance, the Telepizza Group has become the largest master franchisee of Pizza Hut in the world by number of units, which has enabled it to double its current platform, expanding its target consumer base to a population of more than 500 million people in markets in which it has extensive experience and a solid history of operations. Some of the most relevant aspects of the master franchise contract between the Group and Pizza Hut are as follows:

The Group has become the exclusive master franchisee of Pizza Hut for the Iberian peninsula, Latin America (including the Caribbean, with the sole exception of Brazil) and Switzerland, except in Mexico where it is not the exclusive master franchisee.

The master franchise contracts have a term of 30 years, with two 10-year extensions (30+10+10) in Spain, Portugal and Chile, and a term of 10 years plus extensions of 10 years and 5 years, respectively, (10+10+5) in other markets.

The contract stipulates an initial franchise fee/transfer fee of Euros 11,850 thousand, payable by the Group to Yum! at the end of the third year of the contract, which has been recognized as an intangible asset (see note 9).

The Group will receive a royalty, generally of 6%, from the Pizza Hut franchisees and will pay Yum! a royalty of 3.5% of the Pizza Hut chain sales within the territories covered by the contract. The Group will also pay Yum! an alliance fee amounting to 3.5% of Telepizza chain sales.

Over the next 17 years, the Group will benefit from a royalty credit of the expenses mentioned in the previous paragraph: in the first year no royalties are payable on the first USD 250 million in sales, an amount that declines over the remaining years.

In Latin America, the Group is required to convert the outlets under the “telepizza” name to “Pizza Hut” within a period of either 5 to 10 years (Chile) or 3 to 5 years (other markets). The Group is not required to convert these outlets in Spain and Portugal, where both brands will continue to co-exist.

The Group undertakes to open 1,300 new outlets within a period of 10 years, with annual targets agreed by the two parties.

Once the target for opening and converting outlets in each of the first three years has been met, the Group will receive a further advanced royalty relief (or incentive fee) worth US Dollars 25 million in these three years. This incentive will be recognised as income to the extent that the opening and conversion targets are met.

The Group may open outlets for the “telepizza” business in Spain as it considers necessary.

In countries where the Telepizza Group operates under the “telepizza” brand but which are not covered by the master franchise contract, a period has been established for carrying out divestments (Poland, the Czech Republic and other minor countries where the Group only operates through a master franchisee) (see note 6).

As part of the agreement, Tele Pizza, S.A. has contributed the bare ownership of the “telepizza” brand to a newly-created Group company TDS Telepizza, S.L. in which Pizza Hut holds a non-controlling interest. Tele Pizza, S.A. reserves the right to use and avail of the benefits of the brand through a 30-year usufruct agreement with the aforementioned new company, which has not led to any change in the brand in these consolidated annual accounts.

Telepizza Group has granted a call option for the aforementioned bare ownership to Pizza Hut for Euros 1,750 thousand, which may be exercised at a single time three years after signing the agreements for the agreed price. The price agreed is equal to the fair value of this asset at that moment, which reflects the residual value of the “telepizza” brand at the end of the master franchise contract indicated above (30+10+10 years) which would amount to Euros 10,100 thousand. Exercise of this option by Pizza Hut will not affect the Group’s rights for the exclusive use of the brand (see note 4 (e)). This call option may only be settled through the physical delivery of non-financial consideration; consequently, it is not accounted for as a derivative financial instrument.

(ii) Takeover bid, refinancing and dividend

On December 21st, 2018, the Company's main shareholder KKR Creditor Advisors (US) (see note 15 (a)) announced its intention to acquire all the shares of Telepizza Group, S.A., and to delist the Parent from the Spanish stock market. The price offered was Euros 6 per share. This takeover bid was approved by the Spanish National Securities Market Commission on April 28th, 2019. The results were published on May 9th, 2019, the take-over was settled on May 13th, 2019, and pursuant to article 226 of the consolidated text of the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of October 23rd.. As a result of this takeover bid Tasty Bidco S.L.U., an investing vehicle controlled by various funds and accounts that are managed or advised by KKR Credit Advisors (US) LLC or its affiliates, with entities affiliated to Torreal, Safra, Artá and Altamar as co-investors, became the main shareholder of Telepizza Group S.A.

As of June 12th, 2019, Telepizza Group completed the refinancing of its existing debt through the following transactions:

- The acquisition by the Company of all the shares representing the share capital of Tasty Bondco 1, S.A. On May 3rd, 2019, Tasty Bondco 1 S.A., a company affiliated with Tasty Bidco, completed the issuance of €335 million 6.25 per cent. senior secured notes due 2026. The Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange.
- The early in-full repayment of the outstanding amounts under the senior facilities agreement amounting to €200 million entered into, among others, the company Tele Pizza, S.A.U. and certain financial entities on April 8th, 2016, out of the proceeds of the Notes. Simultaneously, the guarantees of the senior facilities were released, and the Bonds were guaranteed.

As part of the recapitalization of Telepizza Group, the general shareholders meeting of the Company held on June 17th, 2019, approved the distribution of an extraordinary dividend with charge to unrestricted reserves for an amount of €130,936,882.70. This amount arised from adjustments depending on the operating cash needs of the Telepizza Group entities and the final amount of the costs and expenses related to the refinancing.

The general shareholders meeting of the Company held on June 17th, 2019, also approved the delisting of the shares traded in the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and, consequently, from the Automated Quotation System (Mercado Continuo), pursuant to the exemption provided for in article 11.d) of Royal Decree 1066/2007.

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

As explained previously, following the takeover bid Tasty Bidco, a company domiciliated in Spain, became the main shareholder of Telepizza Group S.A. For the purpose of this reporting and in order to facilitate the comparison with 2018 the information reported is about Telepizza Group and subsidiaries.

These condensed consolidated financial statements for the period ended June 30th, 2019, have been prepared from the accounting records of Telepizza Group, S.A. and of its consolidated entities. They have also been prepared in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other applicable provisions of the financial reporting regulatory framework. Accordingly, they present fairly the consolidated equity and the consolidated financial position of Telepizza Group, S.A. and Subsidiaries at June 30th, 2019, and the consolidated financial results, the consolidated cash flows and the changes in consolidated equity for the year ended as of that date.

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

These interim condensed consolidated financial statements were approved by the Parent's Board of Directors at its meeting held on July 25th, 2019.

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments, which are recognized at fair value.
- Non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

b) Comparative information

In accordance with paragraph 20 of IAS 34, and in order to obtain comparative information, these interim condensed consolidated financial statements include the condensed consolidated statements of financial position at June 30th, 2019, and December 31st, 2018, the interim condensed consolidated income statements for the six-month periods ended June 30th, 2019, and 2018, the interim condensed consolidated statements of comprehensive income for the six-month periods ended June 30th, 2019 and 2018, the interim condensed consolidated statements of changes in equity for the six-month periods ended June 30th, 2019, and 2018, the interim condensed consolidated cash flow statements for the six-month periods ended June 30th, 2019 and 2018, together with the explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30th, 2019.

c) Responsibility for the information provided and estimates made

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

Likewise, although the estimates performed by the Company's directors were calculated based on the best available information at June 30th, 2019, it is possible that events that may take place in the future may force them to be amended in the coming years. The effect on the consolidated financial statements of the amendments which, where appropriate, arise from the adjustments to be performed in the coming years would be recognized prospectively.

(d) Accounting policies and measurement bases

The accounting policies and measurement bases used in these interim condensed consolidated financial statements at June 30th, 2019, are the same as those used in the consolidated financial statements for the year ended December 31st, 2018.

IFRS 16 is applicable for the Group for the first time on January 1st, 2019. In order to facilitate the comparison with 2018 and for the purpose of this report the Group has applied in this condensed consolidated financial statements IAS 17 Leases instead of IFRS 16.

Standards and interpretations effective since 2019

The modifications to the Group's accounting policies as a result of amendments to standards and interpretations or new standards introduced since January 1st, 2018, and the corresponding impacts are as follows:

- IFRS 9 Financial instruments.

  IFRS 9 is applicable for annual periods beginning on or after January 1st, 2018, and the Group is permitted to apply this standard for the first time prospectively.

  Given the nature of the Group's financial assets and financial liabilities, the change in presentation criteria set out in IFRS 9 has not been relevant for the Group. The new model for calculating impairment of financial assets is based on the expected credit loss model, whereby a loss allowance is recognized for expected credit losses in the next 12 months or based on lifetime expected losses. For trade receivables, the Group calculates expected loss for each individual company on the basis of estimated unrecoverable receivables in recent years as a percentage of historical sales.

  The Group applied the simplified approach permitted under IFRS 9, which requires that expected lifetime losses be recognized at the date of initial recognition of the receivables.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 establishes a comprehensive framework for determining and recognizing revenue. It replaces the existing guidelines on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  IFRS 15 is applicable for annual periods beginning on or after January 1st, 2018, and early adoption is permitted. The Group opted to apply IFRS 15 retrospectively, recognizing the cumulative effect of initial application at the date of initial application.

There has been practically no impact on the Group's consolidated financial statements in 2019 nor 2018 derived from adoption of IFRS 15 and it mainly relates to the initial franchise fee and renewal fees that are invoiced to franchisees and master franchisees, as franchise contracts are considered to be an access license and therefore, in accordance with IFRS 15, the accounting treatment differs from the previous criteria used for recognizing this revenue. Consequently, the revenues from fees will be recognized over the term of the contract, considering renewals that entail a material option for the customer. However, given that the Telepizza Group has practically eliminated the practice of invoicing this type of fees, the changes introduced by IFRS 15 have had practically no impact.

- IFRS 16 Leases

  At the date of authorization for issue of these consolidated annual accounts, IFRS 16 has come into force, has been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2019. In order to facilitate the comparison with 2018 the Group has not taken into account IFRS 16 in this consolidated condensed financial statement.

  IFRS 16 introduces a single accounting model for the recognition of leases in the balance sheet by lessees. The lessee recognizes an asset for the right of use of the underlying asset and a liability for the lease due to the obligation to make the lease payments. There are optional exceptions for short-term leases and the leasing of articles of little value. The lessor accounting method remains similar to that under the current standard; i.e. lessors will continue to classify leases as finance leases or operating leases.

  IFRS 16 replaces the existing guidelines for leases, such as IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases —Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

- IFRIC 23 Uncertainty over Income Tax Treatments

  IFRIC 23 clarifies how to recognize and measure current and deferred tax assets and liabilities when there is uncertainty over income tax treatments. This standard applied for first time on 1 January 2019 ans has not have any material impact in the group acocunts.

(2) Goodwill

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

	Thousands of euros
Cost	
Balance at 31.12.17	387,976
Goodwill on business combinations for the year	19,617
Translation differences	-380
Disposals	-2,296
Transfers to assets held for sale	-6,105
Impairment losses for the year	-1,551
Balance at 31.12.18	397,261
Goodwill on business combinations in the period	3,166
Translation differences	269
Transfers from/to held for sale	-1,556
Disposals	-1,151
Balance at 30.06.19	397,989

Additions are related to the acquisition of stores from franchises. The detail of goodwill at June 30th, 2019, and December 31st, 2018, by country, is as follows:

	Thousands of euros	
	30.06.19	31.12.18
Spain	267,571	266,671
Portugal	62,529	62,529
Chile	40,706	40,413
Colombia	10,367	10,324
Switzerland	2,067	2,045
Ireland	752	752
Paraguay	558	581
Ecuador	13,439	13,946
	397,989	397,261

This first half of 2019 the Group has acquired several stores, mainly in Spain. These acquisitions are part of the Group's global strategy to review its distribution landscape, including the mix between own and franchised stores.

(3) Other intangible assets

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

	Thousands of euros					
	Concessions, patents, licences	Trademarks	Contractual rights and others	Other Intangible assets	Computer software	Total
Cost						
Balances at 31.12.17	1,765	263,704	151,352	492	28,884	446,197
Additions	12,063	-	-	41	5,170	17,274
Disposals	-	-	-	(6)	(312)	(318)
Transfers from/to held for sale	1	-	-	-	(744)	(743)
Business combinations	686	-	-	-	-	686
Translation differences	24	-	-	(4)	(144)	(124)
Balances at 31.12.18	14,539	263,704	151,352	523	32,854	462,972
Additions	121	-	-	-	5,010	5,131
Disposals	(15)	-	-	(5)	(45)	(65)
Transfers from/to held for sale	-	-	-	-	(35)	(35)
Others transfers	-			-	8	8
Exchange differences	166	-	-	10	66	242
Balances at 30.06.19	14,811	263,704	151,352	528	37,858	468,253
Decline or loss in value						
Amortisation balance at 31.12.17	(970)	(18,526)	(68,018)	(351)	(21,199)	(109,064)
Impairment at 31.12.17	(8)	-	-	-	-	(8)
Amortisation for the year	-	-	(4,549)	(12)	(3,286)	(7,847)
Disposals	-	-	1	1	272	274
Transfers from/to held for sale	-	-	-	-	617	617
Translation differences	-	-	(9)	-	136	127
Impairment	-	(5,808)	-	-	-	(5,808)
Amortisation balance at 31.12.18	(970)	(18,526)	(72,575)	(362)	(23,460)	(115,893)
Impairment at 31.12.18	(8)	(5,808)	-	-	-	(5,816)
Decline in value for the period	(2,488)	-	-	(7)	(2,171)	(4,666)
Disposals	32		-	1	44	77
Exchange differences	(743)	-	-	(5)	(53)	(801)
Other transfers	-	-	-	-	(1)	(1)
Loss in value	8	-	-	-	-	8
Transfers from/to held for sale	(199)	-	-	-	1	(198)
Amortisation balance at 30.06.19	(4,368)	(24,334)	(72,575)	(373)	(25,640)	(121,482)
Balance of loss in value at 30.06.19	-	(5,808)	-	-	-	(5,808)
Net value						
At 31.12.17	787	245,178	83,334	141	7,685	337,125
At 31.12.18	13,561	239,370	78,777	161	9,394	341,263
At 30.06.19	10,443	233,562	78,777	155	12,218	340,963

In 2018 the main impact in intangible asset was the impairment of jennos pizza brand (5,170 miles of euros), the accountancy of Apache brand as a consequence of the purchase of the JV, the investment in software (5,009 miles of euros) and the amortization. In 2019 the main changes are the amortization and the investment in software (5,009 miles of euros). At December 31st, 2018 and 2017, the Group had no commitments to acquire intangible assets in a significant amount.

(4) Property, plant and equipment

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

	Thousands of euros					
Data	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment in progress	Other property, plant and equipment	Total
Cost						
Balances at 31.12.17	6,925	101,722	14,142	963	15,617	139,369
Additions	389	11,515	1,443	935	1,453	15,735
Additions due to business combinations	162	3,865	322	-	68	4,417
Disposals	-	(15,363)	(2,633)	(1,672)	(3,234)	(22,902)
Transfers to assets held for sale	(2,079)	(5,035)	(726)	(6)	(1,014)	(8,860)
Translation differences	(225)	(1,074)	(134)	(5)	(139)	(1,577)
Balances at 31.12.18	5,172	95,630	12,414	215	12,751	126,182
Additions	-	9,582	939	616	1,671	12,808
Additions due to inclusions in the scope	-	-	-	-	-	-
Transfers from/to held for sale	94	(919)	(149)	6	(194)	(1,162)
Disposals	(113)	(3,709)	(156)	(5)	482	(3,501)
Other transfers	10	396	245	(553)	(106)	(8)
Exchange differences	93	799	131	-	138	1,161
Balances at 30.06.19	5,256	101,779	13,424	279	14,742	135,480
Decline or loss in value						
Depreciation at 31.12.17	(4,962)	(62,533)	(8,901)	-	(9,849)	(86,245)
Impairment at 31.12.17	(373)	(1,638)	(657)	-	-	(2,668)
Depreciation for the year	(273)	(6,298)	(833)	-	(1,280)	(8,684)
Depreciation for the year of discontinued operations	(32)	(289)	(41)	-	(69)	(431)
Disposals	-	11,418	1,602	-	2,923	15,943
Transfers from held for sale	722	3,648	509	-	492	5,371
Translation differences	103	704	111	-	17	935
Impairment	373	486	-	-	-	859
Depreciation balance at 31.12.18	(4,442)	(53,350)	(7,553)	-	(7,766)	(73,111)
Impairment at 31.12.18	-	(1,152)	(657)	-	-	(1,809)
Decline in value for the period	(72)	(3,409)	(379)	-	(697)	(4,557)
Disposals	2	10	333	-	402	747
Exchange differences	(79)	(960)	(62)	-	(101)	(1,202)
Transfer to assets held for sale	8	61	5	-	10	84
Other transfers	1,235	-	-	-	(1,234)	1
Loss in value	-	35	-	-	28	63
Depreciation balance at 30.06.19	(3,348)	(57,648)	(7,656)	-	(9,386)	(78,038)
Balance of loss in value at 30.06.19	-	(1,117)	(657)	-	28	(1,746)
Carrying amount						
At 31.12.17	1,590	37,551	4,584	963	5,768	50,456
At 31.12.18	730	41,128	4,204	215	4,985	51,262
At 30.06.19	1,908	43,014	5,111	279	5,384	55,696

In 2019 and 2019 significant additions were made to technical installations and machinery, mainly reflecting the investments related to new outlets opened, the purchase of franchised outlets, and improvements to existing outlets and to plants. Additions were also made to furniture and motorcycles.

Other installations, equipment and furniture mainly reflect the acquisition of motorcycles and IT equipment for outlets.

Disposals in 2019 and 2018 primarily include property, plant and equipment used in outlets which have been franchised, closed or sold, and items relating to the termination of rental contracts for certain outlets.

At June 30th, 2019, the Group had a commitment to acquire 43 Pizza hut stores in Chile.

(5) Impairment

At June 30th, 2019, no provision was recognised for the impairment of assets.

(6) Non-current financial assets

The detail of other non-current financial assets at June 30th, 2019, and December 31st, 2018, was as follows:

	Thousands of euros	
	30.06.19	31.12.18
Security and other deposits	6,138	5,869
Non-current trade receivables	25,930	24,702
Other loans and receivables	4,098	4,138
Impairment losses (Note 12)	(2,216)	(2,216)
	33,950	32,493

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

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

(7) Trade and other receivables

The breakdown was as follo

	Thousands of euros	
	30.06.19	31.12.18
Trade receivables	48,999	44,769
Other receivables	6,978	3,321
Public entities	3,712	4,227
Impairment losses	(9,209)	(11,401)
Trade and other receivables	50,480	40,916

Trade receivables mainly comprise uncollected amounts in respect of the normal billings to franchisees.

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

(8) Cash and Cash Equivalents

Details at June 30th, 2019, and December 31st, 2018, are as follows:

	Thousand of euros	
	30.06.19	31.12.18
Cash in hand at banks	68,008	56,698
Cash and cash equivalents	68,008	56,698

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

Cash and equivalents don't include cash in discontinued operations (Poland and Chile) (803 miles of euros at June 30th, 2019 and 751 miles at 30th 2018.

(9) Equity

(a) Share capital

At June 30th, 2019, the share capital of Telepizza Group, S.A. was represented by 100,720,679 ordinary shares represented by book entries, of 0.25 euros par value each, belonging to a single class and series. All shares have been fully subscribed and paid and have the same voting and dividend rights.

(b) Share premium

At June 30th, 2019, and December 31st, 2018, this premium was unrestricted, provided that, as a result of the distribution, the Parent's equity was not lower than the share capital amount.

As part of the recapitalization of Telepizza Group, the general shareholders meeting of the Company held on June 17th , 2019, approved the distribution of an extraordinary dividend with charge to share premium of Euros 130,937 thousand that has been fully paid.

(c) Accumulated gains

- Legal reserve

The Parent's legal reserve at June 30th, 2019, and December 31st, 2018, stood at Euros 10,832 thousand.

- Shareholder contributions

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

- Remaining accumulated gains/losses

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

(d) Own shares

The minutes containing the decisions of the sole shareholder dated March 31st, 2016, reflect the authorization for the board of directors to acquire a number of shares of the Parent not exceeding 10% of issued capital, at a minimum price equal to the par value and a maximum price equal to the weighted average price at the last stock market trading session prior to the transaction, plus 10%. Authorization was granted for a five-year period effective from the date the agreement was made.

On May 24th, 2018, the Company's board of directors agreed to carry out a temporary own share buy-back programme pursuant to the authorization granted to the board on March 31st, 2016. The buy-back programme applied to a maximum of 3,435,946 own shares, representing approximately 3.41% of the Parent's share capital, for a maximum monetary amount of Euros 15,500,000.

In 2018 the company acquired 2,737,979 shares, in an amount of 15,500,004 euros or an average price of 5.66 euros per share. In this first half of the year, as a result of the takeover bid the group has sold all the own shares. The price of sale has been 6 euros per share what means a total of Euros 16.428 thousand of nominal.

(e) Translation differences

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

(f) Distribution of profit/(loss)

On June 17th, 2019, the Parent's General Shareholders' Meeting resolved to allocate the Parent's result for 2018, amounting to Euros 2,290,807 to Voluntary Reserves.

(g) Earnings/(loss) per share

Basic

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

	30.06.19	30.06.18
Earnings/(loss) for the period attributable to holders of equity instruments of the Parent (in Euros)	1,920,499	9,443,731
Weighted average number of ordinary shares outstanding (number of shares)	98,754,061	100,596,767
Basic earnings/(loss) per share (in Euros)	0.019	0.09

Dilute

At June 30th, 2019, and June 30th, 2018, the diluted earnings per share were equal to the basic losses since ordinary shares do not have dilutive effects.

(10) Obligations, Loans and Other Remunerated Liabilities

On April 8th, 2016, the Parent, together with its subsidiary, Tele Pizza, S.A. and various financial institutions, with Banco Santander acting as lead bank, signed a syndicated loan for 200,000,000 euros, whose date of entry into force depended upon the stock market flotation, together with a revolving facility with a limit of 15,000 thousand euros. At June 30th, 2018, and December 31st, 2017, the fair value of this loan was Euros 197,218 thousand and Euros 196,687 thousand respectively, and the nominal value as of the same date amounted to 200,000 thousand euros. The difference between the aforementioned fair value and the nominal value related to the loan origination and arrangement fees, totalling 5,023 thousand euros. The loan repayment schedule was as follows: 15% of the principal at 48 months from the effective date of use of the loan, 20% of the principal at 54 months from the effective date of use of the loan, and the remainder at 5 years from the effective date of use of the loan.

The accrued interest payable at June 30th, 2018 and December 31st, 2017, on these loans amounted to Euros 827 thousand and Euros 895 thousand, respectively.

As a consequence of the takeover bid as of June 12th, 2019, Telepizza Group completed the refinancing of its existing debt through the following transactions:

The acquisition by the Company of all the shares representing the share capital of Tasty Bondco 1, S.A. On May 3rd, 2019, Tasty Bondco 1 S.A., a company affiliated with Tasty Bidco, completed the issuance of €335 million 6.25 per cent senior secured notes due 2026. The Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange.

The early repayment in full of the outstanding amounts under the senior facilities agreement amounting to €200 million entered into, among others, the Company, Tele Pizza, S.A.U. and certain financial entities on April 8th, 2016, out of the proceeds of the Notes. Simultaneously, the guarantees of the senior facilities were released and the Notes were guaranteed in substantially equivalent economic terms.

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

	Thousands of euros			
	30.06.19		31.12.18	
	Principal	Interest	Principal	Interest
Less than one year (note 18(b))	-	1,058	-	805
Two to five years	-	-	197,743	-
Six to ten years	317,087	-	-	-
	317,087	1,058	197,743	805

At June 30th, 2019 and December 31st, 2018, the detail of the non-current payables to credit institutions was as follows:

		Thousands of euros		
Type	Final maturity	Limit	Balance 30.06.19	Fix Rate
Notes	2026	335,000	335,000	6,25%
Revolving	2026	45,000	-	6,25%
Debt arrangement expenses			(17,413)	
Balances at 30 June 2019			317,087	

Type	Final maturity	Limit	Balance 31.12.18	Margin as of % Euribor
		Thousands of euros		
Senior				
Senior facility	2021	200,000	200,000	EUR+2.25%
Revolving	2021	15,000	-	EUR+2,25%
Debt arrangement expenses			(2,257)	
Balance at 31 December 2018			197,743	

In order to secure and guarantee the notes detailed previously, the Group entered into a pledge agreement over the shares of Tele Pizza, S.A., Telepizza Chile, S.A., and Luxtor, S.A. and Telepizza Portugal Comercio de Produtos Alimentares, S.A, on June 2019.

At 30 June 18 this item includes 6,150 thousand euros of debt payable to the former shareholder of the company acquired in Ireland in 2017 The Good Food Company Ltd.

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

In 2016, the Group arranged an interest rate hedge instrument amounting to 100,000 thousand euros, covering the Euribor with a floor of 0% at a fixed rate of 0.27%. This instrument has an effective start date of April 29th, 2018, and a maturity date of April 29th, 2021. At June 30th, 2018, and December 31st, 2017, it had a negative fair value of Euros 499 thousand and Euros 126 thousand, respectively. After the refinancing of the debt as a consequence of the cancellation of the syndicated loan, the Group has cancelled this hedging

The detail of the derivative financial instruments valued at fair value at December 31st, 2018, was as follows:

December 31st, 2018	Notional amount	Fair values Liabilities Non-current	Current
Derivatives			
Interest rate swaps	(100,000)	(562)	-
Total derivatives at fair value through consolidated profit or loss	(100,000)	(562)	-

(12) Trade and Oher Payables

Details are as follows:

	Thousand of euros 30.06.19	31.12.18
Trade payables and other payables	82,688	52,842
Public entities	5,931	7,185
Salaries payables	5,762	5,678
	94,381	65,705

At June 30th, 2019, trade payables include Euros 10,327 thousand of payable to financial institutions for reverse factoring transactions (14,482 at December 31st, 2018).

(13) Income and expenses

(a) Income

	Thousands of euros	
	30.06.19	30.06.18
Own outlet sale	85,196	82,647
Factory sales to franchisees	59,340	56,914
Royalty	34,271	17,054
Revenue from franchising activity	2,764	7,604
Other services rendered to franchisees	7,499	2,091
Sublease income	6,357	4,350
Total income	195,427	170,660

(b) Personnel expenses

The detail of personnel expenses in the interim condensed consolidated income statement was as follows:

	Thousands of euros	
	30.06.19	30.06.18
Wages, salaries and similar expenses	40,275	39,830
Social security	7,133	7,634
Termination benefits	176	1,024
Other employee benefit expenses	809	271
Total personal expenses	48,393	48,759

At June 30th, 2019, personnel expenses include Euros 2,240 thousand of non-recurring expenses related to long-term incentive plan. At June 30th, 2018, personnel expenses include 4,546 thousand of euros of non-recurring expenses related to Yum! Brands agreement

(c) Other expenses

	Thousands of euros	
	30.06.19	30.06.18
Operating leases	23,942	15,040
Transport	8,175	7,647
Advertising and publicity	9,822	8,929
Utilities	5,731	5,334
Other expenses	28,595	15,691
Total Other expenses	76,265	52,641

At June 30th, 2018, other expenses include Euros 4,486 thousand of non-recurring expenses related to Yum! Brands agreement.

(d) Income tax

At June 30th, 2019, the Group had recognized deferred tax assets relating to the tax losses in Spain and Portugal, amounting to 30,139 thousand euros (35,125 thousand euros at December 31st, 2018), having applied an amount of Euros 4,985 thousand in the first six months of the year.

The Group companies calculated the income tax provision at June 30th, 2019, in line with the legislation in force in each of the countries in which it carries on its activities.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At June 30th, 2018, the Company had all the main taxes applicable to it open for review by the tax authorities from January 1st, 2014, with the exception of income tax, for which it also had 2013 open for inspection.

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

(14) Securities, guarantees and commitments

Note 20 to the 2017 consolidated financial statements details the securities granted by the Group. In the first six months of 2018, there were no significant variations in the securities granted with respect to December 31st, 2017.

(15) Commitments

As of June 30th, 2019, the Group had commitments related to investment activities in Euros 19,8 million related to the acquisition of 43 stores in Chile.

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

In the first six months of 2019, remuneration and other benefits were granted to the Parent's Board of Directors for Euros 1,942 thousand (Euros 1,994 thousand in the first semester of 2018). Likewise, at June 30th, 2019, and December 31st, 2018, the Group had granted loans and advances to the directors amounting to Euros 1,337 thousand (euros 1,337 in December 31st, 2018). Such directors had received certain shares of the Parent to guarantee such loans. Such loans were granted in 2016. The life insurance premiums paid in the first six months of 2019 to the directors amounted to Euros 6 thousand (Euros 6 thousand in the first six months of 2018), and the contributions to a savings plan amounted to Euros 191 thousand (Euros 137 thousand in the first six months of 2018).

In the first six months of 2019, remuneration and other benefits were granted to the Parent's Senior Management for Euros 1,990 thousand (Euros 4,210 thousand in the first six months of 2018).

(17) Events after the reporting period

In July 2019, the Telepizza Group, through its subsidiary Telepizza Chile S.A., purchased, from Group Aresta, 43 Pizza Hut stores in Chile for a total consideration of c.€19.8 million. This acquisition reinforces the leadership of Telepizza in the Chilean market and allows an accelerated deployment of synergies in the supply chain and our corporate structure in the country.

More recently, in September 2019, Telepizza has signed a binding agreement with Delosi, the master franchisee in Perú of Pizza Hut, to sell 100% of its shares in its subsidiary Telepizza Andina S.A. The closing of the transaction, subject to the successful completion of the Due Diligence process, is planned before year-end.

The trading shares of Telepizza Group was suspended on July 9th, 2019, and effectively delisted on July 26th. As of July 10th, after the expiration of the sustained order for the purchase of shares of Telepizza Group ,Tasty Bidco held 84,566,689 shares in Telepizza, representing 83.96% of the share capital of Telepizza Group