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This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

GRUPO telepizza

Tasty Bondco 1, S.A.U.

€335,000,000 6¼% Senior Secured Notes due 2026

Tasty Bondco 1, S.A.U., a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain (the "Issuer"), is offering (the"Offering") €335.0 million in aggregate principal amount of its 6¼% Senior Secured Notes due 2026 (the "Notes").

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 this offering memorandum (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*."

Tasty Debtco S.à r.l. ("Debtco"), the direct parent of the Issuer, will not control the management of the Target Group (as defined herein) until after the Settlement Date (as defined herein) occurs and until such date as of which its appointed representatives to the board of directors of the Target constitute a majority of such board of directors (such date, the "Control Date"), and there will be significant limitations and restrictions on the influence that Debtco may exercise as an indirect shareholder of Telepizza Group, S.A. (the "Target") (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture (as defined herein)), unless and until the Control Date occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indenture had those covenants been applicable.

Pending the occurrence of the Settlement Date, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined below), deposit the gross proceeds from the Offering into an escrow account for the benefit of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the occurrence of the Settlement Date (as defined herein) pursuant to the terms of the Takeover Offer (as defined herein and as the same may be amended, supplemented or modified from time to time). The occurrence of the Settlement Date is subject to the satisfaction of certain conditions, including, among others, satisfying or waiving the Minimum Acceptance Threshold (as defined herein), and the performance of certain closing actions. If the conditions to the release of the escrow proceeds have not been satisfied on or prior to the Business Day immediately following the Escrow Longstop Date (as defined herein) or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts (as defined under "*Description of the Notes*"), if any, to, but excluding, such special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory 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, including the Issuer's obligations under the Revolving Credit Facility (as defined herein). After the Control Date (as defined herein) and prior to the Escrow Release Date (as defined below), we intend that (i) the Issuer will become a direct subsidiary of the Target, (ii) the Company (as defined below) will be incorporated or acquired by the Target and become a direct subsidiary of the Target and (iii) the Company will become the direct holding company of TPZ and the holding company of each member of the Target Group (other than the Target and the Issuer). On the Issue Date, the Notes will not be guaranteed. Subject to the Agreed Security Principles (as defined herein), the Notes will be guaranteed on a senior secured basis (i) on the Escrow Release Date (as defined herein), by the Company (the "Escrow Release Date Guarantee"), and (ii) within 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, by the Post-Escrow Release Date Guarantors (the "Post-Escrow Release Date Guarantees" and, together with the Escrow Release Date Guarantee, the "Guarantees"). We intend to merge the Issuer with a company expected to be incorporated in the form of a public limited liability company in Spain after the Settlement Date (the "Company"), pursuant to the Post-Settlement Merger (as defined herein). The completion of the Post-Settlement Merger is subject to certain conditions and may not be completed.

On the Issue Date, the Notes will be secured by a first-ranking pledge over the escrow account (the "Escrow Charge") into which the gross proceeds of the Offering will be deposited. Upon the release of the Escrowed Property (as defined herein), the first-priority security interests over the Escrowed Property will be released. On the Escrow Release Date, and subject to the Agreed Security Principles, the Notes and the Escrow Release Date Guarantee will be secured on a first-priority basis by security interests in the Escrow Release Date Collateral (as defined herein). Immediately following the repayment of all amounts outstanding under the Existing Senior Facilities (as defined herein) and the release of the related guarantees and security interests securing the Existing Senior Facilities, and subject to the Agreed Security Principles, the Notes and the Escrow Release Date Guarantee will be secured on a first-priority basis by security interests in the TPZ Collateral (as defined herein). In addition, within no later than 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, the Notes and the Guarantees will be secured on a first-priority basis by the Post-Escrow Release Date Collateral (as defined herein). Concurrently with the Post-Settlement Merger, the security interests in the shares of the Issuer and the Issuer's rights under the Pre-Merger Proceeds Loan (as defined herein) will be released. Upon or following the Post-Settlement Merger Date and to the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed in accordance

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with the covenant described under "*Description of the Notes—Certain Covenants—Impairment of Security Interest.*" The validity and enforceability of the Guarantees and the security and the liability of each Guarantor (as defined herein) and security provider will be subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." The security interests in favor of the Notes and the Guarantees may be released under certain circumstances.

This Offering Memorandum includes more detailed information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, security, covenants, events of default and transfer restrictions.

There is currently no market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the listing will be maintained.

Investing in the Notes involves a high degree of risk. See the "*Risk Factors*" section of this Offering Memorandum, beginning on page 29.

Issue price of the Notes: 100%, plus accrued and unpaid interest, if any, from the Issue Date.

Delivery of the Notes will be made in book-entry form through a common depositary of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), on or around May 3, 2019 (the "Issue Date"). See "*Book-Entry; Delivery and Form*."

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000.

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*."

Joint Bookrunners

Citigroup **Barclays** **Mizuho Securities** **Santander**

The date of this Offering Memorandum is May 3, 2019.

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In making your investment decision, you should rely only on the information contained in this Offering Memorandum. Neither we nor Citigroup Global Markets Limited, Barclays Bank PLC, Mizuho Securities Europe GmbH or Banco Santander, S.A. (together, the "Initial Purchasers") have authorized anyone to provide prospective investors with any other information, and you should not rely on any such information. We are not, and the Initial Purchasers are not, making an offer of the Notes in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

IMPORTANT INFORMATION

In making an investment decision regarding the Notes offered pursuant to this Offering Memorandum, you must rely on your own examination of the Issuer and the terms of this Offering, including the merits and risks involved. This Offering is being made on the basis of this Offering Memorandum only. Any decision to purchase Notes in this Offering must be based on the information contained in this Offering Memorandum.

We have prepared this Offering Memorandum solely for use in connection with this Offering.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Issuer and your own assessment of the merits and risks of investing in the Notes. None of the Issuer or the Initial Purchasers is making any representation to you regarding the legality of an investment in the Notes by you under appropriate legal investment or similar laws.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

The Initial Purchasers will provide prospective investors with a copy of this Offering Memorandum and any related amendments or supplements. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision on whether or not to invest in the Notes.

The information set forth in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar (each as defined under "*Description of the Notes*") will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interests.

By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received, all additional information that you need from us. No person is authorized in connection with this Offering to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer or the Initial Purchasers. The information contained in this Offering Memorandum is accurate as of the date hereof. The Issuer's, the Target's and the Target's subsidiaries' business, financial condition or other information contained in this Offering Memorandum may change after the date hereof. Neither the delivery of this Offering Memorandum at any time nor any subsequent commitment to purchase the Notes shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in the business of the Issuer, the Target or the Target's subsidiaries since the date of this Offering Memorandum.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in this Offering Memorandum is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, and that it is not aware of any facts the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect. The information contained herein regarding the Target and its subsidiaries is primarily based on the Target's public filings.

The Initial Purchasers and their respective affiliates make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective affiliates as to the past or the future.

In accordance with normal and accepted market practice, neither the Trustee, the Security Agent, the Paying Agent, the Registrar, nor the Transfer Agent is responsible for the contents of this Offering Memorandum or expresses any opinion as to the merits of the Notes under this Offering Memorandum.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "*Plan of Distribution*" and "*Notice to Investors*."

We reserve the right to withdraw this Offering at any time prior to pricing. We are making this Offering subject to the terms described in this Offering Memorandum and the purchase agreement among the Issuer and the Initial Purchasers relating to the purchase and sale of the Notes. The Issuer and the Initial Purchasers each reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes. See "*Plan of Distribution.*"

The distribution of this Offering Memorandum and the offer and sale of the Notes are restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Each prospective offeree or purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Initial Purchasers shall have any responsibility therefor. See "*Notice to Prospective Investors in the United States*," "*Notice to Certain European Investors*," "*Plan of Distribution*" and "*Notice to Investors*."

If you are in any doubt about the contents of this Offering Memorandum you should consult your lawyer, solicitor, accountant or other financial, tax, business or legal advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

This Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Notice to Investors*."

This Offering Memorandum is being provided (1) to U.S. investors that the Issuer reasonably believes to be QIBs under Rule 144A, who are also Qualified Purchasers, for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that any offering of Notes in any member state of the EEA will be made pursuant to an exemption under Directive 2003/71/EC (as amended or superseded, including by Directive 2010/73/EU, the "Prospectus Directive") from the requirement to publish a prospectus for offerings of notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive. No prospectus is required in accordance with the Prospectus Directive for this issuance of Notes.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any Notes that are the subject of the Offering contemplated by this Offering Memorandum to any retail investor in the European Economic Area (the "EEA"). For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following (i) a "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II") or (ii) a "customer" within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a "professional client" as defined in point (10) of Article 4(1) of MiFID II.

PRIIPs Regulation: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. Each subscriber for or purchaser of the Notes in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is not a retail investor. The Issuer, the

Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

MiFID II Product Governance / professional investors and eligible counterparties only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is "eligible counterparties" and "professional clients" only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

United Kingdom

This Offering Memorandum is being distributed only to and is directed only at: (i) persons who have professional experience in matters relating to investments and are "investment professionals" as defined within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (ii) high net worth bodies corporate and any other person falling within Article 49(2)(a) to (d) of the Order, (iii) persons outside the United Kingdom and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Each Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to any Notes in, from or otherwise involving, the United Kingdom.

Spain

The offering of the Notes has not been registered with the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "CNMV") and therefore the Notes may not be offered or sold or distributed in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended, and restated from time to time or pursuant to an exemption from registration in accordance with Royal Decree 1310/2005 as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and any regulations developing it which may be in force from time to time. None of the Notes, the Offering or this Offering Memorandum and its contents have been approved or registered with the CNMV, and therefore it is not intended to carry out the public offering or sale of Notes in Spain.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF), MAY OVER ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

AVAILABLE INFORMATION

The Issuer is not subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Issuer has agreed that it will make available, upon request, to any holder or prospective purchaser of the Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which it is not subject to Sections 13 or 15(d) of the Exchange Act, or exempt by virtue of Rule 12g3-2(b) thereunder. Any such requests should be directed to the Issuer in writing at Tasty Bondco 1, S.A.U., Pradillo, 5, 28002, Madrid, Spain, attn: Investor Relations.

CERTAIN DEFINITIONS

The following terms used in this Offering Memorandum have the meanings assigned to them below:

“Acquisition” has the meaning ascribed to it under “*Summary—The Transactions—The Acquisition*”;

“Acquisition Loan” means the loan pursuant to which Debtco, as lender, may on-lend the proceeds of Facility B1 under the Bridge Facility, or other funds available to Debtco and utilized for such purpose, to Bidco, as borrower;

“Agreed Security Principles” has the meaning ascribed to it under “*Description of the Notes*”;

“Bidco” means Tasty Bidco, S.L.U., a private limited company (*sociedad limitada*) incorporated under the laws of Spain;

“Bridge Facility” means Facility B1 and Facility B2, together under the Bridge Facility Agreement;

“Bridge Facility Agreement” means the senior secured bridge facility agreement dated as of December 20, 2018, as amended and restated on March 8, 2019, among, *inter alios*, Debtco, as the company, Bidco, as additional guarantor, Banco Santander, S.A., Barclays Bank PLC, Citigroup Global Markets Limited and Mizuho Bank, Ltd., London Branch, as arrangers, and Banco Santander, S.A., Barclays Bank PLC, Citibank Europe plc and Mizuho Bank Europe N.V., as original lenders;

“Clearstream” means Clearstream Banking S.A. or any successor thereof;

“CNMV” means the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

“Co-Investors” means certain co-investors participating indirectly through investments in Lux Newco in the Acquisition. See “*Principal Shareholders*”;

“Collateral” has the meaning given to such term in “*Summary—The Offering—Collateral*”;

“Company” means Tasty Bondco 2, S.L., a private limited company (*sociedad limitada*) expected to be incorporated under the laws of Spain shortly after the Settlement Date and following its transformation to a public limited company (*sociedad anónima*) following the Escrow Release Date, Tasty Bondco 2, S.A.;

“Control Date” means the date as of which Debtco’s appointed representatives to the board of directors of the Target constitute a majority of such board of directors;

“Debtco” means Tasty Debtco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg;

“Equity Contribution” has the meaning ascribed to it under “*Summary—The Transactions— The Acquisition*”;

“Escrow Account” refers to the escrow account of the Issuer into which the Initial Purchasers will deposit the gross proceeds of the Notes on the Issue Date, to be controlled by the Escrow Agent and charged in favor of the Trustee on behalf of the holders of the Notes;

“Escrow Agent”.. means Citibank N.A., London Branch;

“Escrow Agreement”...................................... means the agreement to be dated on the Issue Date between the Issuer, the Trustee and the Escrow Agent relating to the Escrow Account;

“Escrow Charge” .... means the charge over the Escrow Account in favor of the Trustee, which will secure the Notes on a first-ranking basis as of the Issue Date and will be governed by English law;

“Escrow Longstop Date” .... means December 31, 2019;

“Escrowed Property” .... means the initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement);

“Escrow Release Date”................................... means the date upon which the proceeds from the Offering are released from the Escrow Account to the Issuer (or its designee) upon the satisfaction of certain conditions described in the Escrow Agreement;

“Escrow Release Date Collateral” .... has the meaning ascribed to such term under “*Summary—The Offering—Collateral”*;

“Escrow Release Date Guarantee” .... has the meaning ascribed to such term under “*Summary—The Offering—Guarantees*”;

“EU” .... means the European Union;

“euro,” “euros,” “€” or “EUR” .... mean the single currency of the Member States of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;

“Euroclear” .... means Euroclear Bank SA/NV or any successor thereof;

“Existing Revolving Facility”......................... means the €15.0 million revolving facility established under the Existing Senior Facilities Agreement;

“Existing Senior Facilities” .... means the Existing Term Loan Facility and Existing Revolving Facility, together;

“Existing Senior Facilities Agreement”.......... means the senior facilities agreement dated April 8, 2016, as amended and/or restated from time to time, by and among TPZ, as borrower, the Target and certain of its subsidiaries, as obligors, certain financial institutions, as lenders, Banco Santander, S.A., as facility agent, and GLAS Trust Corporation Limited, as security agent;

“Existing Term Loan Facility” .... means the €200.0 million term loan facility established under the Existing Senior Facilities Agreement;

“Facility B1”... means the €335.0 million term loan B1 facility established under the Bridge Facility Agreement and made available to Debtco;

“Facility B2”... means the €335.0 million term loan B2 facility established under the Bridge Facility Agreement and made available to the Company;

“Guarantees” means the Escrow Release Date Guarantee and the Post-Escrow Release Date Guarantees, collectively;

“Guarantors” means, as applicable at such time, the Company and the Post-Escrow Release Date Guarantors, collectively;

“IFRS” means International Financial Reporting Standards, as adopted by the European Union;

“Indenture” means the Indenture governing the Notes as described in the “*Description of the Notes*”;

“Initial Purchasers” means Citigroup Global Markets Limited, Barclays Bank PLC, Mizuho Securities Europe GmbH and Banco Santander, S.A.;

“Intercreditor Agreement” refers to the intercreditor agreement described in “*Description of Other Indebtedness—Intercreditor Agreement*”;

“Issue Date” means May 3, 2019;

“Issue Date Collateral” has the meaning ascribed to it under “*Summary—The Offering—Collateral*”;

“Issuer” means, prior to the Post-Settlement Merger, Tasty Bondco 1, S.A.U., a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain, and, upon completion of the Post-Settlement Merger, the Company;

“KKR” means KKR Credit Advisors (US) LLC, together with its affiliates; “Lux Holdco” means Tasty Holdco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg;

“Lux Midco” means Tasty Midco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg;

“Lux Newco” means Tasty Topco SCA, a partnership limited by shares (*société en commandite par actions*) expected to be incorporated under the laws of Luxembourg;

“Member State” means a member state of the European Economic Area;

“Minimum Acceptance Threshold” has the meaning ascribed to it under “*Summary—The Transactions— The Acquisition*”;

“Notes” means the €335.0 million in aggregate principal amount of 6¼% Senior Secured Notes due 2026 offered hereby;

“Offer Price” has the meaning ascribed to it under “*Summary—The Transactions— The Acquisition*”;

“Offering” means the offering of the Notes pursuant to this Offering Memorandum;

“Pizza Hut” means Pizza Hut International, LLC, a limited liability company incorporated under the laws of Delaware, a subsidiary of Yum! Brands;

“Post-Escrow Release Date Collateral” has the meaning ascribed to it under “*Summary—The Offering—Collateral*”;

“Post-Escrow Release Date Guarantors”......... means Luxtor, S.A.U., Telepizza Chile, S.A., TelePizza Portugal - Comércio de Produtos Alimentares, S.A. and TPZ;

“Post-Escrow Release Date Guarantees”......... has the meaning ascribed to it under “*Summary—The Offering—Guarantees*”;

“Post-Settlement Merger”................................ means the merger of the Issuer with and into the Company, as described under “*Summary—The Transactions—The Acquisition*” in this Offering Memorandum, or any other form of merger or amalgamation which will be resolved upon by and exclusively involve the Issuer and the Company;

“Post-Settlement Merger Date” .... means the date on which the Post-Settlement Merger is to be effected between the Issuer and the Company, as described under “*Summary— The Transactions—The Acquisition*”;

“Pre-Merger Proceeds Loan”........................... means the loan of the proceeds of the Notes by the Issuer, as lender, via one or more loans to the Company, as borrower, which will be drawn on or about the Escrow Release Date;

“QSR”... means quick service restaurants;

“RCF Debt Pushdown”.................................... has the meaning ascribed to it under “*Summary—The Transactions— The RCF Debt Pushdown*”;

“Refinancing” .... has the meaning ascribed to it under “*Summary—The Transactions— The Refinancing*”;

“Regulation S”.. means Regulation S under the Securities Act;

“Reorganization” .... has the meaning ascribed to it under “*Summary—The Transactions— The Reorganization*”;

“Revolving Credit Facility”............................. means the €45.0 million revolving credit facility established under the Revolving Credit Facility Agreement;

“Revolving Credit Facility Agreement” .... means the revolving credit facility agreement dated December 20, 2018, as amended and restated on March 8, 2019, and as it shall be amended and restated on the Escrow Release Date, among, *inter alios*, Debtco, as borrower, Wilmington Trust (London) Limited, as facility agent, and U.S. Bank Trustees Limited, as security agent;

“Rule 144A” .... means Rule 144A under the Securities Act;

“Securities Act”.. means the U.S. Securities Act of 1933, as amended;

“Security Agent”... means U.S. Bank Trustees Limited, as security agent for the Notes;

“Security Documents” .... has the meaning ascribed to it under “*Description of the Notes*”;

“Settlement Date”... means the date upon which Bidco or an affiliate thereof purchases the Target’s shares that are tendered in the Takeover Offer in accordance with the terms thereof;

“Sponsor” .... means KKR, together with the Co-Investors;

“Takeover Offer”.. has the meaning ascribed to it under “*Summary—The Transactions— The Acquisition*”;

“Target” and “Target Group” means Telepizza Group, S.A., a public limited company (*sociedad anónima*) incorporated under the laws of Spain, together with its subsidiaries;

“Target Shares” means the shares in the Target;

“Tasty Aggregator” means Tasty Aggregator, S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg;

“Telepizza,” the “Group,” “we,” “our,” and “us” except where the context otherwise requires, (i) when referring to operations, businesses, market shares or historical financial results, Telepizza Group, S.A. and its subsidiaries and (ii) when referring to the Transactions and *pro forma* indebtedness obligations, one or more of the Issuer and the Sponsor;

“TPZ” means Telepizza, S.A.U., a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain;

“TPZ Collateral” has the meaning ascribed to such term under “*Summary—The Offering—Collateral”*;

“Transactions” means, collectively, the Takeover Offer, the Acquisition, the Offering, the Refinancing, the RCF Debt Pushdown, the Reorganization and the Post-Settlement Merger, as further described in “*Summary—The Transactions*”;

“Trustee” means U.S. Bank Trustees Limited;

“United Kingdom” or “UK” means the United Kingdom and its territories and possessions;

“United States” or “U.S.” means the United States of America and its territories and possessions;

“Yum! Alliance” means Telepizza’s master franchise alliance with Yum! Brands as described under “*Business—Material Agreements—The Yum! Alliance*”; and

“Yum! Brands” means Yum! Brands, Inc., a corporation incorporated under the laws of the state of North Carolina, and its affiliates.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Issuer is a direct subsidiary of Debtco and was incorporated on March 25, 2019, for purposes of facilitating the Transactions and performing certain activities related thereto. As of the date of this Offering Memorandum, the Issuer has no revenue-generating activities of its own, and no business operations, material assets or liabilities other than those acquired or incurred in connection with its incorporation and the Transactions. See "*Risk Factors—Risks Related to the Notes—The Issuer has no revenue-generating operations of its own and will depend on cash from the operating companies of the Target Group to be able to make payments on the Notes.*" As a result, no financial information of the Issuer is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis "as adjusted" to reflect certain effects of the Transactions.

All historical financial information presented in this Offering Memorandum is that of the Target and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to "we," "us," "our," or the "Target Group" in respect of historical financial information in this Offering Memorandum are to the Target and its subsidiaries on a consolidated basis.

Historical Financial Information

This Offering Memorandum includes the Target's historical financial statements listed below (together, the "Financial Statements"):

- the English-language translation of the original Spanish-language audited consolidated annual accounts of Telepizza Group, S.A. and its subsidiaries as of and for the year ended December 31, 2016 (the "2016 Financial Statements");
- the English-language translation of the original Spanish-language audited consolidated annual accounts of Telepizza Group, S.A. and its subsidiaries as of and for the year ended December 31, 2017 (the "2017 Financial Statements"); and
- the English-language translation of the original Spanish-language audited consolidated annual accounts of Telepizza Group, S.A. and its subsidiaries as of and for the year ended December 31, 2018 (the "2018 Financial Statements").

In the 2018 Financial Statements, we have restated the 2017 comparative column in our consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows to make the financial information set forth therein comparable with our 2018 consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows, respectively. The purpose of the restatement was to (i) give effect to the reclassification by the Target Group of its operations in Poland and the Czech Republic as discontinued and (ii) reflect the definitive accounting of the 2017 acquisition of the Apache chains in Ireland.

Unless otherwise indicated, the financial information as at and for the financial years ended December 31, 2016 (the "2016 financial year") and December 31, 2018 (the "2018 financial year") contained in this Offering Memorandum has been extracted from the 2016 Financial Statements and the 2018 Financial Statements, respectively. Unless otherwise indicated, the financial information as at and for the financial year ended December 31, 2017 (the "2017 financial year") contained in this Offering Memorandum has been extracted from the restated 2017 comparable column in our 2018 Financial Statements.

The Financial Statements included in this Offering Memorandum are English-language translations of the original Spanish-language audited consolidated annual accounts of the Target and its subsidiaries as of and for the years ended December 31, 2016, 2017 and 2018 (the "Original Financial Statements"). The Original Financial Statements can be found on Telepizza's website at https://www.telepizza.com. The Original Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

As Adjusted Financial Information

This Offering Memorandum includes certain financial information as at and for the year ended December 31, 2018, presented at the level of the Issuer, and which is based on the consolidated financial information of the Target, on an adjusted basis to give effect to the Transactions and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on the Issuer's indebtedness as if the Transactions had occurred on December 31, 2018, and on the Issuer's interest expense as if the Transactions had occurred on January 1, 2018. See "*Summary—Summary Selected Consolidated Financial and Other Information—Other Financial and Pro Forma Information*." The as adjusted financial information as of and for the year ended

December 31, 2018, has been prepared for illustrative purposes only and does not represent what the Issuer's indebtedness or interest expense would have been had the Transactions occurred on December 31, 2018, or January 1, 2018, respectively, nor does it purport to project the Issuer's indebtedness or interest expense at any future date. The as adjusted and *pro forma* financial information as at and for the year ended December 31, 2018, has not been prepared in accordance with IFRS, the requirements of Regulation S-X under the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information as of and for the year ended December 31, 2018, have been audited or reviewed in accordance with any generally accepted auditing standards.

Impact of the Acquisition

In the future, and following the completion of the Post-Settlement Merger, we may choose to report our consolidated financial condition and results of operations at a different level than the Target. The Financial Statements of the Target in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated statement of financial position, consolidated income statement and other comprehensive income (statement of comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, we will account for the Acquisition using the acquisition method of accounting under IFRS, and will apply purchase accounting adjustments in connection with the Transactions to the financial statements for accounting periods subsequent to the Settlement Date. The application of purchase accounting could result in different carrying values for existing assets and assets we may add to our statement of financial position, which may include intangible assets, such as goodwill, brands, rights of use, contractual rights with franchisees leasehold rights and software, and different amortization and depreciation expenses. Due to these and other potential adjustments, our future financial statements could be materially different once the adjustments are made and may not be comparable to the Target's consolidated financial statements included in this Offering Memorandum. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Our Financial Statements*."

Under IFRS 3 "Business Combinations," the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill. Since the Acquisition has not been consummated as at the date of this Offering Memorandum, the fair value of assets acquired and liabilities to be assumed at the Settlement Date have not been quantified. In accordance with IFRS, the allocation of the purchase price can be provisional from the Settlement Date for up to twelve months from the Settlement Date, although management must make its best estimate at the reporting date within that period.

Non-IFRS Financial Measures

This Offering Memorandum contains non-IFRS measures and ratios, including EBITDA, Adjusted EBITDA, Underlying EBITDA, *Pro forma* EBITDA, Underlying EBITDA Margin, average ticket price, cash conversion rate, like-for-like chain sales growth, chain sales, *pro forma* chain sales, chain sales growth, free cash flow, gross profit margin, working capital and other measures and ratios that are not required by, or presented in accordance with, IFRS. Such measures and ratios may not reflect accurately our performance, liquidity or our ability to incur debt and should not be considered as a substitute to net profit/(loss) or any other performance measures derived from or in accordance with IFRS, SEC requirements or any other generally accepted accounting principles or as a substitute to net cash from/(used in) operating activities. The financial information contained in this Offering Memorandum is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. As used in this Offering Memorandum, the following terms have the following meanings:

- "average ticket price" represents our chain sales for a period divided by the number of orders in such period;

- "EBITDA" represents earnings before interest, tax, depreciation and amortization. We believe EBITDA is useful to investors because we believe it is widely used by certain investors, securities analysts and other interested parties to analyze and compare profitability among companies with different capital investment, indebtedness and tax profiles by eliminating their effects on earnings;

- "Adjusted EBITDA" represents EBITDA as adjusted for loss on discontinued operations, finance income, finance costs (excluding interest expense) and impairment of non-current assets, and other losses. We believe Adjusted EBITDA is useful to investors because it measures our operating performance without giving effect to the loss on discontinued operations, finance income, finance costs (excluding interest expense), impairment of non-current assets and other losses, and because it is widely used by certain investors, securities analysts and other interested parties as a supplemental measure to operating profit. Management uses this measure to track the Target's underlying performance;

- "Underlying EBITDA" represents Adjusted EBITDA as adjusted for certain items which we believe are non-cash or non-recurring in nature. We believe Underlying EBITDA is useful to investors because it measures our operating performance without giving effect to items that are non-cash or non-recurring in nature, and because it is widely used by certain investors, securities analysts and other interested parties as a supplemental measure to operating profit. Management uses this measure to track the Target's underlying performance;

- "Underlying EBITDA Margin" represents Underlying EBITDA divided by our revenues. We believe Underlying EBITDA Margin is useful to investors as a measure of our operating profitability calculated as a percentage of our total revenue, and that is widely used by certain investors, securities analysts and other interested parties as a supplemental measure to operating profit. Management uses this measure to track the Target's underlying performance;

- "*Pro forma* EBITDA" represents Underlying EBITDA as adjusted for certain annualized, identified or contractually agreed cost savings for the 2018 financial year;

- "cash conversion rate" represents Underlying EBITDA less capital expenditure less taxes less change in working capital divided by Underlying EBITDA;

- "Total Capital Expenditures" represents the investments in property plant and equipment and intangible assets *(inversiones en inmovilizado material e inmaterial)* after deducting capital expenditures related to acquisitions and the Yum! Alliance. We calculate this measure to monitor and present the amounts used for maintaining our existing store portfolio and for new investments, such as increasing the number of our stores as well as investing in digital and information technology initiatives. The following table is a reconciliation of the investments in property plant and equipment and intangible assets *(inversiones en inmovilizado material e inmaterial)* to total capital expenditures:

	For the year ended December 31,		
	2016	**2017 (restated)**	**2018**
		(in € million)	
Investments in property plant and equipment and intangible assets *(Inversiones en inmovilizado material e inmaterial)*	27.0	38.9	57.8
Capital expenditures related to the Apache Pizza chain in Ireland	—	11.1	—
Capital expenditures related to the acquisition of Pizza Hut Ecuador	—	—	19.0
Capital expenditures related to the Yum! Alliance initial franchise fee	—	—	11.9
Total capital expenditures	**27.0**	**27.8**	**26.9**

- "chain sales" represent own outlet sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees;

- "*pro forma* chain sales" represents Telepizza chain sales as adjusted for the chain sales of Pizza Hut stores as reported to us by Pizza Hut;

- "chain sales growth" represents the change in our chain sales from one period of time to the next, expressed in percentage terms;

- "like-for-like chain sales growth" represents chain sales growth as adjusted for the following:

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

- Euro exchange rate adjustments: We calculate life-for-like chain sales growth on a constant currency basis in order to remove the impact of changes between the euro and the currencies in certain countries where we operate. To make this adjustment, we apply the monthly average euro exchange rate of the operating month in the most recent period to the comparable operating months of the prior period;

- "free cash flow" represents net cash from operating activities after deducting capital expenditures;

- "gross profit margin" represents our revenues less merchandise and raw materials used and does not include personnel expenses. We believe gross profit margin is useful to investors because it tracks the Target's efficiency in using merchandise and raw materials in the production process;

- "gross profit margin (%)" represents gross profit expressed as a percentage of revenue; and

- "working capital" represents current assets after deducting current liabilities. We believe working capital is useful to investors because it tracks the Target's ability to pay off its short-term expenses and indebtedness.

We present non-IFRS measures for information purposes only. This information does not represent the results we would have achieved had each of the transactions for which an adjustment is made occurred at the dates indicated. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The calculations for Adjusted EBITDA, Underlying EBITDA and *Pro forma* EBITDA are based on various assumptions (including the successful implementation of certain initiatives) and management estimates. These amounts have not been, and, in certain cases, cannot be, audited, reviewed or verified by any independent auditors' firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations for the periods presented, may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum, and should not be relied upon when making an investment decision.

We present non-IFRS measures because we believe that they are helpful to investors as measures of our operating performance and ability to service our debt, and that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. These non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as a substitute for revenue or net profit for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as a substitute to cash flows from operating, investing or financing activities. EBITDA and its variants as presented in this Offering Memorandum may differ from similarly titled measures used by other companies and from "Consolidated EBITDA" contained and defined in the section entitled "*Description of the Notes*" of this Offering Memorandum and in the Indenture. For a reconciliation of EBITDA, Underlying EBITDA, Adjusted EBITDA and *Pro forma* EBITDA, see "*Summary—Summary Selected Consolidated Financial and Other Information—Other Financial and Pro Forma Information*."

The non-IFRS measures we present may also be defined differently than the corresponding terms under the Indenture. Some of the limitations of these non-IFRS measures are that:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- they do not reflect changes in, or cash requirements for, our working capital needs;

- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- they do not reflect any cash income taxes that we may be required to pay;

- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA-based measures do not reflect any cash requirements that would be required for such replacements;

- some of the exceptional items that we eliminate in calculating certain EBITDA-based measures reflect cash payments that were made, or will in the future be made; and

- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Other Financial Information

In addition, we also present information regarding our "digital sales," which represent the chain sales made through digital channels (e.g., through personal computers, websites or our application), expressed in percentage terms. Digital sales (both own and franchised) are recorded automatically in our SAGA store information system when the online order is placed by the customer. See "*Business—Information Technology*."

Key Performance Indicators

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum, including, among others, the number of our stores, are derived from management estimates and are not part of our financial statements or our accounting records. Our use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these measures should not be considered in isolation or as a substitute measure of performance under IFRS.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information.

In respect of financial data set forth in the main body of this Offering Memorandum, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero. By contrast, no such differentiation has been made in respect of the financial data set forth in the financial information section of this Offering Memorandum beginning on page F-1.

INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. Certain market data and economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These include information published by Euromonitor International Ltd., Consumer Foodservice 2018 edition, Economist Intelligence Unit ("EIU"), International Telecommunications Union and World Bank. EIU data in this Offering Memorandum is used with the permission of Economist Intelligence Unit. In considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information may be subject to significant uncertainty due to differing definitions of the relevant markets and market segments described. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, thus requiring us to rely on internally developed data. Consequently, we have made our estimates largely based on internal surveys and studies. In the absence of such internal surveys and studies, we have made statements regarding our industry and market share based on our experience, our own investigation of market conditions and our management's best estimates. While we believe our estimates to be reliable, they have not been verified by any independent sources and we cannot assure you that any of our assumptions are accurate or correctly reflect our position in the industry. Neither we nor any of the Initial Purchasers nor any of their respective affiliates make any representation as to the accuracy of such information.

CURRENCIES AND EXCHANGE RATES

We publish our financial statements in euro. The following tables set forth, for the periods and dates indicated, the period end, average, high and low exchange rates, as published by Bloomberg expressed in U.S. Dollars per €1.00. On April 30, 2019, the exchange rate of the euro compared to the U.S. Dollar was U.S.$1.1217 per euro.

	U.S.$ per €1.00			
	Period Average[(a)]	High	Low	Period End
Year				
2014	1.3209	1.3866	1.2100	1.2100
2015	1.1096	1.2010	1.0492	1.0866
2016	1.1069	1.1527	1.0384	1.0547
2017	1.1300	1.2026	1.0427	1.2022
2018	1.1811	1.2492	1.1245	1.1452
Month				
October 2018	1.1484	1.1586	1.1306	1.1306
November 2018	1.1362	1.1464	1.1245	1.1315
December 2018	1.1382	1.1459	1.1301	1.1452
January 2019	1.1417	1.1533	1.1299	1.1450
February 2019	1.1349	1.1469	1.1271	1.1382
March 2019	1.1296	1.1365	1.1221	1.1221
April 2019 (through April 30, 2019)	1.1234	1.1307	1.1137	1.1217

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

Our inclusion of these exchange rates and other exchange rates specified elsewhere in this Offering Memorandum should not be construed as representations that the euro and U.S. Dollar amounts actually represent such euro and U.S. Dollar amounts, as applicable, or could have been or could be converted into euros and U.S. Dollars, as applicable, at any particular rate, if at all.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains and refers to certain forward-looking statements with respect to our financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management's expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

Forward-looking statements are typically identified by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "objectives," "outlook," "probably," "project," "will," "seek," "target" and other words of similar meaning in connection with a discussion of future operating or financial performance. All of these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. In addition, even if our actual results are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- our inability to integrate Telepizza and Pizza Hut effectively and realize the potential and anticipated benefits from the alliance with Yum! Brands;
- the risk of harmful economic and political conditions;
- the impact of competition in the quick service restaurants market, and in particular the pizza delivery sector;
- the effect of increasing costs of food, utilities or sales taxes on our operating margins and product variety;
- the impact of impairments to goodwill and other intangible assets;
- the loss of certain clients or franchisees and master franchisees;
- the risk of shortages or interruptions in the supply or delivery of raw materials, ingredients and complementary products;
- exposure to price and volume fluctuations under certain of our supply contracts;
- a potential loss of our rights to use Telepizza trademarks in certain jurisdiction if we materially breach our obligations under the Yum! Alliance;
- failure to successfully implement our growth strategy;
- unsuccessful marketing initiatives and advertising campaigns;
- failure of our franchises and master franchises to develop their business;
- our reliance on capital investments;
- our exposure to additional risks through our international operations;
- failure to comply with anti-bribery or anti-corruption laws;
- uncertainty regarding Brexit;
- failure to deliver our products to our customers;
- the risk of labor shortages or increased labor costs;
- our inability to attract and retain qualified employees;
- our inability to protect our intellectual property or the value of our brand;

- our reliance on the strength and reputation of both the Telepizza and Pizza Hut brands;
- the risk of the termination of our leasing contracts;
- the risk of foodborne illness;
- the departure of key executive management and senior management members;
- disruption of our information technology systems and exposure to security breaches;
- our failure to comply with applicable data protection laws and regulations;
- failure to successfully integrate acquired businesses;
- insufficient level of insurance;
- unanticipated fluctuations in exchange rates;
- the impact of changes in laws and regulations;
- the impact of IFRS 16;
- the impact of Spanish tax legislation;
- the impact of changes in tax laws or our tax position;
- the risk that the Issuer and Guarantors are members of a tax consolidated group and are exposed to additional tax liabilities;
- the risks from legal and arbitration proceedings;
- the risk associated with unforeseen events, such as terrorist attacks, natural disasters or catastrophic events; and
- other risks associated with the Transactions, our financing, the Notes and our structure discussed under "*Risk Factors*."

The foregoing factors should not be construed as exhaustive. We urge you to read this Offering Memorandum, including the sections entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements are expressly qualified in their entirety by the cautionary statements referred to in this section and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*." In light of these risks, our results could differ materially from the forward-looking statements contained in this Offering Memorandum.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Taxation Considerations*."

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of its respective holder.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum. Investors should consider this Offering Memorandum in its entirety, including the information referred to under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Financial Statements and the notes thereto, prior to making an investment in the Notes.

Overview

Founded in 1987, we are the largest non-U.S.-based pizza delivery company. On December 30, 2018, our strategic alliance with Yum! Brands took effect, making us the largest pizza master franchise network globally by number of stores operated as of December 31, 2018. The Yum! Alliance nearly doubled our chain sales, which is the sum of sales from own stores and franchised stores, to €1.2 billion of *pro forma* chain sales for the year ended December 31, 2018. Today, we operate a vertically integrated network of 2,631 stores in 39 countries under the Telepizza and Pizza Hut brands, offering a wide range of pizzas and complementary foods and beverages for delivery, take-out and dine-in. We operate 1,620 Telepizza-branded stores and 1,011 Pizza Hut- branded stores. We operate across two hubs, Iberia and Latin America, with Iberia representing 42% and Latin America representing 17% of *pro forma* chain sales for the year ended December 31, 2018. We are the number one pizza delivery network in Spain, Portugal and Chile, and hold leading market positions in the other key markets in which we operate.

We operate in the fast-growing, highly fragmented pizza delivery market, where pizza chains are gaining market share, and which benefits from the macro trends of increasing digital penetration and convenience- oriented food consumption. Between 2014 and 2018, the global pizza delivery market grew by a CAGR of 6.3% (based on revenue), with pizza delivery chains growing by a CAGR of 8.5%, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, a significantly faster pace of growth than other sectors of the quick service restaurant ("QSR") market.

Approximately 84% of our stores are franchises, resulting in a store network characterized by low capital expenditure requirements, short payback periods and high free cash flow generation. We generate revenue from sales to our franchisees of dough and other ingredients we produce and logistically manage through our vertically integrated supply chain, sales in our own stores, royalties and marketing fees from our franchisees and other income from sublease income and other services we provide to franchisees, including IT, payroll and other services. Our highly cash generative, low capital expenditure intensity business model has proven resilient through economic cycles, as demonstrated by our Underlying EBITDA margins remaining stable between 17% and 19% from 2007-2018.

We supply our network of owned and franchised stores with a vertically integrated QSR-model supply chain. We operate dough production facilities in Europe and Latin America, which supply pre-measured, frozen dough for Telepizza stores and will, in the future, supply the Pizza Hut stores we operate. This supply chain combines global production and logistics operations to efficiently produce and supply dough, meat and other ingredients and materials to the stores, allowing us to provide a differentiated "one stop shop" food service offering to our stores. Thanks to our capability to seamlessly and efficiently deliver dough and other ingredients, our stores benefit from our front-of-house production capabilities, which deliver them significant cost savings and increased profitability through optimized inventory management and lower personnel and space costs, compared to competitors who produce their own dough in each store. Our vertically integrated supply chain also provides consistently high product quality and tight control over food safety across our network of stores.

Our stores' product portfolio consists primarily of pizza, with a globally consistent core pizza offering supplemented by local adaptations catering to local tastes and ongoing product innovation. Our stores also serve non-pizza items, such as drinks, burgers, sides and desserts. Our key sales channel is delivery, with approximately 56% of Telepizza chain sales in jurisdictions in which we own stores constituting delivery sales, with 25% of such chain sales constituting digital sales. Our stores cater to a wide range of consumers, including families, teenagers and young people. We have strong brand recognition, with our Telepizza brand enjoying strong customer affinity in Iberia, while in Latin America we benefit from the strength of the globally recognized Pizza Hut brand.

As our store network has grown, we have successfully scaled our business to benefit from the efficiencies, brand recognition and reach resulting from our increased scale, and we expect to continue to accelerate our development with the implementation of the Yum! Alliance. For more information on the Yum! Alliance, see "*Business—Material Agreements—The Yum! Alliance*."

Our Strengths

We operate the largest pizza master franchise network globally, and are geographically diversified, with leading positions in core markets

We are the largest non-U.S.-based pizza delivery company and the largest pizza master franchise network globally by number of stores operated as of December 31, 2018. We operate a network of 2,631 own and franchise stores as of December 31, 2018, including 1,620 Telepizza branded stores and 1,011 Pizza Hut branded stores with operations in 39 countries. In Iberia, across both the Telepizza and Pizza Hut brands, we are the pizza delivery leader, and in 2017, we had 56% market share in Spain and 93% market share in Portugal, based on store count. We also are the market leader in growth markets in Latin America, including in Chile, Peru, Colombia and Ecuador, with market leading positions in the other key markets in which we operate, based on the number of stores operated as of December 31, 2018.

In Iberia, we believe we will further strengthen our leadership position through the pursuit of a dual-brand strategy, where we expect to benefit from our increased catchment and scale. We intend to strengthen both the Telepizza and Pizza Hut brands in Iberia through the exchange of best practices and operational know-how and enhanced product offering and value propositions for customers. In Latin America, we intend to leverage Pizza Hut's greater brand recognition to drive additional market share through the conversion of Telepizza stores to Pizza Hut stores and to capitalize on favorable market trends in the region, while leveraging our greater scale to realize further economies of scale in our supply chain.

We operate in the attractive and fast-growing €53.5 billion pizza delivery market, where chains are gaining market share

We operate in the fast-growing, highly-fragmented global pizza delivery market, which, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, was a €53.5 billion market in 2018. Between 2014 and 2018, the global pizza delivery market grew by a CAGR of 6.3% (based on revenue), with pizza delivery chains growing by a CAGR of 8.5%, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, significantly faster growth than other sectors of the QSR market. This growth is expected to continue, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, with the pizza delivery market and pizza delivery chains growing faster than the total pizza food service market, which grew by a CAGR of 4% between 2014-2018 according to Euromonitor International Ltd., Consumer Foodservice 2018 edition. This strong growth has been driven by macro trends, including increasing digital penetration and convenience-oriented food consumption. The pizza delivery market has also shown resilience during economic downturns, given its relatively low average ticket price compared to other QSR market offerings, and adaptability. Pizza is easily customized to local preferences and the latest food trends. The pizza delivery market is also highly fragmented compared to other components of the QSR market, with such fragmentation benefiting large-scale, established players such as Telepizza, who can leverage brand recognition, operational efficiency and vertically integrated supply chains, and who are strong in the digital know-how and technology underlying delivery service. As a result of these factors, pizza delivery chains such as Telepizza have shown resilience through economic downturns and have been growing, and are expected to continue to grow their market share at the expense of independents. Our core Iberian market is further characterized by an urbanized customer base with a growing demand for convenient and affordable dining options and increased digital penetration. Furthermore, the growth markets in which we operate in Latin America benefit from young populations, emerging middle classes and exhibit significant room for growth in per capita expenditures on pizza. We believe our scale, market leadership and other strengths position us for continued growth and increased profitability in this attractive market.

We operate a scalable, low capital expenditure intensity business model with compelling unit economics

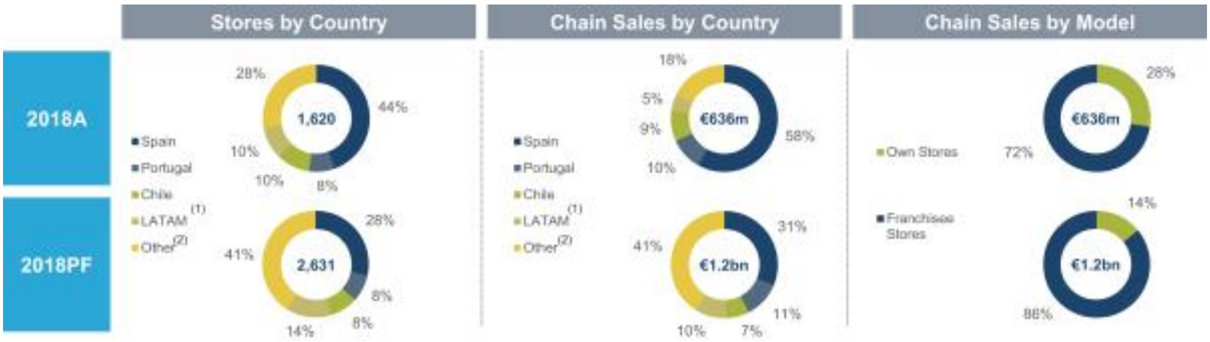
We operate 84% of our global network by number of stores as franchises. According to this model, the franchisee generally covers the costs of the store and pays for opening capital expenditures and ongoing maintenance capital expenditures. From our franchisees, we recoup a royalty for the use of the brand in addition to contributions for marketing spend with both calculated as a percentage of franchise store revenues. In addition, through the infrastructure of our vertically integrated supply chain, we are able to provide our franchisees with a "one stop shop" service whereby they conveniently source substantially all of their supplies from our supply chain. We enjoy additional revenue from wholesale factory sales made to franchisees (*ventas de fábrica al por mayor a franquiciados y otros*), which for the year ended December 31, 2018, comprised €117.2 million, or 34.4% of revenue (*ingresos*). Total revenues from franchisees, excluding wholesale factory sales to franchisees and other sales (*ventas de fábrica al por mayor a franquiciados y otros*) and sublease income (*ingresos por subarrendamientos*) from franchisees was €51.2 million or 15.1% of total revenues (*ingresos*) for the year ended December 31, 2018. Our franchisees also pay us other fees, such as (i) transfer fees payable when we transfer own stores to franchisees, (ii) franchise and master franchise fees which are receivable upon the opening of a new franchise store, the granting of a master franchise agreement or the renewal of an existing franchise agreement and (iii) sublease income and fees for other services that we provide to franchisees such as IT, payroll and other services. As we seek to optimize the compelling economics of our expanding franchise model, we proactively monitor and alter the composition of our franchise network through the strategic sale, transfer and buyback of franchises based on their performance.

Our integrated production and supply chain QSR model allows us to realize value creation on both a revenue and cost basis

Our vertically integrated supply chain combines global production and logistics operations to efficiently supply meat and other ingredients and materials to our own stores. In addition, we also produce and supply dough to our own stores. Through our established supply chain, we realize revenues as we provide our franchised stores a "one stop shop" supply service that is convenient and cost-efficient. By leveraging our extensive operational knowledge, delivery excellence and production capacity, we believe we will realize further revenue synergies by extending our supply chain to the Pizza Hut network, using the capacity in our supply chain that is already available. We believe the increased penetration of our production and supply chain network will drive revenue generation and margin improvement as we increase the number of franchisees to whom we provide supply services. In addition, we expect to realize cost-based synergies in the form of procurement, savings in the amount of €4.0 million by 2020. By leveraging our economies of scale, global purchasing policy and consolidated position in the markets in which we operate, we expect to realize indirect savings from, among others, reductions in the cost of rent and marketing spend, optimization of energy procurement, and securing improved terms on our global contracts with suppliers. Furthermore, we expect that as we apply our supply chain to our larger network of stores, we will benefit from greater stability and resilience and recognize margin improvement.

We have achieved additional diversification by geography and business model and expanded our addressable market through the Yum! Alliance

Through the Yum! Alliance, we have further diversified our earnings by geography and business model. The following graphics show our percentage of chain sales by geography and by business model before and after the Yum! Alliance:



Source: Information provided by Telepizza Management.

(1) Colombia, Peru, Ecuador, Paraguay and Panama.

(2) Guatemala, El Salvador, Russia, Iran, Bolivia, Angola, UK, Malta and Others.

The Yum! Alliance resulted in a doubling of the size of our addressable market, from approximately 250 million people to approximately 500 million people, and resulted in an increase in the number of stores in our network from 1,620 to 2,631, as of December 31, 2018. Similarly, for the year ending December 31, 2018, our revenues (*ingresos*) were €340.3 million and our chain sales were €635.7 million, but after a full year contribution from the Yum! Alliance we would have had approximately €1.2 billion in chain sales.

We expect this diversification and significantly expanded platform will further improve our resilience and bolster our stable Underlying EBITDA and cash flow generation profile.

We have a proven digital platform delivering a multi-channel delivery strategy

Pizza delivery is the core channel for our business, comprising 56% of Telepizza chain sales in jurisdictions in which we own stores for the year ended December 31, 2018, and we are a leader in pizza delivery in our core market. Underpinning our strength in delivery and driving our prospects for the growing delivery market in the future is our best-in-class and differentiated digital platform. We operate a single, streamlined global digital platform for most of our store network, and for the year ended December 31, 2018, digital delivery sales accounted for 25% of Telepizza chain sales in jurisdictions in which we own stores. We expect the volume of our digital sales to increase, along with growth in the pizza chain market and as digital and e-commerce penetration grows in our core markets.

We have been a leader in continually updating and adapting our digital offerings to our customers' needs. In 2015, to respond to our customers' focus on the speed with which one can place an order and make payment, we developed the application ("app") "Click & Pizza" which allows the customer to submit an order and pay for it with one click. In 2017, we implemented several updates to make the app more user-friendly, including the addition of features such as geolocation, real-time tracking and payment tokenization. As of December 31, 2018, 35% of our digital sales were completed through the app. In 2018, we launched new digital initiatives to link our app to Amazon Alexa and created Telepicoin, the first stage of our digital loyalty program. In addition to our digital initiatives to improve our customers' experience, we seek to engage with our customers directly through targeted social media campaigns and promotions. Specifically, as social media platforms continue to gain popularity, we have increased our presence on Facebook, Twitter and Instagram. We believe that our digital platform is central to the continued success of our business and encourages higher annual spend per customer, higher order frequency and increased customer loyalty and brand awareness. Moreover, our digital delivery offer provides us with key information on customer preferences, allowing us to better target pricing and promotion and drive customer loyalty.

We have a resilient and stable Underlying EBITDA profile and a history of strong cash flow generation

Our business and financial profile is highly resilient, stable and cash generative and our business is supported by the momentum of the fast-growing delivery chains in the countries in which we operate. We navigated an extremely difficult macro-economic environment in our core Iberian market between 2008 and 2015 which resulted in a significant reduction in consumption and consumer spending power, but we nonetheless maintained consistent EBITDA margins throughout the period due to the universal appeal and financial accessibility of pizza products and the success of our strategic pricing and bundling strategy. The following table shows our chain sales, Underlying EBITDA, Underlying EBITDA margins, capex and operating cash flow for the period from 2007 to 2018:

In recent years, we have benefited from both a stable Underlying EBITDA profile and strong cash conversion rates of 85%, 56% and 50% for the years ended December 31, 2016, 2017 and 2018, respectively. We have also maintained a disciplined approach to capital expenditures, with capital expenditures as a percentage of chain sales being 5.2%, 4.9% and 4.2% for the years ended December 31, 2016, 2017 and 2018, respectively, and capital expenditures as a percentage of revenue being 8.0%, 8.1% and 7.9% for the years ended December 31,

2016, 2017 and 2018, respectively. Maintenance capital expenditures comprised approximately 1% of chain sales in each of these years. Due to our increased penetration of new and existing markets, we expect that we will be positioned to further increase our revenue and chain sales and continue to generate strong free cash flows.

We have a dedicated, highly-experienced management team with a proven track record of success

We have a dedicated management team with deep knowledge and more than 100 years of combined experience within the industry. Our management team has a successful track record of fostering the growth, profitability and improved efficiency of Telepizza. For example, our management team has, in the past, led the implementation of a successful expansion model of own stores, franchises and selective acquisitions. Our management team also effectively navigated a severe macro-economic environment, ensuring that we were able to maintain our leading market share in Spain during this time and throughout the economic crisis in Spain. Telepizza's management team transformed the Group with the implementation of a more efficient hub structure to cover the regions where we have a consolidated presence, led the development of a strong digital platform and continually promotes an innovative corporate culture. See "Management." More recently, our management team successfully concluded the two-year negotiation process for the Yum! Alliance and prepared Telepizza's store network and supply chain for immediate implementation of the Pizza Hut master franchise agreements.

Our Strategies

Our primary aim is to preserve our position as a leading operator of pizza outlets under global brands in Iberia and Latin America. We intend to carry out this aim while maintaining a solid financial position that we believe will enable us to seize growth opportunities and simultaneously exceed our customers' expectations. We will continue to pursue the following strategies, which we believe will further enhance our business, market position and competitive advantages.

Build on the Yum! Alliance to preserve our position as a multi-brand vertically integrated operator with best- in-class delivery capabilities

The Yum! Alliance represents a transformative opportunity for the Group. It has resulted in the doubling of our store portfolio and our expansion in a diverse range of markets. First, the agreement presents the opportunity to diversify and optimize our commercial operations under two brands. In Spain and Portugal we will pursue a dual brand strategy, operating both Pizza Hut and Telepizza stores. This allows us not only to maximize our footprint, but also to generate value through a holistic pricing and promotion strategy.

In addition, the alliance affords us the ability to generate economies of scale and procurement synergies through penetration of our supply chain across a larger store network.

Exceed our customers' expectations and continue to be their leading quality, value and convenience pizza provider

We believe that our customers demand quality, value and convenience from us as their pizza provider. We intend to continue to provide best-in-class products and services to our customers by continuing to focus on quality, both through quality control and product consistency through our vertically integrated supply chain, adapting our offerings to local tastes and providing innovative new products. Furthermore, our strong digital platform adds value and convenience to our delivery services. We intend to continue to invest in our digital delivery capabilities to better understand customer preferences and personalize our marketing and products, while also improving our operating efficiency.

Capitalize on the market leading positions of the Pizza Hut and Telepizza brands in our existing markets to further increase our market presence

We aim to further strengthen and increase our leading position in the markets in which we operate. In Iberia, we intend to pursue a dual-brand strategy to increase our penetration of catchment areas. Accordingly, though we will operate Pizza Hut franchises under the Pizza Hut brand, we will continue to operate the Telepizza network under the Telepizza brand, which we believe will further develop Telepizza's presence and customers' awareness of the brand in the region. Through our dual-brand approach, and by utilizing the strength of both the Telepizza and Pizza Hut brands, we intend to increase our geographic footprint in Iberia. In Latin America, where we will gradually convert our Telepizza branded stores to Pizza Hut stores, we intend to strengthen our leading position and increase our market share by leveraging the strength of the globally recognized Pizza Hut brand. In both Iberia and Latin America, though we will apply different brand strategies to increase our geographic footprint, we intend to implement and increase the penetration of our logistics and supply chains to further strengthen our leading positions.

Maintain our stable and resilient financial positions in order to provide us a solid base for generating attractive returns

We intend to continue focusing our efforts on the implementation of cost-effective initiatives that will enable us to maximize the growth potential of our existing business. We believe that our solid position in our current markets, our proven success opening new stores, and our demonstrated ability to generate steady cash flows, will allow us to further increase our market presence organically. Furthermore, as we expand our franchise model, we intend to leverage the compelling unit economics through the generation of revenue from franchise fees, alliance fees and royalties in addition to revenues from the increased penetration of our supply chain network. Pursuant to the Yum! Alliance, we have committed to open approximately 1,300 new stores by 2028. In order to increase our operational margins and meet our expansion targets, we will seek to achieve these targets by acquiring certain operators of Pizza Hut stores. As we expand our franchise network, we will proactively manage our profile through the strategic sale, transfer and buyback of franchise stores.

Further develop our culture of social responsibility with a global character

We believe that we have a responsibility to develop and sustain a corporate culture that contributes to the creation of sustainable value for the societies, citizens, employees, clients, stakeholders and communities in which we operate. Our social responsibility initiatives are a key component of our business strategy, and reflect our dedication to the well-being of those who make our business successful. As part of our commitment to social responsibility, we have adopted a framework of corporate governance, social action and corporate responsibility policies to put into practice our goal of being a positive contributor to the world around us and for those whom our business touches. We believe that this approach enables us to better implement our other strategies and capitalize on our business's strengths.

The Issuer

The Issuer is a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain, and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal)* A88351200. The Issuer's registered business address is Pradillo, 5, 28002 Madrid, Spain. The Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Issuer is indirectly controlled by the Sponsor. After the Control Date and prior to the Escrow Release Date, we intend that (i) the Issuer will become a direct subsidiary of the Target, (ii) the Company will be incorporated or acquired by the Target and become a direct subsidiary of the Target and (iii) the Company will become the direct holding company of TPZ and the holding company of each member of the Target Group (other than the Target and the Issuer). After the Escrow Release Date, we intend to merge the Issuer with the Company, with the Company being the surviving entity. The Issuer will use commercially reasonable efforts to achieve the Post-Settlement Merger, however, the Post-Settlement Merger is subject to certain conditions and may not be completed within the currently envisaged time frame or at all.

The Sponsor

Bidco is controlled by KKR. KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 and led by Henry Kravis and George Roberts, KKR had $195 billion in assets under management as of December 31, 2018. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms.

For more information, see "*Principal Shareholders*."

The Transactions

The Acquisition

On December 21, 2018, Bidco, a company controlled by KKR, submitted to the CNMV a prior announcement of an all-cash voluntary public tender offer (the "Takeover Offer") for all ordinary shares in the Target. On March 28, 2019, the CNMV approved and authorized the Takeover Offer launched by Bidco. Under the terms of the Takeover Offer, all shareholders of the Target who accept and tender their shares in the Takeover Offer will receive cash consideration equal to €6.00 per share (the "Offer Price"), implying an equity value of the Target equal to approximately €604 million and an enterprise value of €769 million (calculated as market capitalization plus market value of debt net of cash and cash equivalents). Following an analysis of the terms of the Takeover Offer on April 9, 2019, the board of directors (the "Board") of the Target declared its support for the Takeover Offer.

At the time the Takeover Offer was launched, Bidco did not directly hold any shares in the Target, however, Tasty Aggregator, a holding company controlled by KKR and the indirect sole shareholder of Bidco, held 28.56% of the Target's share capital (the "KKR Shares"). In addition, as of March 28, 2019, the Target held 2.72% of its share capital in the form of treasury shares (the "Treasury Shares"). The Takeover Offer's initial acceptance period expires on April 30, 2019. Pursuant to the provisions of Article 23 of the Royal Decree 1066/2007 of July 27, Bidco may extend the period for accepting the Takeover Offer for a total of 70 calendar days, upon giving prior notice to the CNMV.

The Takeover Offer is subject to the satisfaction of certain conditions, including (i) that if such condition is not waived by Bidco, Bidco reaches, at least, a 75% ownership stake in the Target with the Takeover Offer (the "Minimum Acceptance Threshold"); (ii) that the Target ends all business activities and dealings in Iran and with Iranian counterparties (which is currently in process); and (iii) clearance by the European Commission and the Chilean National Economic Prosecutor's Office (Fiscalía Nacional Ecónomica). Bidco intends to de-list the Target Shares in the medium-term to the extent permitted by law, either (a) by exercising a squeeze-out right, if the relevant requirements are met, or failing that, (b) by means of a permanent purchase order (a "Permanent Purchase Order") entitling the remaining shareholders of Target to sell their shares in Target to Bidco for a period of at least one month in accordance with Spanish takeover regulations.

In this Offering Memorandum, "Acquisition" refers to the Acquisition by Bidco of the KKR Shares, the Treasury Shares and any shares in the Target acquired in the Takeover Offer or otherwise.

Bidco expects to fund the Acquisition and related fees and expenses with the proceeds from the following sources:

(i) drawings under Facility B1 of the Bridge Facility or other funds available to Debtco and utilized for such purposes;

(ii) drawings under the Revolving Credit Facility; and

(iii) cash equity contributions from the Sponsor in the form of ordinary equity, preferred equity and/or deeply subordinated shareholder loans and the contribution of KKR Shares in Lux Newco (the "Equity Contribution").

The notional sources and uses necessary to consummate the Acquisition are shown in the table below. While our intention is to acquire 100% of the shares in the Target, the sources and uses shown below assume that Bidco holds 50% of the shares, plus one share, in the Target following the completion of the Acquisition. Actual amounts will vary from the notional amounts presented here depending on several factors, including the number of shares tendered in the Takeover Offer and differences from our estimates of fees and expenses.

Sources of Funds (assuming 50% of shares, plus one share)	**(in € millions)**	**Uses of Funds (assuming 50% of shares, plus one share)**	**(in € millions)**
Facility B1[1]	70.4	KKR Shares[4]	172.6
Revolving Credit Facility[2]	10.7	Takeover Offer Settlement Price[5]	113.1
Equity Contribution[3]	239.5	Treasury Shares purchase price	16.4
		Transaction fees and expenses[6]	18.5
Total Sources[7]	**320.6**	**Total Uses[7]**	**320.6**

[1] It is expected that the proceeds from the drawing by Debtco of Facility B1 under the Bridge Facility or other amounts available to Debtco and utilized for such purpose will be on-lent to Bidco through the Acquisition Loan. Such amounts may be used, together with amounts drawn under the Revolving Credit Facility and the Equity Contribution, to satisfy the purchase price of the Target Shares tendered in connection with the Takeover Offer. On or about the Escrow Release Date, we intend to repay all amounts outstanding under Facility B1 or such other funds, including accrued and unpaid interest and fees.

[2] It is expected that amounts drawn under the Revolving Credit Facility will be used to finance the purchase price of the Treasury Shares in addition to a portion of the financing fees payable in connection with the Acquisition. On or about the Escrow Release Date, we intend to repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest.

[3] Represents the cash equity investment to be made by the Sponsor and the contribution of the KKR Shares to Bidco.

[4] Represents the equity value of the KKR Shares.

[5] Represents the aggregate purchase price for the Target Shares tendered in connection with the Takeover Offer (excluding the KKR Shares and the Treasury Shares) assuming (i) 18,851,499 (representing 18.72% of the issued and outstanding share capital of the Target) are validly tendered and (ii) a purchase price per share equal to the Offer Price.

[6] Represents estimated fees and expenses incurred in connection with the Acquisition, including commissions and commitment, funding, underwriting, advisory and other fees related to the Bridge Facility and Revolving Credit Facility. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above, as well as the actual Settlement Date.

[7] Our intention is to acquire 100% of the shares in the Target. If we assumed the acquisition by Bidco of 100% of the shares in the Target in the Takeover Offer, the sources and uses for the Acquisition disclosed in this table would, subject to the assumptions and notes that correspond to those above, be as follows:

Sources of Funds (assuming 100% of shares)	**(in € millions)**	**Uses of Funds (assuming 100% of shares)**	**(in € millions)**
Facility B1	140.9	KKR Shares	172.6
Revolving Credit Facility	20.6	Takeover Offer Settlement Price	415.3
Equity Contribution	463.6	Treasury Shares purchase price	16.4
		Transaction fees and expenses	20.8
Total Sources	**625.1**	**Total Uses**	**625.1**

Prior to the Control Date, Debtco has indirect influence but will not have direct control over the Board of the Target. The Board will be required, prior to the Control Date, to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. See "*Risk Factors—Risks Related to the Transactions—Debtco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Control Date*."

The Refinancing

In connection with the Acquisition, Debtco entered into the Bridge Facility Agreement and the Revolving Credit Facility Agreement, which provide for borrowings of up to €335.0 million and €45.0 million, respectively.

Depending on the amount of shares acquired pursuant to the Takeover Offer, it is assumed that at least €70.4 million will be drawn by Debtco under Facility B1 of the Bridge Facility or other funds available to Debtco and utilized for such purpose, and will subsequently be on-lent by Debtco, as lender, through the Acquisition Loan to Bidco, as borrower, to finance the purchase price of the Target Shares tendered in connection with the Acquisition. It is also expected that at least €10.7 million will be drawn by Bidco under the Revolving Credit Facility to finance a portion of the purchase price of the Treasury Shares as well as to pay certain fees and expenses incurred in connection with the Acquisition.

On or about the Escrow Release Date, the gross proceeds of the Offering will be on-lent by the Issuer, as lender, to the Company as, borrower, and upon receipt thereof, the Company will (i) distribute an amount to the Target, which the Target will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility; and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution, together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 of the Bridge Facility or such other funds used, including accrued and unpaid interest thereon and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon. We refer to the foregoing collectively as the "Refinancing."

The estimated sources and uses necessary to consummate the Refinancing and effect the RCF Debt Pushdown (as described below), assuming that we hold 50% of the shares in the Target, plus one share, following completion of the Acquisition (notwithstanding our intention to acquire 100% of the shares in the Target), are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including the number of shares tendered in the Takeover Offer, differences between our estimates of fees and expenses associated with the Refinancing and fees and expenses actually incurred, the amount of net debt of the Target Group as of its refinancing, the actual Escrow Release Date and the actual date of repayment of the Existing Senior Facilities, the Revolving Credit Facility and Facility B1 or other funds. See also "*Use of Proceeds*."

Sources of Funds (assuming 50% of shares, plus one share)	**(in € millions)**	**Uses of Funds (assuming 50% of shares, plus one share)**	**(in € millions)**
Notes offered hereby[1]........................	335.0	Repayment of the Existing Senior Facilities[3]	200.9
Cash on hand at the Target Group[2] ...	33.1	Distribution to the Target for further application[4]	160.2
Cash on hand at Debtco	3.0	Transaction fees and expenses[5].....................	10.0
Total Sources[6].................................	**371.1**	**Total Uses[6]**	**371.1**

[1] On or about the Escrow Release Date, the Issuer will on-lend the proceeds of the Offering to the Company by way of the Pre-Merger Proceeds Loan, and the Company will distribute the gross proceeds to the Target to apply the proceeds as set forth above.

[2] Consists of €16.4 million of cash received from the purchase of Treasury Shares by Bidco and €16.7 million of available balance sheet cash of the Target.

[3] This figure represents the repayment of €200.0 million in aggregate principal amount of all amounts outstanding under the Existing Senior Facilities as at December 31, 2018, plus €0.9 million of accrued interest and break costs. The Existing Senior Facilities mature on April 8, 2021. Upon repayment, the Existing Senior Facilities will be cancelled, and the Existing Senior Facilities will be terminated.

[4] Represents a distribution by the Company to the Target, which the Target will use to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility. The funds necessary to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) will include estimated accrued and unpaid interest to the Escrow Release Date of approximately €0.5 million (assuming the Escrow Release Date occurs 45 days after the Settlement Date) in addition to the principal amount drawn as described under "—The Acquisition." Amounts drawn under Facility B1 or other funds will be used to finance part of the purchase price of the Acquisition. Facility B1 matures on December 20, 2020, unless extended, in accordance with its terms, until the date that is 84 months after the date on which a loan is first made under Facility B1. Upon repayment, the Bridge Facility (including Facility B2) will be cancelled, and the Bridge Facility Agreement will be terminated. The funds necessary to repay amounts outstanding under the Revolving Credit Facility will (assuming the Escrow Release Date occurs 45 days after the Settlement Date) include estimated accrued and unpaid interest to the Escrow Release Date of less than €0.1 million in addition to the principal amount drawn as described under "—The Acquisition." This distribution from the Company to the Target represents a cash outflow from the restricted group in respect of the Notes and results from the debt pushdown of the obligations in respect of the Notes that occurs by way of the Issuer being transferred from a subsidiary of Debtco into the Target Group.

[5] Represents estimated fees and expenses associated with the Offering, including underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences between our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above, as well as the actual Escrow Release Date.

[6] If we assumed the acquisition by Bidco of 100% of the shares in the Target in the Takeover Offer, (i) the sources disclosed in this table would include an additional €1.8 million of cash on hand and (ii) the uses disclosed in this table would include an additional €1.8 million in interest resulting from the increased amounts drawn in respect of the Acquisition under Facility B1 (or other funds used in lieu of Facility B1) and the Revolving Credit Facility, in each case subject to assumptions and notes that correspond to those above.

The Reorganization

After the Control Date and prior to the Escrow Release Date, we intend that (i) the Issuer will become a direct subsidiary of the Target, (ii) the Company will be incorporated or acquired by the Target and become a direct subsidiary of the Target and (iii) the Company will become the direct holding company of TPZ and the holding company of each member of the Target Group (other than the Target and the Issuer). Following the Escrow Release Date, we intend to merge the Issuer with the Company, with the Company being the surviving entity in the Post-Settlement Merger. The Issuer will use commercially reasonable efforts to achieve the Post- Settlement Merger, however, the Post-Settlement Merger is subject to certain conditions and may not be completed within the currently envisaged time frame or at all. We refer to the foregoing collectively as "The Reorganization."

The RCF Debt Pushdown

On the Escrow Release Date, subject to the Agreed Security Principles, (i) the Company and the Issuer will each accede to (x) the Revolving Credit Facility Agreement as a borrower and a guarantor and (y) the Intercreditor Agreement as a debtor, (ii) the Target will accede to the Intercreditor Agreement as an investor and a third party security provider and (iii) the Escrow Release Date Collateral will be granted. Immediately and automatically thereafter (i) Debtco and Bidco will each cease to be a borrower and a guarantor under the Revolving Credit Facility Agreement, (ii) Lux Midco will cease to be an investor and a third party security provider under the Intercreditor Agreement, (iii) each of Lux Midco, Debtco and Bidco will be released from all liabilities and obligations in respect of, among other documents, the Revolving Credit Facility Agreement and the Intercreditor Agreement and (iv) the Security Agent will release any assets of Lux Midco, Debtco and Bidco from the transaction security. We refer to the foregoing collectively as the "RCF Debt Pushdown."

Escrow Account

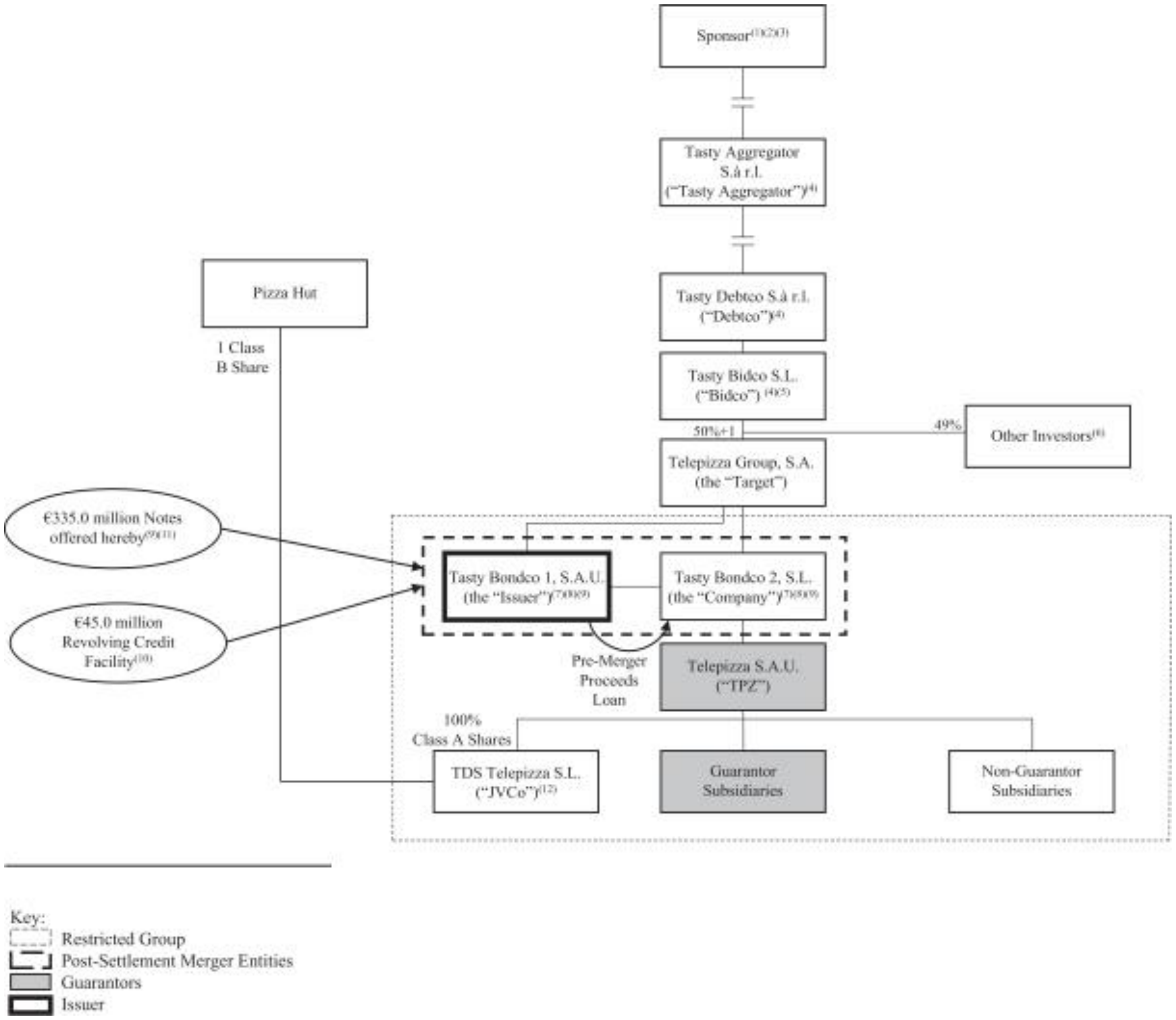
Pending the fulfillment of the conditions described under "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*", the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and will be pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes.

The release of the escrow proceeds from the Escrow Account is subject to the satisfaction of certain conditions, including the occurrence of the Settlement Date pursuant to the terms of the Takeover Offer (as the same may be amended, supplemented or modified from time to time). See "*Description of the Notes—Escrow of* Proceeds*; Special Mandatory Redemption*." If these conditions are not satisfied on or prior to the Business Day immediately following the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price for the Notes will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of such special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer may redeem the Notes at 100% of the issue price, plus accrued and unpaid interest*."

In the event of a special mandatory redemption, Debtco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including escrow account fees, negative interest on the escrow account balance and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such special mandatory redemption date pursuant to an escrow equity commitment delivered to the Issuer by Debtco (the "Escrow Equity Commitment"). The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Description of the Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on an equity investment from Debtco*."

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure on the Escrow Release Date and after giving effect to all proposed post-Settlement Date steps to implement our preferred corporate structure. We may choose in our sole discretion not to take some or all of the steps presented below to achieve our preferred post-Settlement Date corporate and financing structure, and no assurance can be given that the Post-Settlement Merger will be achieved in a timely manner or at all. We intend to hold 100% of the issued and outstanding ordinary shares in the Target following the settlement of the Takeover Offer, however, the chart below assumes that we will hold 50% of the issued and outstanding ordinary shares in the Target, plus one share. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Notes*," "*Description of Other Indebtedness*" and "*Capitalization*."


Sponsor(1)(2)(3)
Tasty Aggregator S.à r.l. ("Tasty Aggregator")(4)
Pizza Hut
Tasty Debtco S.à r.l. ("Debtco")(4)
1 Class B Share
Tasty Bidco S.L. ("Bidco") (4)(5)
50%+1
49%
Other Investors(6)
Telepizza Group, S.A. (the "Target")
€335.0 million Notes offered hereby(9)(11)
Tasty Bondco 1, S.A.U. (the "Issuer")(7)(8)(9)
Tasty Bondco 2, S.L. (the "Company")(7)(8)(9)
€45.0 million Revolving Credit Facility(10)
Pre-Merger Proceeds Loan
Telepizza S.A.U. ("TPZ")
100% Class A Shares
TDS Telepizza S.L. ("JVCo")(12)
Guarantor Subsidiaries
Non-Guarantor Subsidiaries
Key:
Restricted Group
Post-Settlement Merger Entities
Guarantors
Issuer

(1) As of the date of this Offering Memorandum, the Sponsor indirectly holds 28.56% (through intermediate holding companies) of the Target's share capital. The above chart assumes that the Sponsor will indirectly hold (through wholly owned or majority-owned intermediate holding companies) 50% of the Target's share capital, plus one share (although we intend to acquire 100% of the Target's share capital). See "Principal Shareholders" and "Certain Relationships and Related Party Transactions."

(2) After the Takeover Offer acceptance period ends and before the Settlement Date, the Sponsor will hold its interests in Tasty Aggregator. See "Principal Shareholders."

(3) It is expected that management of the Target will reinvest in a subsidiary of Debtco in connection with the Acquisition. The exact nature of the management incentive plan for the Target's reinvesting management and the entity into which such investment will be made are still being determined. See "Certain Relationships and Related Party Transactions—Management Equity Program." Prior to the Escrow Release Date, the restrictive covenants in the Indenture will only apply to the Issuer, there will be significant limitations and restrictions on the influence that Debtco may exercise as an indirect shareholder of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indenture), unless and until the Control Date occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indenture had those covenants been applicable. See "Risk Factors—Risks Related to the Transactions—Debtco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Control Date."

(4) Prior to the Settlement Date, the Sponsor will indirectly through Tasty Aggregator, by way of ordinary equity, preferred equity certificates and/or deeply subordinated shareholder loans, provide the Equity Contribution. On the Settlement Date, Debtco will contribute the cash

received from such Equity Contribution to Bidco in exchange for shares in Bidco. In addition, on the Settlement Date, Debtco will draw Facility B1 under the Bridge Facility in an assumed amount of €70.4 million or use other funds, the proceeds of which will be on-lent to Bidco by way of the Acquisition Loan.

(5) On the Settlement Date, Bidco will use the proceeds from the Equity Contribution and the Acquisition Loan, together with drawings under the Revolving Credit Facility to fund the consideration payable for the Acquisition. On the Escrow Release Date, we intend to repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest.

(6) The Takeover Offer is subject to the satisfaction of certain conditions, including that, if not waived by Bidco, Bidco owns at least 75% of the Target's issued and outstanding ordinary shares (the "Minimum Acceptance Threshold"). Should the Sponsor, directly or indirectly, hold less than 100% of the Target Shares in connection with the Acquisition, the Target will continue to have minority shareholders.

(7) After the Control Date and prior to the Escrow Release Date, we intend that (i) the Issuer will become a direct subsidiary of the Target, (ii) the Company will be incorporated or acquired by the Target and become a direct subsidiary of the Target and (iii) the Company will become the direct holding company of TPZ and the holding company of each member of the Target Group (other than the Target and the Issuer). Following the completion of these steps and fulfillment of the other conditions to escrow release, the proceeds of the Notes will be released from the Escrow Account and the Issuer will use the funds to advance an intercompany Pre-Merger Proceeds Loan to the Company. The Company will apply the proceeds of the Pre-Merger Proceeds Loan as further described under "Use of Proceeds."

(8) We intend that the Issuer will merge with and into the Company. The Issuer will use commercially reasonable efforts to achieve the Post-Settlement Merger, however, the Post-Settlement Merger is subject to certain conditions and may not be completed within the currently envisaged time frame or at all.

(9) The Issuer is offering €335.0 million in aggregate principal amount of 6¼% Senior Secured Notes due 2026. On the Escrow Release Date, the gross proceeds of the Notes will be on-lent via the Pre-Merger Proceeds Loan by the Issuer, as lender, to the Company, as borrower, and upon receipt of the proceeds, the Company will (i) distribute an amount to the Target, which the Target will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution, together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 of the Bridge Facilities or such other funds used, including accrued and unpaid interest thereon and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon.

(10) Following the RCF Debt Pushdown, the Revolving Credit Facility will be guaranteed by the Issuer and the Company and secured on a first-priority basis by security interests in the Escrow Release Date Collateral and the TPZ Collateral. See "Description of Other Indebtedness—Revolving Credit Facility Agreement" and "Description of Other Indebtedness—Intercreditor Agreement."

(11) 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, including the Issuer's obligations under the Revolving Credit Facility (however, under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral (as defined herein) or certain distressed disposals, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, certain hedging obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture). On the Issue Date, the Notes will not be guaranteed. Subject to the Agreed Security Principles, the Notes will be guaranteed on a senior secured basis (i) on the Escrow Release Date, by the Company and (ii) within 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility being so guaranteed, by the Post-Escrow Release Date Guarantors. On the Issue Date, the Notes will be secured by the Escrow Charge. Upon the release of the Escrowed Property, the first- priority security interests over the Escrowed Property will be released. On the Escrow Release Date, the Notes will be secured by the Escrow Release Date Collateral and, immediately following the repayment of all amounts outstanding under the Existing Senior Facilities and the release of the related guarantees and security interests securing the Existing Senior Facilities, and subject to the Agreed Security Principles, the Notes and the Escrow Release Date Guarantee will be secured on a first-priority basis by security interests in the TPZ Collateral. In addition, within no later than 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility being so secured, the Notes and the Guarantees will be secured on a first-priority basis by the Post-Escrow Release Date Collateral. Concurrently with the Post-Settlement Merger, the security interests in the shares of the Issuer and the Issuer's rights under the Pre-Merger Proceeds Loan will be released. Following the Post-Settlement Merger Date and to the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed in accordance with the covenant described under "Description of the Notes—Certain Covenants—Impairment of Security Interest." See "Summary—The Offering—Collateral." The validity and enforceability of the Guarantees and the security and the liability of each Guarantor and security provider will be subject to the limitations described in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

(12) JVCo was incorporated by TPZ on November 15, 2018, as part of a shareholder's agreement between the Target and Pizza Hut. Pizza Hut's Class B share carries certain veto rights in regards to certain activities in relation to JVCo. The only asset held by JVCo is the bare property of the Telepizza brand, pursuant to the terms of the Yum! Alliance. See "*Business—Material Agreements—The Yum! Alliance*."

(13) The Post-Escrow Release Date Guarantors are Luxtor, S.A.U., Telepizza Chile, S.A., Telepizza Portugal - Comércio de Produtos Alimentares, S.A. and TPZ. As of and for the year ended December 31, 2018, the Post-Escrow Release Date Guarantors accounted for 97.6% of the Target Group's Underlying EBITDA, accounted for 88.8% of the Target Group's total revenue, and held 84.2% of the Target Group's total assets (excluding goodwill). As of and for the year ended December 31, 2018, our subsidiaries that will not guarantee the Notes accounted for 2.4% of the Target Group's Underlying EBITDA, accounted for 11.2% of the Target Group's total revenue, and held 15.8% of the Target Group's total assets (excluding goodwill).

THE OFFERING

The following summary of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, the Guarantees and the Collateral, including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer

Tasty Bondco 1, S.A.U., a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain.

Notes Offered

€335.0 million in aggregate principal amount of the Issuer's 6¼% Senior Secured Notes due 2026.

Issue Date

May 3, 2019.

Issue Price

100%, plus accrued and unpaid interest from the Issue Date.

Maturity Date

May 15, 2026.

Interest Rate

6.25%.

Interest Payment Dates

Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on, January 15 2019. Interest on the Notes will accrue from the Issue Date.

Form and Denomination

The Notes will be issued in global form in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Ranking of the Notes

The Notes will, upon issuance:

- be senior obligations of the Issuer, secured as set forth under "Description of the Notes—Security";
- rank *pari passu* in right of payment with all of the Issuer's existing and future debt that is not subordinated in right of payment to the Notes (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, certain hedging obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture);
- rank senior in right of payment to all of the Issuer's existing and future debt that is expressly subordinated in right of payment to the Notes;
- be guaranteed by the Guarantors, in each case on a senior secured basis, which will also guarantee the Senior Secured Credit Facilities, as described below under "—Guarantees";
- be effectively subordinated to any existing and future indebtedness or obligation of the Issuer and its subsidiaries (including obligations to trade creditors) that is secured by property or assets that do not constitute Collateral, to the extent of the value of the property or assets securing such obligation or indebtedness; and
- be structurally subordinated to any existing or future indebtedness of subsidiaries of the Issuer (and, after the Escrow Release Date but prior to the completion of the Post-Settlement Merger, the Company) (including obligations to trade creditors) that do not guarantee the Notes.

Guarantees

On the Issue Date, the Notes will not be guaranteed. Subject to the Agreed Security Principles, the Notes will be guaranteed on a senior secured basis (i) on the Escrow Release Date, by the Company (the "Escrow Release Date Guarantee") and (ii) within 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, by the Post-Escrow Release Date Guarantors (the "Post-Escrow Release Date Guarantees," and together with the Escrow Release Date Guarantee, the "Guarantees").

As of and for the year ended December 31, 2018, the Post-Escrow Release Date Guarantors accounted for 97.6% of the Target Group's Underlying EBITDA, accounted for 88.8% of the Target Group's total revenue, and held 84.2% of the Target Group's total assets (excluding goodwill). As of and for the year ended December 31, 2018, our subsidiaries that will not guarantee the Notes accounted for 2.4% of the Target Group's Underlying EBITDA, accounted for 11.2% of the Target Group's total revenue, and held 15.8% of the Target Group's total assets (excluding goodwill).

Each Guarantee will be subject to the terms of the Intercreditor Agreement and certain contractual and legal limitations. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests.*" By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. For example, the Guarantee provided by TelePizza Portugal - Comércio de Produtos Alimentares, S.A., our Portuguese subsidiary, will be capped at €5.0 million. However, we cannot provide any assurances that holders of the Notes will be able to recover even this amount under such Guarantee. See "*Risk Factors—Risks Related to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" For the year ended December 31, 2018, TelePizza Portugal - Comércio de Produtos Alimentares, S.A. accounted for 10.3% of the Target Group's Underlying EBITDA. In addition, the Guarantees may be released under certain circumstances. See "*Description of the Notes— Brief Description of the Notes and the Guarantees—The Notes Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests.*"

Ranking of the Guarantees

Each Guarantee will:

- be a senior secured obligation of the relevant Guarantor;

- rank *pari passu* in right of payment with all of such Guarantor's existing and future debt that is not subordinated in right of payment to its Guarantee (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, certain hedging obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture);

- rank senior in right of payment to all of such Guarantor's future debt that is subordinated in right of payment to its Guarantee;

- rank effectively senior to any existing and future unsecured debt of such Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Guarantees;

- rank effectively senior to any existing and future debt of such Guarantor secured on a second-ranking basis by property or assets that secure the Guarantee on a first-ranking basis;

- be effectively subordinated to any existing and future debt of that Guarantor (including obligations to trade creditors) that is secured by property or assets that do not constitute Collateral, to the extent of the value of the property and assets securing such obligations or indebtedness; and

- be structurally subordinated to any existing and future debt of such Guarantor's subsidiaries (including obligations to trade creditors) that do not guarantee the Notes.

Collateral

On the Issue Date, the Notes will be secured by the Escrow Charge (the "Issue Date Collateral"). Upon the release of the Escrowed Property, the first-priority security interests over the Escrowed Property will be released.

On the Escrow Release Date, and subject to the Agreed Security Principles and certain perfection requirements, the Notes and the Escrow Release Date Guarantee will be secured on a first-priority basis by:

- a Spanish law share pledge over the shares in the Issuer;

- a Spanish law share pledge over the shares in the Company;

- a Spanish law bank account pledge over the bank accounts of the Issuer;

- a Spanish law bank account pledge over the bank accounts of the Company;

- a Spanish law pledge over the credit rights or the payables owed to the Issuer by the Company pursuant to the Pre-Merger Proceeds Loan;

- a Spanish law receivables pledge agreement in respect of all shareholder loans borrowed from the Target by the Company (if any); and

- a Spanish law receivables pledge agreement in respect of all shareholder loans borrowed from the Target by the Issuer (if any),

(the "Escrow Release Date Collateral").

Immediately following the repayment of all amounts outstanding under the Existing Senior Facilities and the release of the related guarantees and security interests securing the Existing Senior Facilities, and subject to the Agreed Security Principles and certain perfection requirements, the Notes and the Escrow Release Date Guarantee will be secured on a first-priority basis by a Spanish law share pledge over the shares in TPZ and a receivables pledge agreement in respect of all shareholder loans borrowed from the Company by TPZ (if any) (the "TPZ Collateral").

In addition, within no later than 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, the Notes and the Guarantees will be secured on a first-priority basis by the shares held in each Post-Escrow Release Date Guarantor (the "Post-Escrow Release Date Collateral" and, together with the Issue Date Collateral, the Escrow Release Date Collateral and the TPZ Collateral, the "Collateral").

Concurrently with the Post-Settlement Merger, the security interests in the shares of the Issuer and the Issuer's rights under the Pre-Merger Proceeds Loan will be released. Upon or following the Post- Settlement Merger Date and to the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed in accordance with the covenant described under "*Description of the Notes—Certain Covenants—Impairment of Security Interest.*"

The Collateral will also secure the Company's obligations under the Revolving Credit Facility Agreement, certain hedging obligations, if any, and certain other future indebtedness permitted to be incurred and secured. Under the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after lenders under the Revolving Credit Facility Agreement, counterparties to certain hedging obligations and creditors in respect of other indebtedness permitted to be incurred and secured on a super senior priority basis under the Indenture have been repaid in full. See "*Risk Factors— Risks Related to the Notes—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes*."

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. In addition, the security interests in the Collateral may be released under certain circumstances. Subject to the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. For more information on the security interests granted, see "*Description of the Notes—Security*" and for more information on potential limitations to the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and "*Risk Factors—Risks Related to the Notes*."

Use of Proceeds

On the Escrow Release Date, the gross proceeds of the Offering will be on-lent by the Issuer, as lender, to the Company, as borrower, and upon receipt thereof, the Company will (i) distribute an amount to the Target, which the Target will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility; and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 of the Bridge Facility or such other funds used, including accrued and unpaid interest thereon, and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon.

Escrow Proceeds; Special Mandatory Redemption

Concurrently with the closing of the Offering, and pending consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into the Escrow Account held in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent, and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds deposited in the Escrow Account will be subject to the satisfaction of certain conditions, including the occurrence of the Settlement Date pursuant to the terms of the Takeover Offer (as the same may be amended, supplemented or modified from time to time). Upon delivery to the Trustee and the Escrow Agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the escrowed proceeds will be released to the Issuer and utilized as described in "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." If the conditions to the release of the proceeds deposited in the Escrow Account have not been satisfied on or prior to the Business Day immediately following the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, such special mandatory redemption date. In the event of a special mandatory redemption, Debtco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including escrow account fees, negative interest on the escrow account balance and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such special mandatory redemption date pursuant to an escrow equity commitment delivered to the Issuer by Debtco (the "Escrow Equity Commitment").

The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Description of the Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions— If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on an equity investment from Debtco.*"

Optional Redemption Notes

The Issuer may redeem all or part of the Notes on or after May 15, 2022, at the redemption prices set forth under "*Description of the Notes—Optional Redemption*," plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Prior to May 15, 2022, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes issued under the Indenture (including the original principal amount of any additional Notes), using the net proceeds from certain equity offerings at a redemption price equal to 106.250% of the principal amount of the Notes *so* redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable date of redemption; provided that at least 50% of the original principal amount of the Notes (including any additional Notes), as the case may be, issued under the Indenture remains outstanding after each such redemption.

Additional Amounts; Tax

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, commencing on the Issue Date, at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date. See "Description of the Notes—Optional Redemption."

In addition, prior to May 15, 2022, the Issuer may redeem all or, from time to time, part of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum and accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable date of redemption.

Redemption

All payments made by the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made without withholding or deduction for taxes or other governmental charges in any Relevant Taxing Jurisdiction (as defined in "*Description of the Notes—Withholding Taxes*"), except to the extent required by law. If any such withholding or deduction is required by law, the Issuer or the relevant Guarantor will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes.*"

If certain changes in the law of any Relevant Taxing Jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons.*"

Change of Control

Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase. A change of control, however, will not be deemed to have occurred if a specified consolidated net senior secured leverage ratio is not exceeded in connection with such event. See "*Description of the Notes—Change of Control*."

Tender Offers

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*."

Certain Covenants

The Indenture will limit, among other things, the ability of the Issuer and (as applicable) its subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities, or make certain asset sales;

- enter into certain transactions with affiliates;
- impair the security interests for the benefit of the holders of the Notes; and

guarantee certain indebtedness.

The Indenture will also require us to use commercially reasonable efforts to consummate the Reorganization. Certain of the covenants and events of default will be suspended if and for as long as, and the security interests in respect of the Collateral will be released if, we achieve investment grade ratings. See "*Description of the Notes— Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*."

Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "Description of the Notes—Certain Covenants."

Transfer Restrictions

The Notes and the Guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "Notice to Investors." Holders of the Notes will not have the benefit of any exchange or registration rights.

Listing/No Prior Market

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the listing will be maintained. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "Risk Factors" section before making a decision whether to invest in the Notes.

Governing Law

The Notes and the Indenture will be governed by New York law.

The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by English law. The Security Documents (as defined in "Description of the Notes") will be governed by the laws of Spain (except for the Escrow Charge, which will be governed by the laws of England and Wales).

Trustee

U.S. Bank Trustees Limited.

Security Agent

U.S. Bank Trustees Limited.

Escrow Agent

Citibank N.A., London Branch.

Paying Agent and Transfer Agent

Elavon Financial Services DAC.

Registrar

Elavon Financial Services DAC.

SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth summary consolidated financial and other information of the Target. The historical summary consolidated financial information of the Target set forth below as at and for the financial years ended December 31, 2016 and 2018 has been derived from the Financial Statements. The historical summary consolidated *financial information of the Target as at and for the financial year ended December 31, 2017, has been extracted from the restated 2017 comparable column in our 2018 Financial Statements. Such consolidated financial statements have been prepared in accordance with IFRS and are included elsewhere in this Offering Memorandum.*

The Issuer was formed for the purposes of facilitating the Transactions. The Issuer does not have any business operations, material assets or liabilities other than those incurred in connection with its incorporation and the Transactions. We do not present in this Offering Memorandum any financial information or financial statements of the Issuer for the periods presented, other than certain limited financial data presented on a consolidated basis "as adjusted" to reflect the Transactions and the Offering.

We have also presented summary unaudited pro forma consolidated financial and other information prepared to give effect to the Transactions as if they had occurred on January 1, 2018, in the case of the summary unaudited pro forma consolidated income statement line items, and December 31, 2018, in the case of the summary unaudited pro forma consolidated statement of financial position line items. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The summary unaudited pro forma consolidated financial and other information is for informational purposes only and does not purport to represent what our pro forma interest expense actually would have been if the Transactions had occurred on January 1, 2018, or what our actual net indebtedness or pro forma net secured indebtedness would have been had the Transactions occurred on December 31, 2018, or on any other date, and such information does not purport to project our financial results for any future period.

The summary consolidated financial and other information below includes certain non-IFRS measures that we use to evaluate our economic *and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are prepared in accordance with IFRS. See "Presentation of Financial and Other Information—Presentation of Financial Information—Non-IFRS Financial Measures."*

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information*," "Use of Proceeds," "Capitalization," "Selected Historical Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum. Our historical results do not necessarily indicate results that may be expected for any future period.*

Summary Consolidated Income Statement

(in € millions)	For the year ended December 31, 2016	2017[1]	2018
Revenues (*Ingresos*)	**339.6**	**342.4**	**340.3**
Merchandise and raw materials used (*Consumo de mercaderías y materias primas*)	(88.6)	(93.3)	(97.5)
Personnel expenses (*Gastos por retribuciones a los empleados*)	(118.6)	(90.8)	(94.9)
Amortization and depreciation (*Gastos por amortización*)	(17.4)	(18.3)	(16.5)
Other expenses (*Otros gastos*)	(100.7)	(93.1)	(118.6)
Impairment of non-current assets (*Deterioros de activos no corrientes*)	—	1.9	(7.5)
Other losses (*Otras pérdidas*)	—	(1.6)	(1.1)
Operating profit (*Beneficio de explotación*)	**14.3**	**47.2**	**4.2**
Finance income (*Ingresos financieros*)	3.7	0.8	1.2
Finance costs (*Gastos financieros*)	(25.5)	(10.4)	(8.4)
Other losses (*Otras pérdidas*)	(0.7)	—	—
Profit/(loss) before tax from continuing operations (*Beneficio/(pérdida) antes de impuestos de actividades continuadas*)	(8.2)	37.6	(3.0)
Income tax income/(expense) (*Ingresos/(gastos) por impuestos sobre las ganancias*)	19.0	(6.4)	(2.5)
Profit/(loss) for the year from continuing operations (*Beneficio/(pérdida) del ejercicio de actividades continuadas*)	10.7	31.2	(5.5)
Post-tax profit/(loss) on discontinued operations (*Beneficio/(pérdida) después de impuestos de las actividades interrumpidas*)	(0.0)	0.5	(4.1)
Profit/(loss) for the year (*Beneficio/(pérdida) del ejercicio*)	**10.7**	**31.7**	**(9.6)**

[1] Restated figures. See "Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information."

Summary Consolidated Statement of Financial Position

	As at December 31,		
(in € millions)	**2016**	**2017[1]**	**2018**
Property, plant and equipment (*Inmovilizado material*)	46.0	50.5	51.2
Goodwill (*Fondo de comercio*)	387.3	388.0	397.3
Other intangible assets (*Otros activos intangibles*)	330.2	337.1	341.3
Deferred tax assets (*Activos por impuestos diferidos*)	32.2	30.4	40.0
Non-current financial assets (*Activos financieros no corrientes*)	30.7	35.5	32.4
Total non-current assets (*Total activos no corrientes*)	**826.4**	**841.5**	**862.2**
Inventories (*Existencias*)	11.6	10.9	10.2
Trade and other receivables (*Deudores comerciales y otras cuentas a cobrar*)	38.4	41.1	40.9
Other current financial assets (*Otros activos financieros corrientes*)	1.8	2.7	2.8
Other current assets (*Otros activos corrientes*)	3.8	3.2	1.4
Cash and cash equivalents (*Efectivo y otros medios líquidos equivalentes*)	64.0	87.3	56.7
Subtotal current assets (*Subtotal activos corrientes*)	**119.6**	**145.2**	**112.0**
Non-current assets held for sale (*Activos no Corrientes mantenidos para la venta*)	0.3	0.1	15.0
Total current assets (*Total activos corrientes*)	**119.9**	**145.3**	**127.0**
Total assets (*Total activo*)	**946.3**	**986.8**	**989.2**
Share capital (*Capital social*)	25.2	25.2	25.2
Share premium (*Prima de emisión*)	533.7	533.7	533.7
Retained earnings (*Ganancias acumuladas*)	51.3	81.4	60.6
Own shares (*Acciones propias*)	—	—	(15.5)
Translation differences (*Diferencias de conversin*)	(3.1)	(5.1)	(9.1)
Equity attributable to equity holders of the parent and total equity (*Patrimonio atribuido a tenedores de instrumentos de patrimonio neto de la dominante y total patrimonio neto*)	**607.1**	**635.2**	**594.9**
Non-controlling interests (*Intereses minoritarios*)	0.0	0.2	0.8
Equity (*Patrimonio neto*)	**607.1**	**635.4**	**595.7**
Loans and borrowings (*Pasivos financieros con entidades de crédito*)	195.6	196.7	197.7
Other financial liabilities (*Otros pasivos financieros*)	—	8.6	9.5
Deferred tax liabilities (*Pasivos por impuestos diferidos*)	82.9	83.4	82.0
Provisions (*Provisiones*)	0.1	0.1	4.6
Other non-current liabilities (*Otros pasivos no corrientes*)	6.4	7.1	16.3
Total non-current liabilities (*Total pasivos no corrientes*)	**285.0**	**295.9**	**310.1**
Loans and borrowings (*Pasivos financieros con entidades de crédito*)	1.0	0.9	1.0
Other financial liabilities (*Otros pasivos financieros*)	—	0.5	3.3
Trade and other payables (*Acreedores comerciales y otras cuentas a pagar*)	50.2	51.1	65.7
Provisions (*Provisiones*)	0.2	0.1	4.7
Other current liabilities (*Otros pasivos corrientes*)	2.7	2.8	4.0
Subtotal current liabilities (*Subtotal pasivos corrientes*)	**54.1**	**55.4**	**78.7**
Liabilities directly associated with non-current assets held for sale (*Pasivos directamente asociados con activos no Corrientes mantenidos para la venta*)	0.1	0.1	4.7
Total current liabilities (*Total pasivos corrientes*)	**54.2**	**55.5**	**83.4**
Total equity and liabilities (*Total patrimonio neto y pasivo*)	**946.3**	**986.8**	**989.2**

[1] Restated figures. See "Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information."

Summary Consolidated Statement of Cash Flow

	For the year ended December 31,		
(in € millions)	**2016**	**2017[1]**	**2018**
Net cash from operating activities (*Efectivo neto generado por las actividades de explotación*)	48.8	47.6	27.2
Net cash used in investing activities (*Efectivo neto utilizado en las actividades de inversión*)	(30.2)	(25.6)	(35.8)
Net cash from (used in) financing activities (*Efectivo neto utilizado en las actividades financieras*)	3.4	—	(21.9)
Net increase (decrease) in cash and cash equivalents (*Aumento/(disminución) de efectivo y otros medios líquidos equivalentes*)	**22.0**	**22.0**	**(30.4)**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

Summary Consolidated Income Statement Segment Information

	2018					
(in € millions)	**Spain**	**Rest of Europe**	**Latin America**	**Master Franchise and Rest of World**	**Eliminations**	**Total**
Own outlet sales *(Ventas tiendas propias)*	76.7	36.2	49.8	0.1	—	162.8
Factory sales to franchisees *(Venta fábrica a franquiciados)*	92.8	10.6	13.2	0.6	—	117.2
Royalties *(Royalties)*	26.8	5.0	3.7	0.0	—	35.5
Other revenues[1]	16.2	0.9	7.7	0.0	—	24.8
To other segments *(A otros segmentos)*	34.5	—	—	—	(34.5)	—
Total revenues *(Total ingresos ordinarios)*	**247.0**	**52.7**	**74.4**	**0.7**	**(34.5)**	**340.3**
Amortization and depreciation *(Amortizaciones)*	(11.4)	(1.2)	(3.9)	(0.0)	—	(16.5)
Impairment of non-current assets *(Deterioro de activos no corrientes)*	(4.9)	—	(2.5)	—	—	(7.4)
Other net gains/(losses) *(Otras pérdidas netas)*	(0.3)	0.1	(0.7)	(0.1)	—	(1.0)
Operating profit/(loss) *(Beneficio de explotación)*	10.5	5.6	(11.7)	(0.1)	—	4.2
Net finance income/(cost) *(Resultado financiero)*	(5.8)	0.1	(1.5)	(0.0)	—	(7.2)
Income tax *(Impuesto sobre las ganancias)*	3.7	(7.2)	1.0	(0.0)	—	(2.5)
Profit/(loss) from continuing operations *(Resultado de actividades continuadas)*	**13.8**	**(4.2)**	**(14.8)**	**(0.3)**	**—**	**(5.5)**

[1] Other revenues is comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

	2017[1]					
(in € millions)	**Spain**	**Rest of Europe**	**Latin America**	**Master Franchise and Rest of World**	**Eliminations**	**Total**
Own outlet sales *(Venta tiendas propias)*	99.9	32.5	52.2	—	—	184.6
Factory sales to franchisees *(Venta fábrica a franquiciados)*	84.1	7.7	10.5	0.9	—	103.2
Royalties *(Royalties)*	23.5	—	3.7	1.1	—	28.3
Other revenues[2]	17.2	1.0	8.1	—	—	26.3
To other segments *(A otros segmentos)*	20.1	—	—	—	(20.1)	—
Total revenues *(Total ingresos ordinarios)*	**244.8**	**41.2**	**74.5**	**2.0**	**(20.1)**	**342.4**
Amortization *(Amortizaciones)*	(13.4)	(1.0)	(3.9)	—	—	(18.3)
Impairment no corrientes)	2.8	(0.3)	(0.6)	—	—	1.9
Other net gains/(losses) *(Otras pérdidas netas)*	(1.6)	0.4	(0.4)	—	—	(1.6)
Operating profit/(loss) *(Beneficio de explotación)*	31.7	7.8	6.4	1.2	—	47.1
Net finance income/(cost) *(Resultado financiero)*	(7.6)	(0.1)	(1.9)	0.0	—	(9.6)
Income tax *(Impuesto sobre las ganancias)*	(5.6)	(0.2)	(0.5)	(0.0)	—	(6.3)
Profit/(loss) from continuing operations *(Resultado de actividades continuadas)*	**20.0**	**7.1**	**2.9**	**1.2**	**—**	**31.2**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

[2] Other revenues is comprised of revenue from franchising activity (ingresos por la actividad franquiciadora), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

	2016					
(in € millions)	**Spain**	**Rest of Europe**	**Latin America**	**Master Franchise and Rest of World**	**Eliminations**	**Total**
Own outlet sales (*Ventas tiendas propias*)	110.5	34.5	50.9	—	—	195.9
Factory sales to franchisees (*Ventas de fábrica a franquiciados*)	74.8	14.1	8.9	0.2	—	98.0
Royalties (*Royalty*)	18.7	3.0	2.2	0.9	—	24.8
Other revenues[1]	12.4	1.7	5.3	1.5	—	20.9
To other segments (*A otros segmentos*)	12.3	—	—	—	(12.3)	—
Total revenues (*Total ingresos de explotación*)	**228.7**	**53.3**	**67.3**	**2.6**	**(12.3)**	**339.6**
Amortization and depreciation (*Amortizaciones*)	(11.9)	(1.4)	(4.1)	—	—	(17.4)
Segment operating profit/(loss) (*Resultado operativo del segmento*)	(1.6)	7.2	6.3	2.4	—	14.3
Net finance income/(cost) (*Resultado financiero*)	(20.5)	(0.4)	(1.0)	—	—	(21.9)
Other gains (*Otras ganancias*)	0.0	0.0	0.2	—	—	0.2
Other losses (*Otras pérdidas*)	(0.4)	(0.1)	(0.4)	—	—	(0.9)
Income tax (*Impuesto sobre las ganancias*)	21.2	(1.4)	(0.8)	(0.0)	—	19.0
Profit/(loss) from continuing operations (*Resultado de actividades continuadas*)	**(1.1)**	**5.2**	**4.3**	**2.3**	**—**	**10.7**

[1] Other revenues is comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

Other Financial and *Pro Forma* Information

	For the year ended December 31,		
(in € millions, unless stated otherwise)	**2016**	**2017[1]**	**2018**
Revenues (*Ingresos ordinarios/Ingresos*)	339.6	342.4	340.3
EBITDA[2][3]	26.7	61.6	14.3
Adjusted EBITDA[2][5]	31.6	65.2	29.2
Underlying EBITDA[2][5]	63.6	65.9	64.2
Underlying EBITDA Margin[2][4]	18.7%	19.2%	18.9%
Pro forma EBITDA[2][5]			73.7
Capital Expenditures			26.9
As adjusted net indebtedness[2][6]			315.0
As adjusted interest expense[2][7]			21.3
Ratio of as adjusted net indebtedness to *pro forma* EBITDA[2][6]			4.3x
Ratio of *pro forma* EBITDA to as adjusted interest expense[2][7]			3.5x

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

[2] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance and liquidity derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

[3] EBITDA represents earnings before interest, tax, depreciation and amortization.

[4] Underlying EBITDA Margin represents Underlying EBITDA divided by our revenues.

(5) Adjusted EBITDA represents EBITDA as adjusted for loss on discontinued operations, finance income, finance costs net of interest expense and impairment of non-current assets and other losses. Underlying EBITDA represents Adjusted EBITDA as adjusted for certain items which we believe are non-cash or non-recurring in nature. *Pro forma* EBITDA represents our Underlying EBITDA as adjusted for certain annualized, identified or contractually agreed cost savings for the 2018 financial year. The following table is a reconciliation of our profit/(loss) to EBITDA, EBITDA to Adjusted EBITDA, Adjusted EBITDA to Underlying EBITDA, and Underlying EBITDA to *Pro forma* EBITDA for the periods indicated:

	For the year ended December 31,		
(in € millions)	**2016**	**2017[a]**	**2018**
Profit/(loss) for the year (*Beneficio/(pérdida) del ejercicio*)	**10.7**	**31.7**	**(9.6)**
Income tax (expense)/income (*Gasto)/Ingreso por impuesto sobre las ganancias*)	18.9	(6.4)	(2.5)
Interest expense (*Intereses*)	(17.6)	(5.2)	(4.9)
Amortization and depreciation (*Gastos por amortización*)	(17.4)	(18.3)	(16.5)
EBITDA[b]	**26.7**	**61.6**	**14.3**
Profit/(loss) on discontinued operations (*Beneficio/(Pérdida) después de impuestos de las actividades interrumpidas*)	—	0.5	(4.1)
Finance income (*Ingresos financieros*)	3.7	0.8	1.2
Finance costs net of interest expense (*Gastos financieros excluyendo intereses*)	(7.9)	(5.2)	(3.5)
Impairment of non-current assets (*Deterioro de activos no corrientes*)	—	1.9	(7.5)
Other losses (*Otras pérdidas*)	(0.7)	(1.6)	(1.0)
Adjusted EBITDA[b]	**31.6**	**65.2**	**29.2**
IPO costs[c]	32.0	—	—
Advisory costs[d]	—	0.7	—
Transaction related costs[e]	—	—	35.0
Underlying EBITDA[b]	**63.6**	**65.9**	**64.2**
Procurement synergies[f]			4.0
Ecuador Acquisition[g]			1.9
Chile Acquisition[h]			2.6
Yum! Alliance[i]			0.9
***Pro forma* EBITDA[b]**			**73.7**

[a] Restated figures. See "Presentation of Financial and Other Information— Presentation of Financial Information—Historical Financial Information."

[b] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information*."

[c] IPO costs represents advisory costs, fees of counsel and other transaction costs related to Telepizza's initial public offering which closed in April 2016.

[d] Advisory costs represents fees of advisors and counsel incurred in the 2017 financial year in connection with the Yum! Alliance.

[e] Transaction related costs represents adjustments for the following:

- Yum! Alliance Operating Costs: This non-recurring adjustment of €20.7 million represents (i) advisory costs, costs of counsel and other costs incurred in connection with the Yum! Alliance and (ii) bonuses and other personnel costs incurred in connection with the Yum! Alliance.

- Accounting Adjustments: This transaction related adjustment of €10.6 million represents (i) an adjustment made for onerous lease agreements and (ii) a provision made in connection with Telepizza's long-term incentive plans.

- Operating Costs: This transaction related adjustment of €2.3 million is related to costs recognized within "merchandise and raw materials" in connection with the Yum! Alliance.

- Added costs: This adjustment of €1.4 million represents build-up costs incurred in the 2018 financial year in anticipation of implementation of the Yum! Alliance. These are costs which were necessarily incurred before the revenues from the Yum! Alliance were recognized and they are primarily related to an increase in personnel costs.

[f] Procurement synergies represents the estimated full-year run-rate impact of the 2018 financial year of cost savings in the amount of €4.0 million which we expect to realize due to our enhanced economies of scale. This adjustment includes cost savings in respect of (i) price alignments following supplier consolidation and renegotiation of all direct product contracts to leverage best buying conditions between Pizza Hut and Telepizza and (ii) volume discounts following renegotiation of our global contracts with certain suppliers on the basis of combined

demand from Pizza Hut and Telepizza, but this adjustment excludes costs expected to be incurred in connection with achieving such synergies, which could be significant.

(g) Ecuador acquisition represents the estimated full-year run-rate impact of the October 2018 acquisition of 38 own stores in Ecuador in connection with the Yum! Alliance.

(h) Chile acquisition represents the estimated full-year run-rate impact of the acquisition of 45 stores in Chile, expected to be completed in 2019, in connection with the Yum! Alliance. The acquisition has been approved by the Chilean National Economic Prosecutor's Office (*Fiscalía Nacional Económica*).

(i) Yum! Alliance represents the net effect of the payment by Telepizza to Pizza Hut of royalties and alliance fees offset by royalties received by Telepizza from its franchisees as well as the royalty credit.

These adjustments are based upon various assumptions, forecasts and management estimates and are in part based upon historical information. This information does not represent the results we would have achieved had each of the adjustments occurred and been fully implemented on January 1, 2018. In addition, our estimates of the impact of the cost savings are based upon forecasts and management estimates and are presented on an annual run-rate basis as if such cost-savings had been fully realized at the beginning of the relevant period. We may not be able to achieve these cost savings in a timely manner or at all. The estimated cost savings are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating cost savings are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in our estimates of cost savings. These numbers have not been, and cannot be, audited, reviewed or verified by an independent accounting firm. This information is inherently subject to risks and uncertainties. It may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum and should not be relied upon when making an investment decision. Underlying EBITDA and *Pro forma* EBITDA are included in this Offering Memorandum because we believe they are helpful to investors as measures of our operating performance and ability to service our debt. These measures are not measurements of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Other companies, including those in our industry, may calculate a similarly titled financial measure differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments or other commitments.

(6) As adjusted net indebtedness includes as adjusted indebtedness, consisting of borrowings under the Notes of €335.0 million, net of *pro forma* cash and cash equivalents of €20.0 million. See "*Capitalization*."

(7) As adjusted interest expense represents our interest expense on *pro forma* indebtedness after giving effect to the Transactions and the application of the proceeds therefrom as if they had occurred on January 1, 2018 as set forth in "*Use of Proceeds*." This assumes that the Revolving Credit Facility will be undrawn on the Escrow Release Date.

Key Performance Indicators

(in € millions, unless otherwise indicated)	For the year ended December 31, 2016	2017	2018
Revenues (*Ingresos*)	339.6	342.4	340.3
Merchandise and raw materials used (*Consumo de mercaderĺas y materias primas*)	(88.6)	(93.3)	(97.5)
Gross profit margin[1]	**251.0**	**249.1**	**242.8**
Gross profit margin (%)	73.9	72.7	71.3

[1] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

(in € millions, unless otherwise indicated)	For the year ended December 31, 2016	2017	2018	2018[1]
Chain sales[2]	**517.0**	**561.6**	**635.7**	**1,223.5**
Owned store sales[3]	196.0	194.7	175.1	175.1
Franchise sales[4]	321.0	366.9	460.6	1,048.4

[1] Includes Telepizza and Pizza Hut chain sales for 2018, including approximately €4.7 million in revenue contributions from Pizza Hut Ecuador own stores, which we acquired in October 2018.

[2] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

[3] Includes sales from our Telepizza operations in Poland and the Czech Republic which were classified as discontinued in our 2018 Financial Statements.

[4] Includes Telepizza master franchise sales of €30.1 million, €32.3 million and €29.6 million for the years ended December 31, 2016, 2017 and 2018, respectively.

(in € millions)	For the year ended December 31, 2016	2017	2018
Chain sales[1]	**517.0**	**561.6**	**635.7**
Spain (España)	335.2	354.7	369.3
International (Internacional)	181.8	206.9	266.3

[1] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

(in € millions)	For the year ended December 31, 2016	2017	2018
Like-for-like chain sales growth[1]	**4.2%**	**4.1%**	**1.5%**
Spain (España)	3.6%	3.6%	1.4%
International (Internacional)	5.4%	4.9%	1.8%
Chain sales growth[1]	**5.1%**	**8.6%**	**13.2%**
Spain (España)	5.3%	5.8%	4.2%
International (Internacional)	4.9%	13.8%	28.7%

[1] This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

(number of stores)	As at December 31,							
	2016		2017		2018		2018[1]	
	Own stores	Franchised stores[2]	Own stores	Franchised stores[2]	Own stores	Franchised stores[2]	Own stores	Franchised stores[2]
Spain	164	511	137	571	113	607	113	635
Portugal	41	68	43	73	47	78	47	171
Chile[3]	91	52	92	68	80	85	80	143
Mexico	—	—	—	—	—	—	—	248
Peru	43	4	45	4	41	6	41	96
Colombia	61	34	45	45	41	42	41	52
Ecuador	20	3	23	4	18[4]	3	56	3
Other Latin America[5]	2	142	8	148	5	152	5	598
Rest of Europe[6]	32	99	48	225	41	231	41	232
Rest of the World[7]	—	22	—	28	—	30	—	29
Total	**454**	**935**	**441**	**1,166**	**386**	**1,234**	**424**	**2,207**
Total Number of Stores		**1,389**		**1,607**		**1,620**		**2,631**

[1] Includes Telepizza and Pizza Hut Stores.

[2] Includes master franchise stores.

[3] Shown before the acquisition of Pizza Hut stores in Chile, which is expected to be completed in 2019.

[4] Does not include 38 Pizza Hut stores acquired in October 2018.

[5] Includes Costa Rica, Puerto Rico, El Salvador, Guatemala, Honduras, Panama, Dominican Republic, Paraguay, Nicaragua, Bolivia, Caribbean and Venezuela.

[6] Includes Ireland, Poland, Switzerland, Czech Republic, UK, Malta.

[7] Includes Russia, Angola, Iran and Saudi Arabia.

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties that we describe below are not the only ones we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial could also have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. If any of the possible events described below occurs, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements."

Risks Related to the Business

We may be unable to integrate Telepizza and Pizza Hut effectively and realize the potential and anticipated benefits from our strategic alliance with Yum! Brands.

We cannot assure you that we will be able to integrate Telepizza and our newly acquired Pizza Hut operators effectively. If we cannot successfully integrate our own stores, franchisees, master franchisees and operators, we may not be able to realize the potential and targeted benefits from our strategic alliance. In order to realize targeted annualized synergies and cost savings, we expect to make cash outlays, which may be higher than our estimated amount. Our targeted synergies and cost savings are based upon assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. Our ability to achieve our targeted synergies and cost savings is dependent upon a significant number of factors, some of which may be beyond our control. If one or more of our underlying assumptions regarding these projects proves to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or in the anticipated time frame, the expected benefits of our targeted synergies and cost savings. Synergies and cost savings from improved procurement, production and distribution processes may not be realized or sustained due to changes in consumer spending behavior, general economic conditions, the availability of raw materials, energy costs, difficulty in integrating employees due to different working cultures or other variables. The partnership between TPZ and Pizza Hut could have unintended consequences, such as the loss of key customers and suppliers. Our inability to realize the targeted cost savings, synergies and revenue enhancements from our new partnership could have a material adverse effect on our business, results of operations and financial condition.

We are vulnerable to economic and political conditions.

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

For the 2018 financial year, our revenues (*ingresos*) in Spain represented 73% of our total revenues. As a result of our concentration in the Spanish market, we are disproportionately affected by adverse economic conditions in Spain compared to competitors with greater international diversification. Although currently the Spanish economy is experiencing positive growth, continued political uncertainty in Spain could hinder business investment and consumer confidence, resulting in lower employment growth, lower spending on our products and services and difficult economic conditions more generally.

In addition, we have a presence in Chile and Portugal, representing 7% and 11% of our *pro forma* chain sales. Although both the Chilean and Portuguese GDP experienced modest growth in 2018, we cannot predict the future economic and political conditions of these markets, and slow economic growth in these economies may have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

The QSR market, and the pizza delivery sector in particular, is highly competitive.

The overall foodservice market and the QSR sector are intensely competitive with respect to food quality, price, service, convenience and concept, and are often affected by, among other things, consumer tastes, national, regional or local economic conditions, disposable income, demographic trends, and currency fluctuations, to the extent international operations are involved.

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

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

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

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

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

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

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

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

Our profitability also is adversely affected by increases in the price of resources, such as natural gas, petrol, electricity, and water, whether as a result of inflation, shortages or interruptions in supply, or otherwise. Our ability to respond to increased costs by increasing prices or by implementing alternative processes or products will depend on our ability to anticipate and react to such increases in the context of the prevailing general economic and demographic conditions, as well as the responses of our competitors and customers. Each of these factors is difficult to predict and beyond our control. Accordingly, increased costs could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

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

We recorded €397.3 million in goodwill (fondo de comercio) and €341.3 million in other intangible assets (otros activos intangibles) (including €239.4 million related to the value of the brands (marcas)) in our consolidated statement of financial position as of December 31, 2018, which together represent 74.7% of our consolidated total assets (total activo). Our goodwill and other intangible assets may be subject to impairments in the future.

As of December 31, 2018, we recorded €397.3 million in goodwill (*fondo de comercio*) and €341.3 million in other intangible assets (*otros activos intangibles*) in our consolidated statement of financial position, which together represent 74.7% of our consolidated total assets (*total activo*). This goodwill corresponds principally to the purchase price allocated during the public takeover bid for the shares in Telepizza in 2006.

Impairments reflect changes in the value of each asset as a consequence of changes in the expected performance of such asset, which can be driven by a number of factors affecting our operations, as well as other market considerations. We test goodwill and our brand for impairment on an annual basis. In the years ended December 31, 2016, 2017 and 2018, we recognized goodwill (*fondo de comercio*) and other intangible assets (*otros activos intangibles*) impairments (*deterioro del fondo de comercio y deterioro de otros activos intangibles*) of €1.0 million, €0.2 million and €7.4 million, respectively. The impairments in 2018 were recognized primarily due to the impairment of the Jeno's Pizza brand.

A reduction in expected future cash generation in light of potential difficult market conditions in Spain or the markets where we operate, could lead us to recognize impairments. Material impairment to our goodwill and intangible assets may adversely affect our results of operations due to the recognition of impairment charges and our statement of financial position and capital position through the write-down of the relevant carrying values.

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

As a retail business, we have a highly diversified client base. However, our business relies in part on our franchisees and master franchisees. In 2016, 2017 and 2018 we received 36.1%, 38.4% and 44.8% of our consolidated revenues (*ingresos*) from our franchisees and master franchisees in the form of factory sales to franchisees (*venta de fábricas al por mayor*) and royalties (*royalties*), respectively. As of December 31, 2018, we had 1,049 Telepizza franchisees globally and 185 Telepizza master franchisees. The loss of a substantial part of our franchisees could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

As of December 31, 2018, our franchisees in Spain operated an average of 1.4 franchises and our top three largest franchisees operated 15, 14 and 7 franchises, respectively. We received less than 1% of our consolidated revenues (*ingresos*) from our largest master franchisee (the Pollo Campero group) during 2018. The master franchise agreements with the Pollo Campero group in Guatemala and El Salvador both expire in 2027, although they may be renewed for additional periods of seven and ten years, respectively.

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

Our business and the business of our franchisees and master franchisees are dependent on frequent deliveries from third-party suppliers of raw materials, ingredients and complementary products that meet our specifications. Our suppliers may, among other things, extend delivery times, deliver unsatisfactory products, raise prices and limit or discontinue our supply due to their own shortages, business requirements or otherwise. Shortages or interruptions from suppliers may be caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions. We have prepared alternative supply options in the event of a disruption in our principal suppliers' operations, for example, when one of the Ornua factories was temporarily closed due to a fire in 2018, we sourced our requirements from an alternative Ornua location. Additionally, we have emergency plans in place in the event of a disruption of operations at our dough production facilities, our logistics centers or those of our suppliers. Despite preparations we have made for potential disruptions, it may be difficult for us to adapt to such contingencies.

Additionally, arranging for an alternative supplier on short notice, may result in an increase in costs or any delay or disruption may negatively affect our customers' experience.

Our policy is to centralize the production of our proprietary dough blend and the supply of raw materials, pizza topping ingredients and complementary products for our own and franchised stores. We currently operate seven dough production facilities worldwide and use 23 logistics centers, with deliveries being made to stores several times per week. Our dough production facilities and logistics centers that stock ingredients and complementary products from third-party suppliers serve all of our own and franchised stores operating under the Telepizza and Jeno's Pizza brands in the countries in which Telepizza has a legal entity. Our centralized production policy means that the supply of our own and franchised stores depends on the operations of a small number of suppliers. We have six suppliers of cheese globally (three in Europe and four in Latin America – one of which supplies us in both regions) and Ornua, is our main supplier in Spain and Portugal, representing 32% and 31% of the supply, respectively. Regarding complementary products, we have agreements for the supply of beverages with Coca-Cola in Spain and PepsiCo in other countries and for the supply of desserts with Unilever in Spain. The concentration of certain of our suppliers significantly increases our reliance on them, which would increase the effects of any shortages or interruptions in the supply or delivery of raw materials, ingredients and complementary products. Consequently, an interruption to the operation of, or delivery from, our dough production facilities, our logistics centers or our suppliers' production facilities could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

We are subject to long-term price and volume obligations under certain of our supply contracts while under other supply contracts, we are exposed to potential fluctuations in respect of price and delivery volumes.

We entered into a long-term strategic supply contract with Ornua (formerly known as the Irish Dairy Board) for cheese (the "Ornua Supply Agreement"), which along with dough constitutes one of our primary raw materials. In 2018, cheese made up 32% of our gross purchases, with Ornua being our main supplier and the main dairy products supplier of our stores in Spain and Portugal. Under the Ornua Supply Agreement, we are bound to purchase a minimum annual amount of cheese and other dairy products at agreed prices, which are adjusted quarterly. In the event our demand for cheese and dairy products under the contract decrease below the minimum annual amount, we may still be required to purchase the minimum annual amount.

In addition, we have entered into exclusive contracts for the supply of certain other products, ingredients and services, such as drinks, desserts and transportation. Should alternative supplies of these products, ingredients or services become available at lower prices or be more attractive to us or to our customers, we may be unable to change to these alternative sources quickly. As of December 31, 2018, we were a party to long-term commitments for the purchase of certain inventories which, in the case of a contractual breach, would give rise to penalties with an estimated negative aggregate impact *(penalización en caso de incumplimiento*) of €2.0 million on our consolidated results of operations.

Certain of our master franchisees enter into supply agreements with local suppliers. We approve the local supply contracts between third parties and our master franchisees, but any changes to pricing or other material terms made subsequent to such contracts may indirectly have a material adverse impact on our results of operations as a result of our franchisees increasing product prices to pass through the effects of price changes in the supply contracts and the possible reduction of master franchisee sales as a result of such price increases. See "*Business—Supplies, Manufacturing and Distribution.*"

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

A material breach of our obligations under the Yum! Alliance in a given jurisdiction may result in the loss of our right to use Telepizza trademarks and distinctive signs in such jurisdiction.

Under the Yum! Alliance, we transferred the bare ownership rights over the Telepizza trademarks and other distinctive signs to a JVCo, of which we own 100% of the class A shares and in which Pizza Hut owns one class B share. Pizza Hut's class B share entitles it to certain veto rights over the activities of the JVCo. We maintain a usufruct, or right to use and enjoy the profits from, the Telepizza trademarks and distinctive signs. Pizza Hut also purchased a call option exercisable upon payment of the fair value (which has been determined by a third-party) to acquire from JVCo the bare ownership rights of the Telepizza trademarks and other distinctive signs, which it is entitled to exercise within 18 months of (i) certain enforceability events and (ii) the third anniversary of entry into the Yum! Alliance. If the Yum! Alliance is terminated in a given jurisdiction as a result of a material breach by us of certain terms of the Yum! Alliance, or as a result of our failure to perform material obligations, Pizza Hut could request the termination of the usufruct in respect of the Telepizza trademarks and other distinctive signs in such jurisdiction, among other consequences. Any such termination would result in us not being entitled to continue to use such trademarks or other distinctive signs in such jurisdiction, which would have a material impact on our business, operations, prospects, results and financial conditions in such jurisdiction, and which could have an impact on our ability to make payments on the Notes.

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

Our growth plan includes opening new own stores under the TPZ brand in Spain and Portugal, entering into new franchise and master franchise agreements under the TPZ and Pizza Hut brands and managing and operating the Pizza Hut Brand in Latin America (excluding Brazil), the Caribbean, Spain, Portugal, Andorra and Switzerland. Additionally, under our long term development plan, we expect to open approximately 1,300 new stores by the end of 2028. We directly operate and manage staff in our own stores, whereas our franchised and master franchised stores are operated by our franchisees who pay us a percentage royalty based on net sales revenue and a further amount as a contribution to marketing. In the future, we plan to acquire operators of Pizza Hut stores in certain countries. Following the acquisition of each operator, we will directly operate and manage the staff of these own stores. These stores will remain under the Pizza Hut brand and pay an alliance fee under the Yum! Alliance. We have already completed the Ecuador acquisition and we also expect to complete a similar acquisition in Chile. As Pizza Hut's master franchisee, we will pay an alliance fee and a percentage royalty to Yum! Brands for all sales under both the Telepizza (including our own stores) and Pizza Hut brands. During 2016, 2017 and 2018, under the Telepizza brand, we opened 35, 50 and 11 own stores globally and closed 2, 10 and 39 own stores, and our franchisees and master franchisees opened 70, 200, and 90 stores and closed 25, 22 and 49 stores, respectively. Following consummation of the Yum! Alliance, we have converted 7 stores to Pizza Hut stores as of March 2019 and acquired 52 stores, including 38 stores in Ecuador acquired prior to the Yum! Alliance. Also, as a result of own store buybacks and transfers, the net transfer of own stores to franchisees was 40, 53 and 27 in 2016, 2017 and 2018, respectively.

Pursuant to our long-term growth plan in connection with the Yum! Alliance, we seek to expand in most of Latin America, the Caribbean, Switzerland, Spain and Portugal. In connection with such expansion, we take into account numerous factors such as the location of our current stores (if any), demographics, traffic patterns and information gathered from our various contacts. Our analysis may not prove accurate, and these factors may not evolve in the future as we expect. Furthermore, entering new markets involves particular challenges including: difficulties in hiring experienced personnel; lack of familiarity with local real estate markets and demographics; delays or problems in securing required governmental permits; consumer lack of familiarity with our brand or the Pizza Hut brand (as applicable) and/or the strength of incumbent brands; inability to rely on consumption patterns gained from our operation in existing markets; competitive and economic conditions that differ from those we anticipated; and consumer tastes and discretionary spending patterns that are different or more difficult to predict or satisfy than in our existing markets. Any failure on our part to recognize or respond to these challenges may materially adversely affect the success of our growth strategy and our business, results of operations, financial condition, cash flows and prospects.

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

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

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

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

Even if we recognize and respond to these challenges, our existing internal systems and controls, distribution and delivery networks and information technology systems may not be adequate to support our planned expansion. We may face further challenges as we seek to integrate our internal systems and controls and information technology systems with those of Pizza Hut and the new operators we expect to acquire. Additionally, our distribution and delivery networks may be strained as we transition to the role of authorized supplier of all Pizza Hut stores in Iberia and Latin America. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We may not be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure, or we may prove unable to hire or retain the necessary management and operating personnel. The pressure of these demands could result in the less effective operation of our existing business, an inability to successfully operate our new Pizza Hut franchises, and ultimately, a deterioration in our financial performance and results of operations.

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

In order to raise brand awareness and attract and retain customers, we incur costs and expend other resources on marketing efforts to develop and promote new products, and to refurbish our stores. In 2018, we incurred expenses of €17.8 million on marketing and advertising campaigns (*publicidad y propaganda*) and €3.4 million on the refurbishment and relocation of own stores. Despite the significant costs incurred, these initiatives may not always be successful in generating higher revenues. Additionally, some of our competitors may have greater financial resources, enabling them to spend significantly more on marketing and advertising and other initiatives than we are able to.

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

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

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

Our business model relies in part on the ability of our franchisees and master franchisees, and their respective sub-franchisees, to develop their business. As part of our growth strategy, we use franchises on substantially similar terms to grow in those markets where we are well-established through own stores and where we have developed significant local knowledge. We normally use master franchise agreements to enter into geographic markets where the dynamics or business culture differ significantly from our consolidated markets, and where we can benefit from an experienced local partner. As of December 31, 2018, 1,234 of our total of 1,620 Telepizza stores (excluding Ecuador) were under franchise or master franchise agreements and we received 36.1%, 38.4% and 44.8% of our consolidated revenues (*ingresos*) (which includes revenue from Ecuador) from our franchisees and master franchisees in 2016, 2017 and 2018, respectively, including the sales from the factory to franchisees and the royalty and marketing fees.

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

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

Under our franchise and master franchise agreements, we may, among other things, recommend pricing policies and indicative prices for our products, but franchisees and master franchisees may freely decide the final prices to be applied and they may establish unprofitable prices over which we lack control due to compliance with antitrust regulations. Any of these deviations from our pricing recommendations may negatively affect our business, results of operations, financial condition, cash flows and prospects.

Moreover, it is also possible that some franchisees or master franchisees could file for bankruptcy or become delinquent in their payments to us, which could have a significant adverse impact on our business due to loss or delay in payments of royalties, alliance fees, contributions to our marketing efforts and our information technology systems and commissioning payments from our supply activity. Bankruptcies by our franchisees or master franchisees in certain jurisdictions could negatively impact our market share and operating results and adversely impact our ability to attract new franchisees and master franchisees and retain existing franchisees and master franchisees. Additionally, we typically sign lease agreements with landlords and sub-lease the property to franchisees, leaving us potentially responsible for the full lease payments if the sub-lessee cannot pay us. As of December 31, 2018, the total amounts provisioned by us in our consolidated statement of financial position in relation to receivables with (*prdidas por deterioro*) franchisees amounted to €13.6 million.

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

Our business plan requires capital investments.

Historically, we have made capital investments in our business. For the years 2016, 2017 and 2018, we recorded capital expenditures of €27.0 million, €27.8 million and €26.9 million, respectively. We generally require capital expenditures for the maintenance of our existing store portfolio to remain competitive and maintain the value of our brand. In addition, in previous years our capital expenditures have mainly related to the opening of new stores and the refurbishment and relocation of our existing stores. In 2018, however, in preparation for the upcoming store conversions in connection with the Yum! Alliance, we reduced our capital expenditures in store openings and refurbishments and relocations, and increased our capital expenditures in the digital area and store buybacks. In 2018, we recorded capital expenditures of €4.9 million for maintenance, €6.9 million for store buybacks and €5.2 million for digital and information technology systems. In addition, we also incurred €11.1 million in capital expenditures in 2017 related to the acquisition of the Apache Pizza chain in Ireland, €19.0 million in capital expenditures in 2018 related to the acquisition of Pizza Hut Ecuador and the €11.9 million for the initial franchise fee. In 2019, we expect our operating capital expenditures will be mainly related to store openings and conversions, and are expected to require capital expenditures of approximately €40.0 to €45.0 million. These estimates exclude the impact of any acquisitions or divestments over the period. We intend to use cash flows from operations for these capital expenditures. However, if cash flows from operations prove insufficient, we would need to borrow or otherwise obtain the necessary funds. If we are not able to obtain the necessary funds, we may experience reduced profitability and could be required to delay, significantly curtail or eliminate planned capital investments, which could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. Furthermore, if our capital expenditures exceed budgeted amounts, it could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

Our international operations subject us to additional risks.

We conduct a portion of our business and procure products and ingredients outside Spain. See "*Business—Regions in Which We Operate*." In 2018, 21.9% of our total consolidated revenues (*ingresos*) were originated in the Latin America segment, 15.5% in the Rest of Europe segment and 0.2% in the Master Franchises and Rest of the World segment. Our financial condition and results of operations may be adversely affected if the markets where our own stores and franchised and master franchised stores compete are affected by changes in political, economic or other factors. These factors, over which neither we nor our franchisees or master franchisees have control, may include:

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

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

In addition, we have terminated two contracts with Iranian counterparties: a master franchise agreement with Momenin Investment Group and a software user license agreement with Hermes Food Industrial Development (the "Iranian Agreements"). In addition, we are in the process of winding down our business dealings in Iran related to the termination of the Iranian Agreements. As of December 31, 2018, Momenin Investment Group operated nine Telepizza franchise stores in Iran. Iran presents an elevated risk of corruption and money laundering and is one of two countries in the world that the Financial Action Task Force has included on its List of Non-Cooperative Countries because of deficiencies in its anti-money laundering regime. Similarly, the European Commission has classified Iran as a high-risk country pursuant to the Fourth Anti-Money Laundering Directive, and the U.S. Department of Treasury has identified Iran as a jurisdiction of elevated money laundering concern. In addition, Iran is the subject of various sanctions imposed by the United Nations, the European Union and its member states, and the United States, which make it difficult to transact business with Iranian parties. Violations of applicable anti-corruption laws, anti-money laundering laws, or sanctions could result in Telepizza incurring significant monetary fines and other penalties. For the year ended December 31, 2018, we derived 0.3% of our chain sales from Iran. We have terminated the Iranian Agreements, and, pursuant to the conditions of the Takeover Offer, we are currently in the process of terminating all of our business dealings in Iran related to the termination of the Iranian Agreements, and as of the Settlement Date we intend to no longer have any business dealings in Iran or with Iranian counterparties. However, should we fail to end our business dealings in Iran by the end of the Takeover Offer acceptance period, the Acquisition may not be consummated, which could result in a special mandatory redemption of the Notes and impact the return you receive on the Notes.

Failure to comply with anti-bribery or anti-corruption laws could adversely affect our business operations.

The U.S. Foreign Corrupt Practices Act, the UK Bribery Act and other similar laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis and enforcement around the world. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents or other third parties will not take actions in violation of our policies or applicable law, particularly as we expand our operations in emerging markets and elsewhere. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial fines and significant investigation costs, and could also materially damage our reputation, brands, international expansion efforts and growth prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our business, results of operations, financial condition, cash flows and prospects.

Legal, political and economic uncertainty surrounding the expected exit of the United Kingdom from the European Union may adversely impact current trading arrangements, be a source of instability in international markets and create significant currency fluctuations, which could have a material adverse effect on our business, results of operations and financial condition.

The United Kingdom held a referendum on June 23, 2016, to determine whether the United Kingdom should leave the European Union or remain as a member state, and the outcome of that referendum was in favor of leaving the European Union ("Brexit"). Under Article 50 of the 2009 Lisbon Treaty ("Article 50"), the United Kingdom will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the United Kingdom) unanimously decides to extend this period. On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union. Although negotiations between the UK and EU regarding the UK's proposed withdrawal from the EU began in June 2017, as of the date of this Offering Memorandum, the final withdrawal agreement has not been agreed and ratified by the UK and the EU Member States. Moreover, uncertainty was exacerbated by the lack of decisive majority following the United Kingdom general election in June 2017.

Due to the size and importance of the United Kingdom's economy, the uncertainty and unpredictability concerning the United Kingdom's legal, political and economic relationship with Europe after the United Kingdom exits the European Union may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of the United Kingdom's withdrawal from the European Union. It is also possible that the expected exit of the United Kingdom from the European Union will lead other EU member states to consider leaving the European Union, which could be an additional source of instability in the international markets. Further, other EU member states within the eurozone could decide to discontinue their use of the euro as their functional currency. The expected exit of the United Kingdom (or the possible exit of any other country) from the European Union, the potential withdrawal of Scotland, Wales or Northern Ireland from the United Kingdom, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies), and decreased GDP in the EU or other markets in which we operate.

In addition, there are concerns that these events could push the United Kingdom, the eurozone and/or the United States into an economic recession, which, were this to occur, would further destabilize the global financial markets. As we generate revenue in a number of different currencies, primarily including the euro, the Chilean peso, the Colombian peso, and the Polish zloty, increased currency fluctuation, in particular with regard to the euro, due to the uncertainty created by the expected exit of the United Kingdom from the European Union could have a material adverse impact on our results of operations. For these reasons, the United Kingdom's decision to leave the European Union, could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

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

Our business is subject to risks associated with our ability to provide delivery services for our products. Approximately 56% of Telepizza chain sales for the year ended December 31, 2018, consisted of delivery sales. Our operations depend on our fleet of road vehicles and delivery drivers. These vehicles, and their drivers, could be involved in accidents causing fatalities, injuries and property damage, and adverse weather conditions and increased road traffic volumes may contribute to increases in the number of accidents involving our vehicle fleet in the future. Any such accidents may affect the Telepizza and Pizza Hut brands and their respective reputations and expose us to financial liabilities. In addition, our operations are subject to the state of general road networks which are less developed in some of the countries in which we operate. Furthermore, if we are not able to maintain our vehicle fleet or employ qualified delivery drivers in sufficient number, we may be unable to maintain or improve our standards of delivery to customers.

As of December 31, 2018, we owned 1,468 motorbikes in Spain used for deliveries from our own stores. The investment in our motorbike network in Spain in 2016, 2017 and 2018 was €0.5 million, €0.5 million and €0.4 million, respectively. As part of our growth plan, we aim to improve the delivery experience for customers by reducing delays, which requires us to add additional delivery staff across our network. If we are unable to implement these measures, it may materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

We may face labor shortages or increased labor costs.

Labor is a primary component in the cost of operating our own stores. If we face labor shortages or increased labor costs because of increased competition for employees, higher employee-turnover rates, unionization of store workers, increases in the legally mandated minimum wage, changes in labor law requirements, or increases in employee benefits costs (including costs associated with health insurance coverage or workers' compensation insurance) in the countries in which we operate, our operating expenses could increase and our growth and profitability could be adversely affected.

Our labor and employment costs may rise in the future, or rise faster than expected as a result of minimum wage increases. Although we pay wages above the applicable minimum wage in Spain, significant increases in the minimum wage both in Spain and in other countries in which we operate could increase our labor costs. We may not be able to offset increases in labor and employment costs through productivity gains and we may be unable to increase our product prices in order to pass future increased labor costs on to our customers, which may result in a negative impact on our profitability. Even if we are able to increase product prices to cover increased labor costs, the higher prices could result in decreased customer visits, adversely affecting our sales and thereby reducing our profitability.

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

Our success depends on our ability to attract qualified employees.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of well-qualified store operators, management personnel and other employees. Qualified individuals needed to fill these positions can be in short supply in some geographic areas. Moreover, QSRs have traditionally experienced relatively high employee turnover rates. Our ability to recruit and retain such individuals may delay the planned openings of new stores or result in higher employee turnover in existing stores. Competition for these employees could require us to pay higher wages, which could also result in higher labor costs. These factors could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

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

We depend in large part on our brands and branded products and believe that they are very important to our business. We rely on a combination of trademarks, copyrights, service marks, trade secrets and similar intellectual property rights to protect our brand and branded products as well as those of Pizza Hut. The success of our business depends on our continued ability to use both the Pizza Hut and our existing Telepizza trademarks and service marks in order to increase brand awareness and further develop our branded products in both Spanish and international markets. Our most important trademarks under which we operate globally are "Pizza Hut," "Telepizza" and, locally in Colombia, "Jeno's Pizza." As of December 31, 2018, the "Telepizza" name was registered (or we have applied for its registration), in 106 countries, including all the countries in which we operate. However, we may not be able to adequately protect our, and Pizza Hut's, trademarks, and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of Spain.

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

Our business is affected by the strength and reputation of both the Telepizza and Pizza Hut brands.

The strength and reputation of both the Telepizza and Pizza Hut brands are critical to our business in the markets in which we currently operate as well as to our success as we enter new markets. Following the consummation of the Yum! Alliance, we intend to enter new markets in Latin America and the Caribbean under the "Pizza Hut" brand and we intend to increase our presence in Iberia under both the Telepizza and "Pizza Hut" brands. We believe that we have built Telepizza's reputation on the high quality of our products and services, our commitment to our customers, our strong employee culture, and the atmosphere and design of our stores, and we must protect and grow the value of our brand in order for us to continue to be successful. Similarly, the Pizza Hut brand is one of the most widely recognized brands globally. Any negative incident that affects consumer loyalty to our brand or the Pizza Hut brand could significantly reduce the brands' value and damage our business.

We may be adversely affected by any negative publicity involving Telepizza and Pizza Hut, regardless of its accuracy, including with respect to:

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

These risks may increase due to actions of our franchisees and master franchisees or the actions of other operators of Pizza Hut stores, in each case, outside of our control. While we try to ensure that our franchisees and master franchisees maintain the quality of our and Pizza Hut's brand and branded products, they may take actions that adversely affect our reputation. We are unable to exercise any control over the operations and actions of other Pizza Hut store operators. Additionally, incidents involving third-party delivery services or QSR unrelated to us could also adversely affect consumer sentiment toward our products and services, even if they have no connection to us.

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

We do not own any substantial real property and our operations are primarily located on leased premises.

We do not own any substantial real property and our headquarters, production facilities, logistics centers and stores are located on leased premises, which we believe provides us with greater operational flexibility. The lease agreements of most of our stores provide an average term of ten years, generally allowing us to terminate the lease early without penalty giving due notice. In the leases for stores in shopping malls, there is a fixed lease period of five years (on average) where early termination is not permitted. As of December 31, 2018, our total future minimum payments under non-cancellable operating leases (*Pagos mínimos futuros por arrendamientos operativos no cancelables*) amounted to €86.0 million (including €18.5 million due within a year (*menos de un año*)). If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our credit facilities or other sources, we may not be able to service our lease expenses or fund our other liquidity and capital needs, which would materially affect our business.

In the case of franchised stores, we typically sign the lease with the landlord and sub-lease the stores to our franchisees (for a ten-year period). We sub-lease approximately 40.5% of our Telepizza franchised stores globally. We are obliged to continue making payments on the underlying lease even if our franchisee ceases to make payments to us on the sub-lease. In the event that we seek to recover such payments, such actions and proceedings may be costly.

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

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

We may experience instances of foodborne illness.

Incidents or reports of foodborne or waterborne illness or other food safety issues, food contamination or tampering, employee hygiene and cleanliness failures or improper employee conduct at our stores or production facilities could lead to product liability or other claims. Such incidents or reports could materially negatively affect the Telepizza and Pizza Hut brands and reputations as well as our business, results of operations, financial condition, cash flows and prospects. Similar incidents or reports occurring at QSR unrelated to us or Pizza Hut stores which we do not operate could likewise create negative publicity, which could negatively impact consumer sentiment towards us.

Food safety is a top priority, and we dedicate substantial resources to help ensure that our customers enjoy safe, quality food products. However, foodborne or waterborne illnesses and other food safety issues have occurred in the food industry in the past, and could occur in the future. We cannot guarantee that our internal controls and training will be fully effective in preventing all foodborne illnesses. Furthermore, our reliance on franchisees, master franchisees and certain third-party food suppliers, distributors and processors makes it difficult to monitor food safety compliance and may increase the risk that foodborne illness would affect multiple locations rather than single stores. Some foodborne illness incidents could be caused by third-party food suppliers and transporters outside of our control. We cannot guarantee that all products will be properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and which should not be used in our stores. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in one of our own, operated, franchised and master franchised stores as well as at a Pizza Hut store not operated by us, could negatively affect sales at all of our stores if highly publicized, especially due to the high geographic concentration of many of our stores. This risk exists even if it were later determined that the illness was wrongly attributed to one of our stores. If our customers become ill from foodborne illnesses, we could be forced to temporarily close some stores and may be subject to regulatory fines, rectification costs and may incur higher food safety costs in the future. In addition, our business could be materially and adversely affected by the outbreak of a widespread health epidemic, including various strains of avian flu or swine flu, such as H1N1. The occurrence of such an outbreak of an epidemic illness or other adverse public health developments could materially disrupt our business and operations.

We depend on key executive management and the loss of the services of any of our senior management members could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

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

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

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

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

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

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

We collect and process personal data in our daily business, and the leakage of such data may violate law and could adversely affect our business.

We collect, store and use personal data in the ordinary course of our business operations, and are therefore subject to data protection legislation (including the General Data Protection Regulation (EU 2016/679) (the "GDPR")). Non-compliance or technical defects resulting in a leak or the misuse of such data could result in damage to our reputation and otherwise harm our business.

The GDPR, which came into effect on May 25, 2018, and was immediately binding across all Member States of the EU, is a new privacy regime regarding the protection of natural persons in relation to the processing of personal data and the free movement of such data. The GDPR obligates EU-based companies or companies that process personal data about EU subjects (either as "data controllers" or as "data processors") to comply with a large number of obligations, which relate for example to (i) the processing of personal data including transparency, data minimization, accuracy, storage limitation, security and confidentiality; (ii) the ability of the controller to demonstrate compliance with such principles (accountability); (iii) the obligation to identify a legal basis before the processing; and (iv) the rights of data subjects, such as, among others, transparency, a right of access, the right to rectification and the right to erasure. The GDPR obligates companies to implement a number of formal processes and policies to review and document the privacy implications of the development, acquisition, or use of all new products, technologies or types of data. We continue to work to be fully compliant with our obligations under the GDPR. Non-compliance may be met with significant penalties including fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease processing). Compliance with the GDPR will be a rigorous and time-intensive process that may increase our cost of doing business, and the failure to comply with these laws could subject us to significant fines and sanctions. In addition, we do not currently have specific data security insurance coverage and we cannot guarantee that our general liability insurance coverage will be sufficient to cover all or any liabilities in the event of a breach of our data security systems. Should one or more of these risks materialize, it could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

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

We have in the past and expect in the future to pursue strategic acquisitions as part of our business. If we are able to identify acquisition candidates, such acquisitions may result in rapid and significant changes to our operations, including the integration of new brands, stores, employees and systems. This may require considerable management time as well as integration expenses for rebranding before any significant revenues and earnings can be generated. Operations in new markets may be unprofitable, and acquisitions in existing markets may be affected by our existing presence as well as local economic and market conditions. Therefore, we may not experience the operating margins we expect in the event of a strategic acquisition. Acquisitions also require extensive management attention to complete and to pursue effective integration. If we are unable to integrate our acquisitions successfully, our business, results of operations, financial condition, cash flows and prospects may be materially adversely affected.

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

Our insurance may not provide adequate levels of coverage.

We believe that we maintain insurance customary for businesses of our size and type. We have contracted insurance policies that cover employee-related accidents and injuries, property and equipment damage, inventory damage and civil liability deriving from our activities. Pursuant to the terms of our standard franchise agreement, franchisees are also required to maintain at their expense minimum levels of insurance coverage against fire, floods and civil liability. In the event of an accident, our insurance coverage provides for an aggregate maximum amount of €70.0 million, with relevant sub-limits, including a maximum €21.1 million for loss of profits as a result of accidents to our production plants.

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

Fluctuations in exchange rates can affect our results of operations.

Our results of operations and financial condition have been, and will continue to be, affected by changes in the value of the euro (our functional currency) against, among others, the U.S. dollar, Chilean peso, Colombian peso or Polish zloty, because a portion of our revenue and costs is linked to these currencies. In 2017 and 2018, 77.7% and 77.9% of our revenues (*ingresos*), respectively, were derived from countries inside the eurozone. Sales made by our stores outside of the eurozone are denominated in the currency of the country in which the store is located, and this currency may become less valuable when converted into euros as a result of exchange rate fluctuations. Although we currently do not hedge our foreign currency risk, we have done so in the past and we may choose to do so again in the future. Such hedges may not be effective, and our hedging policy may change at any time. Unfavorable currency fluctuations could also lead to increased prices to customers outside the eurozone or lower profitability to our franchisees and master franchisees outside the eurozone, for example through increasing the cost of euro-denominated supplies in relation to local currencies. Unfavorable currency fluctuations could also result in lower revenues and earnings for us, on a euro basis, from our customers, franchisees and master franchisees outside the eurozone. Furthermore, foreign-sourced dividends by the subsidiaries of TPZ may be subject to unfavorable currency fluctuations when converted into euros, reducing the distribution received by TPZ on a euro basis. In addition, we may choose not to hedge the euro value of foreign currencies. Especially as we enter additional markets outside the eurozone, fluctuations in currency exchange rates could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

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

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

In addition, the QSR industry is currently under heightened journalistic, legislative and regulatory scrutiny stemming from the perception that some QSR products have contributed to widespread medical problems such as obesity and diabetes. Consumer eating habits, as well as legal and regulatory oversight, may change if our products are perceived to be unhealthy. Furthermore, compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health regulations or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings accordingly. The imposition of menu-labeling laws could have an adverse effect on our business, results of operations and financial condition, as well as the restaurant industry in general.

Furthermore, we are subject to complex laws and regulations relating to environmental protection, safety and health, and in particular to food preparation, health, quality and nutritional disclosure regulations. These laws and regulations may change and become increasingly stringent. For example, in 2016, Chile implemented a new regulation aimed at reducing the incidence of obesity. The new regulation includes the mandatory use of front-of-package warning labels on packaged foods and beverages high in energy, sugars, saturated fats and sodium. Such foods may not be sold or offered in daycares and schools and cannot be promoted to children under 14 years old. Similar regulations may increase our compliance costs and costs of operations and ultimately reduce our profitability. Moreover, any failure to comply with health, safety and environmental requirements may lead to fines and other sanctions and even restaurant closures, as well as damage our reputation.

Adapting our practices and product range for any statutory, regulatory or legal requirements may be costly and time-consuming and, potentially, have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

The implementation of IFRS 16 will have a significant impact on our accounts and affect the comparability of our consolidated annual accounts.

The International Accounting Standards Board issued IFRS 16 ("Leases") in January 2016, which became effective from January 1, 2019. IFRS 16 introduces a single accounting model for lessees that principally obligates lessees to account for right-of-use assets and lease liabilities for lease contracts with a term of more than twelve months. The significant impact of IFRS 16 is the elimination of the classification according to IAS 17 (*Leases*) of lease contracts as operating leases and finance leases. As a result, leases, which were shown off-balance sheet according to IAS 17, are now recognized as a right-of-use asset and lease liability on the statement of financial position. We applied IFRS 16 for the first time on January 1, 2019. To this end, in our 2018 Financial Statements we disclosed a process for the implementation of IFRS 16 that enabled us to quantify the estimated impact of IFRS 16 in our consolidated annual accounts. Because we carry out our activity by leasing a large number of stores and, to a lesser extent, offices, factories and warehouses, for periods in excess of one year, the application of IFRS 16 in 2019 is expected to result in the recognition of rights-of-use assets (*activos por derechos de uso*) amounting to approximately €87.0 million, a net investment in subleases (*inversion neta en subarriendos*) totaling approximately €61.0 million, lease liabilities (*pasivos por arrendamientos de contratos*) of approximately €160.0 million and a loss (*resultado negativo*) of €7.0 million for the difference between the rights-of-use assets and the net investments in subleases. Consequently, the implementation of IFRS 16 will impact the comparability of financial statements and may make it more difficult to compare our accounts ended December 31, 2019 (and any interim reporting going forward), which apply the new rules, with our consolidated annual accounts from previous years (or interim reporting).

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

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

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

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

Furthermore, for the 2018 financial year, we have deducted net financial expenses (*gastos financieros*) of €6.2 million (in tax base) which were not deducted in previous years. The right to use carry forward net financial expenses in Spain does not expire. We have recognized a deferred tax asset (*activos por impuestos diferidos*) of €35.3 million related to tax loss carry-forwards and net financial expenses deductible in future years.

The Group was subject to various tax audits between the years 2011 and 2017 in relation to several items such as our corporate income tax for IT in Portugal and the classification of sales as the supply of goods from a VAT perspective in Poland. Although we believe that the tax policy of Telepizza and its subsidiaries is in material compliance with applicable tax laws and regulations, financial expenses are an area of particular scrutiny by the Spanish tax authorities and we may be subject to a reassessment requiring us to reduce or cancel such tax deductions. Any change in our ability to use such tax deductions could materially affect our business, results of operations, financial condition, cash flows and prospects.

Changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.

We are subject to complex tax laws. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by the relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations or our effective tax rate and have a negative effect on our business, financial condition and results of operations. The occurrence of any of the foregoing tax risks could have a material adverse effect on our business, financial condition and results of operations.

The Issuer and the Guarantors may be members of a tax consolidated group for Spanish CIT purposes that includes Spanish entities that do not belong to the Restricted Group, and may be exposed to additional tax liabilities.

Bidco and all its Spanish Subsidiaries expect to elect to form a new tax consolidated group for Spanish corporate income tax purposes as from the fiscal year starting on January 1, 2020. Under the provisions of Spanish Law 27/2014, dated 27 November, governing Corporate Income Tax ("CIT Law"), all Spanish-resident entities that may be deemed to be "controlled entities" of the applicable non-Spanish-resident "controlling entity" must be included on such tax consolidated group mandatorily.

A "controlling entity" will be the ultimate legal entity in the corporate chain (which cannot be a look- through entity and must be subject to, and not exempt from, a corporate level tax) holding a direct or indirect participation of at least 75% in the share capital, and the majority of the voting rights of, the Spanish-resident "controlled entities." The minimum shareholding required is reduced to 70% in case the controlled entity has its stock listed in a regulated exchange. A "controlling entity" must not be resident in a jurisdiction regarded as a tax haven for Spanish tax purposes.

All entities belonging to a consolidated tax group under the CIT Law will be taxed on a consolidated basis, and will be jointly and severally liable for the payment of the consolidated tax group's CIT debts (other than penalties). Any tax audit initiated in respect of a standalone entity member of the consolidated tax group will interrupt the statute of limitations applicable in respect of the entire group. Furthermore, tax credits, deductions and allowances generated by a member of the consolidated tax group but which ultimately reduce the CIT burden of another group member (in comparison with the CIT that would have been due if such entity was taxed on a standalone basis) will normally give rise to accounts receivable and payable among the entities that are members of the CIT consolidated tax group. However, the entity primarily liable vis-a`-vis the Spanish Tax Authorities for the payment of the CIT due by the group will be the representative entity of the consolidated tax group.

Such representative entity will need to procure that the members of the tax consolidated group settle such accounts receivable and payable in order to be able to fund any payment before the Tax Authorities.

The "controlling entity" of the tax group will be an entity organized under the laws of Luxembourg that will indirectly hold 100% of the share capital and the voting rights of Bidco, and therefore of the Issuer. If the "controlling entity," any intermediate holding company or Debtco ever hold, directly or indirectly, any other shareholding in a Spanish-resident entity eligible to be a "controlled entity," such Spanish-resident entity will be included in the tax consolidated group mandatorily. It is expected that the Bidco will be the representative entity of such tax consolidated group.

Any other Spanish-resident entity directly or indirectly controlled by the "controlling entity," any intermediate holding company or Debtco, will not belong to the group of entities that will be restricted by the Indenture (the "Restricted Group"), and therefore, they will not be a party to the Indenture, and the covenants provided therein will not restrict their ability to carry on their own business and transact with entities that do not belong to the Restricted Group. These companies may enter into transactions that may potentially give rise to ongoing CIT liabilities for such group vis-a`-vis the Spanish Tax Authorities, and which may, to the extent that they fail to reimburse the Restricted Group for such CIT liabilities, cause a material adverse impact on the business and operations of the Restricted Group, as the case may be.

It is expected that KKR will procure that any Spanish Subsidiary enter into a tax consolidation agreement (the "TCA"), providing a mechanism to ensure the settlement of any accounts payable and receivable derived, directly or indirectly, from the applicability of the Spanish consolidated Corporate Income Tax regime.

Prospective investors should note that any other Spanish-resident entity directly or indirectly controlled by the "controlling entity," any intermediate holding company or Debtco, may cause the Issuer and the Guarantors to be exposed to additional Spanish Corporate Income Tax liabilities, and that the effects of such additional Corporate Income Tax burden may not be effectively and fully mitigated by the TCA. In particular, prospective investors should note that they will have no rights under the TCA, and there may be no assurance that the TCA provisions are complied with or duly enforced, or that KKR will effectively guarantee their fulfilment.

We are subject to risks from legal and arbitration proceedings.

From time to time, we are involved in legal and arbitration disputes which may involve claims for damages or other payments. The outcome of such proceedings cannot be predicted. In addition, we have been and may, from time to time, be subject to investigation or proceedings by regulatory authorities. In the event of a negative outcome of any legal or arbitration proceeding, whether based on a judgment, a settlement agreement or any regulatory investigations, we could be obligated to make payments which could have a material adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant. Moreover, from time to time, we may face litigation from current or former franchisees in connection with the termination or non-renewal of a franchise agreement or regarding the implementation of our store expansion or for other reasons. We cannot exclude the possibility that an arbitrator or a judge, as applicable, could decide such proceedings against us, that such a decision could require us to pay significant damages, could lead to other similar litigation, could harm our reputation or that our business, results of operations and financial condition could be harmed as a result. For a discussion of our legal and administrative proceedings, see "*Business—Legal Proceedings*."

Our business, results of operations and financial condition can be adversely affected by unforeseen events, such as terrorist attacks, natural disasters or catastrophic events.

Unforeseen events, such as terrorist attacks, natural disasters, sustained episodes of inclement weather or other catastrophic events can adversely impact our and our franchisees' sales and may discourage our customers from dining out, thereby reducing footfall to our and our franchisees' stores. For example, our operations in Ecuador were affected in 2016 due to an earthquake and in Chile, in 2015, due to severe flooding in several towns in the north of the country. Such events could dampen consumer spending among consumers, reduce footfall and prevent us from operating our stores at peak capacity or cause disruptions to our supplies. Because a significant portion of our stores' operating costs is fixed or semi-fixed in nature, the loss of revenue following such events harms our operating margins and can result in operating losses. In addition, other developments, such as local strikes, boycotts, both nationally and in areas in which we operate, social and economic instability, civil disturbances or similar events, could adversely affect our business, results of operations, financial condition, cash flows and prospects.

Risks Related to the Transactions

The Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer may redeem the Notes at 100% of the issue price, plus accrued and unpaid interest.

On December 21, 2018, Bidco submitted to the CNMV a prior announcement of the Takeover Offer for all ordinary shares in the Target. On March 28, 2019, the CNMV approved and authorized the Takeover Offer. The Takeover Offer is subject to the satisfaction of certain conditions, including (i) that the offer is irrevocably accepted by the holders of the Minimum Acceptance Threshold and (ii) that the Target ends all business activities and dealings in Iran and with Iranian counterparties. Bidco, at its election, may waive certain of these conditions in specific circumstances, see "*The Transactions*." The acceptance period for the Takeover Offer ends on April 30, 2019. Pursuant to the provisions of Article 23 of the Royal Decree 1066/2007 of July 27, Bidco may extend the period for accepting the Takeover Offer for a total of 70 calendar days, giving prior notice to the CNMV. Pending the consummation of the Acquisition and the Reorganization (other than the Post-Settlement Merger), the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer. The release of the escrow proceeds from the Escrow Account is subject to the satisfaction of certain conditions, including the ownership by Bidco of at least 50% of the voting shares of the Target, plus one share, and the Reorganization (other than the Post-Settlement Merger). As of the date of the Offering Memorandum, we do not yet know whether the Takeover Offer will be successful.

If the conditions of the Takeover Offer are not fulfilled by the end of the Takeover Offer period (including after an extension, if any), and Bidco chooses not to waive the conditions, then the Acquisition will not be consummated. If the conditions to the release of the Escrowed Property, as more fully described under "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," have not been satisfied on or prior to the Business Day immediately following the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes. In particular, if the conditions to the Takeover Offer are not satisfied or (if applicable) waived, or if less than 50% plus one share of the Target is held by Bidco as of the Escrow Longstop Date, the Issuer may undertake a special mandatory redemption. The realization of any risks related to the Acquisition could have an impact on the return you receive on the Notes.

If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on an equity investment from Debtco.

The gross proceeds from the Offering will be held in the Escrow Account, pledged in favor of the Trustee for the benefit of the holders of the Notes, pending the satisfaction of certain conditions, some of which are outside our control. If the conditions to the release of the Escrowed Property, as more fully described under "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," have not been satisfied on or prior to the Business Day immediately following the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" (the "Special Mandatory Redemption") and you may not obtain the return you expect to receive on the Notes.

The escrow proceeds deposited in the Escrow Account will be initially limited to the gross proceeds of the Offering and will not be sufficient to pay the special mandatory redemption price (the "Special Mandatory Redemption Price"), which is equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of special mandatory redemption (the "Special Mandatory Redemption Date"). In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Debtco will be required to fund the Issuer with an amount sufficient to cover the difference between the Special Mandatory Redemption Price and the amount of the Escrowed Property, including accrued interest and Additional Amounts (if any) due with respect to the Notes from the Issue Date to the Special Mandatory Redemption Date and any negative interest on the Escrow Account, pursuant to an escrow equity commitment delivered to the Issuer by Debtco (the "Escrow Equity Commitment").

Holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. There can be no assurance that Debtco will have sufficient funds to make this payment, and the Issuer may not have access to the funds necessary to allow it to pay the full amount of the required redemption price in the event of a special mandatory redemption.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial position of the Target and its subsidiaries, or the terms of the Acquisition or the Refinancing, between the Issue Date and the Escrow Release Date, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Debtco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Control Date.

Debtco, the direct parent of the Issuer, will not obtain control of the Target until the Control Date. The current shareholders of the Target may not operate the business of the Target during the interim period from the announcement of the Takeover Offer until the Control Date in the same way that we would. Some information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to the Target Group, has been provided to us by the Target and its subsidiaries, and the Issuer has relied on such information supplied to it in the preparation of this Offering Memorandum. Furthermore, the Acquisition itself has required, and will likely continue to require, substantial time and focus from management, which could adversely affect management's ability to operate the business. Likewise, employees may be uncomfortable with the Acquisition or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Escrow Release Date, the Target Group will not be subject to the covenants described in "*Description of the Notes*" to be included in the Indenture, although after the Settlement Date, the Target and its subsidiaries may be subject to the terms and the restrictive covenants of the Bridge Facility Agreement. We cannot assure you that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the Indenture had those covenants been applicable. Any of the risks associated with Debtco's lack of control over the Target and its subsidiaries until the completion of the Acquisition could have a material adverse effect on our business, financial position and results of operations.

The Acquisition may entitle our customers and certain other business partners of the Target Group to terminate their agreements as a result of change of control provisions.

The Acquisition may constitute a change of control under certain agreements entered into by Telepizza and its subsidiaries, such as commercial agreements with some of its suppliers, and may entitle these third parties to terminate their agreements with us or, in some cases, request adjustments of the terms of the agreements. We cannot exclude the possibility that some of these third parties may exercise their termination, adjustment or other rights, which could have a material adverse effect on our business, results of operations and financial position following the Acquisition. In addition, some of the third parties may use their termination or adjustment rights to renegotiate the terms of the agreements to our detriment.

Waiver of the Takeover Offer conditions may have adverse consequences for holders of the Notes.

Certain of the conditions of the Takeover Offer may be waived by Bidco in specific circumstances, including the condition that the Minimum Acceptance Threshold is satisfied, without the consent of holders of the Notes. Furthermore, any waiver of the conditions of the Takeover Offer may make the Acquisition less attractive and may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the price of the Notes.

The Target and/or any of its subsidiaries may have liabilities that are not known to us.

There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into the Target and its subsidiaries in connection with the Acquisition. We may learn of additional information about the Target and/or any of its subsidiaries that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial position and results of operations.

The Sponsor's opportunity to conduct due diligence with respect to the Target was limited, and its due diligence may not have revealed all facts that may be relevant in connection with the Acquisition.

Before making investments, the Sponsor conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, the Sponsor typically evaluates a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Sponsor relies on resources available to them, including information provided by the target of the investment and, in some circumstances, third party investigations.

Instances of bribery, fraud, accounting irregularities, contingent liabilities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions.

There may be liabilities that the Sponsor failed or was unable to discover in the course of performing due diligence investigations into the Target and its subsidiaries in connection with the Acquisition. Following the Acquisition, we may learn of additional information about the Target and/or any of its subsidiaries that adversely affect us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial position and results of operations.

As the Target is a publicly listed company, the due diligence conducted for the Acquisition was mostly limited to publicly available information. Accordingly, we cannot be certain that the Sponsor's due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target. We also cannot be certain that the Sponsor's due diligence investigations will result in the Issuer's investment in the Target being successful or that the actual financial performance of such investment will not fall short of the financial projections the Sponsor used when evaluating that investment.

We may be unable to complete the Post-Settlement Merger within the anticipated time frame, or at all.

We intend to complete the Post-Settlement Merger following the Escrow Release Date. The Post-Settlement Merger will be undertaken pursuant to the provisions of, among others, the Spanish Companies' Structural Act (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*). In order to complete the Post-Settlement Merger, there are various steps that we must take, including the filing and registration of the corresponding merger deed with the Commercial Registry of Madrid. Our estimation of the time frame required to complete the Post-Settlement Mergers is based upon usual market practice. The Issuer will use commercially reasonable efforts to achieve the Post-Settlement Merger, however, the Post-Settlement Merger is subject to certain conditions that depend on actions of third parties and which are out of control of the Issuer and may not be completed within the currently envisaged time frame or at all. In the event we are unable to complete the Post-Settlement Merger, the ability of the Issuer to make payments under the Notes, will depend entirely on the ability of the Company, the borrower under the Pre-Merger Proceeds Loan, to make payments under the Pre-Merger Proceeds Loan, and on the ability of the Issuer to borrow from other sources, including under the Revolving Credit Facility.

We may not be able to convert the Company into a public limited liability company.

The Company will initially be a private limited liability company (*sociedad limitada*). Under Spanish law, private limited liability companies can only issue and guarantee notes up to an aggregate maximum amount of twice its own equity (*recursos propios*), unless the issue is secured by a mortgage, a pledge over securities, a public guarantee or a joint and several guarantee from a credit institution and are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*). We intend to convert the Company into a public limited liability company (*sociedad anónima*) as soon as practically possible after its incorporation or simultaneously with the Post-Settlement Merger, however, there is no assurance that we may be able to do so in a timely manner or at all. Should we fail to complete the conversion, the limitations mentioned above will apply to the Issuer once it merges into the Company and for as long as the Company remains a private limited liability company (*sociedad limitada*).

Risks Related to Our Indebtedness

Our significant leverage may make it difficult for us to operate our businesses.

We currently have, and after the issuance of the Notes will continue to have, a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2018, on an as adjusted basis to give effect to the Transactions, we would have had €335.0 million of outstanding total indebtedness, consisting entirely of aggregate principal amount of Notes offered hereby. See "*Capitalization*." In addition, our Revolving Credit Facility provides for borrowings up to an aggregate of €45.0 million, subject to certain conditions. We expect that no cash drawings will be outstanding under the Revolving Credit Facility on the Escrow Release Date. We anticipate that our high leverage will continue to exist for the foreseeable future and the covenants under the Revolving Credit Facility Agreement and the Indenture provide us with significant flexibility to incur additional debt and make distributions. Our significant leverage could have important consequences for our business and operations and for holders of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debts and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund working capital, capital expenditure, R&D, acquisitions, organic growth projects and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or general economic or industry conditions;
- placing us at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than we have;
- limiting our flexibility in planning for or reacting to competition or changes in our business and industry;
- negatively impacting credit terms with our suppliers and other creditors;

- increasing our exposure to interest rate increases because some of our indebtedness bears a floating rate of interest, placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged and restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and

- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Our ability to make payments on and refinance our debt and to fund acquisitions, working capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations or obtain enough capital to service our debt or to fund our future acquisitions or other working capital expenditures.

In addition, we may be able to incur substantial additional debt in the future, including debt in connection with future acquisitions. The terms of the Revolving Credit Facility Agreement and the Indenture will permit our subsidiaries to do so, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify. For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*"

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

We may incur substantial additional debt in the future. Although the Indenture and the Revolving Credit Facility Agreement will contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. Under the Indenture, in addition to specified permitted debt, we are, or will be, able to incur additional debt that is not Senior Secured Indebtedness (as defined in the Indenture) so long as, on a *pro forma* basis for an applicable given transaction, our Fixed Charge Coverage Ratio (as defined in the Indenture) is at least 2.00 to 1.00, or, if the indebtedness is secured on the Collateral but is not Senior Secured Indebtedness (as defined in the Indenture), the Consolidated Total Secured Leverage Ratio (as defined in the Indenture), does not exceed 5.50 to 1.00. In addition, we may incur additional Senior Secured Indebtedness so long as our Consolidated Senior Secured Leverage Ratio (as defined in the Indenture) may not exceed, after giving effect to such incurrence and the use of proceeds transaction, 4.50 to 1.00. In addition to the foregoing, we may also incur various types of indebtedness notwithstanding meeting the ratios described above if we have capacity under the permitted debt baskets provided for in the Indenture. See "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*." Such basket also provides for capacity to incur all amounts committed under the Revolving Credit Facility. In addition, we can test these ratios at the time of commitment of additional debt and then be able to draw amounts at a time when we do not meet these ratios. The terms of the Indenture will permit us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive or less restrictive than, those of the Indenture.

Moreover, some of the debt we may incur in the future could be structurally senior to the Notes (such as at the level of our subsidiaries that do not guarantee the Notes). We may incur debt that shares in the Collateral, that may be secured by collateral that does not secure the Notes and the Guarantees or could mature prior to the Notes. The Indenture will not restrict how expensive any debt we may incur in the future will be. In addition, the Indenture does not prevent us from incurring obligations that do not constitute "Indebtedness" as defined therein. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum. An inability to service our debt could have a material adverse effect on our business, financial position, results of operations and thus on our ability to fulfill our obligations under the Notes and the Guarantees.

We will be subject to restrictive covenants that will limit our operating, strategic and financial flexibility.

Our Revolving Credit Facility Agreement and the Indenture will contain covenants that impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;

- make certain payments, including dividends or other distributions;

- make certain investments or acquisitions, including participating in joint ventures or undertaking capital expenditures;

- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- agree to limitations on the ability of our subsidiaries to make distributions;
- sell assets, consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital of certain subsidiaries;
- impair the security interests granted for the benefit of the holders of the Notes;
- undertake certain activities, own certain assets or incur certain liabilities at the Target; and
- create or incur or suffer to exist certain liens.

These covenants could affect our ability to operate our business and may limit our ability to react to market conditions or regulatory developments or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, pursue acquisitions, investments or alliances, restructure our organization or finance our capital needs or such acquisitions.

Our failure to comply with the covenants under the Revolving Credit Facility Agreement or the Indenture, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Revolving Credit Facility Agreement and the Indenture will require us to comply with various covenants, including a springing financial covenant in respect of the Revolving Credit Facility requiring us to maintain a specified senior secured net leverage ratio and which is tested when loans under the Revolving Credit Facility (subject to certain exceptions and net of cash and cash equivalents) aggregate 40% of the total commitments under the Revolving Credit Facility as at that testing date (or, if higher, the total commitments under the Revolving Credit Facility as of the date of the Revolving Credit Facility Agreement) on the last day of a financial quarter. See "*Description of Other Indebtedness—Revolving Credit Facility Agreement.*" Our ability to meet this financial ratio could be affected by a deterioration in our operating results, as well as by events beyond our control, including, without limitation, unfavorable economic conditions, and we cannot assure you that we will be able to meet this ratio. Moreover, the Revolving Credit Facility Agreement includes certain events of default (including, among other things, events of default for breaches of representations and warranties and an event of default for our failure to make principal payments when due on certain other debt) that are in addition to the events of default set forth in the Indenture. Subject to a clean-up period lasting until the date falling 180 days after the Control Date or following any other permitted acquisition, if an event of default occurs and is continuing under the Revolving Credit Facility Agreement, the facility agent under the Revolving Credit Facility Agreement (if directed by the majority lenders thereunder) could, among other things, terminate any available facilities, cancel any undrawn commitments and declare all amounts borrowed, together with accrued and unpaid interest and any other sums then payable, to be immediately due and payable. Borrowings under other debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand in the event that acceleration occurs under the Revolving Credit Facility Agreement. In these circumstances, our assets and cash flow may not be sufficient to repay in full that debt and our other debt, including the Notes then outstanding, if some or all of these instruments were accelerated, which could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event.

We may not be able to generate sufficient cash to service our debt or sustain our operations, including due to factors outside our control, and may be forced to take other actions to satisfy our debt obligations, which may not be successful.

Our ability to make payments on or to refinance the Notes or our other debt obligations, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debt, including the Notes, or to fund our liquidity needs including the repayment at maturity of the then outstanding amount under the Revolving Credit Facility. At the maturity of the Revolving Credit Facility, the Notes or any other debt that we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, planned acquisitions and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more-onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indenture may restrict us from adopting some of these alternatives. Furthermore, we may be unable to find alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. If we are not able to refinance our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes. In that event, borrowings under other debt agreement or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts, including the Notes.

In addition, any failure to make payments of interest or principal on our outstanding debt on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional debt. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our debt, including under the Indenture, restrict our ability to transfer or sell assets. We may not be able to consummate certain dispositions or obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet our debt service obligations then due. In addition, the terms of our debt, including the Notes, the Indenture and the Revolving Credit Facility, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict out business, financial position and results of operations.

In addition, the terms of our debt, including the Notes, the Indenture and the Revolving Credit Facilities, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial position and results of operations.

We are exposed to interest rate risks, and such rates may adversely affect our debt service obligations.

A portion of our debt bears interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates, primarily in respect of drawings under the Revolving Credit Facility, which is based on the Euro Interbank Offered Rate or the London Interbank Offered Rate (as applicable, depending on the currency of any loan advanced thereunder), plus an applicable margin. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Neither our Revolving Credit Facility Agreement nor the Indenture contains a covenant requiring us to hedge all or any portion of our floating rate debt.

The interests of our principal shareholders may be inconsistent with the interests of holders of the Notes.

Following the Control Date, the Sponsor will indirectly control the Target Group. See "*Principal Shareholders"* and *"Certain Relationships and Related Party Transactions.*" As a result, the Sponsor will have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. In addition, the Sponsor will have control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of shareholders regardless of whether our management believes that any such transactions are in our own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the

Indenture, the Revolving Credit Facility and the Intercreditor Agreement so permit. The incurrence of additional or more expensive indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect us. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders who have the power, following the Control Date, to effect compliance with such covenants. The interests of the Sponsor and its affiliates could conflict with the interests of holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The Sponsor may also have an interest in pursuing divestitures, financings or other transactions that in their judgment could enhance their equity investments, although such transactions might involve risks to holders of the Notes. In addition, the Sponsor or its affiliates may, in the future, own businesses that directly compete with ours or do business with us. The Sponsor may also pursue via different portfolio companies acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsor collectively continue to own a significant amount of our capital stock, the Sponsor will continue to be able to strongly influence or effectively control our decisions.

Risks Related to the Notes

The Issuer has no revenue-generating operations of its own and will depend on cash from the operating companies of the Target Group to be able to make payments on the Notes.

The Issuer was incorporated for the purpose of issuing the Notes and does not have any operations or assets (other than receivables under the Pre-Merger Proceeds Loan after the making thereof) of its own. Prior to the Post-Settlement Merger Date, the Issuer's cash flows and the ability of the Issuer to service its debt, including the Notes, will depend entirely on the ability of the Company, the obligor under the Pre-Merger Proceeds Loan, to make payments on the Pre-Merger Proceeds Loan, and on the ability of the Issuer to borrow from other sources, including under the Revolving Credit Facility. If the Company does not make sufficient payments to the Issuer under the Pre-Merger Proceeds Loan, and if the Issuer is unable to raise additional debt financing or borrow under the Revolving Credit Facility, it will not be able to make payments on the Notes prior to the Post- Settlement Merger Date.

The Company is a holding company that is dependent on distributions from its subsidiaries to make payments on the Pre-Merger Proceeds Loan and to service interest and principal payments under the Notes.

The Company, which from the Escrow Release Date will be the sole initial guarantor of the Notes and which, after the Post-Settlement Merger, is expected to be the successor to the Issuer as the primary obligor under the Notes, is a holding company with no revenue-generating operations of its own and its only significant assets will be the equity interests it holds in its subsidiaries. The Company will be dependent on the cash flows from its subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Pre-Merger Proceeds Loan and, initially, the Escrow Release Date Guarantee and from and after the Post-Settlement Merger, the Notes. Therefore, the ability of the Company to make payments under the Pre-Merger Proceeds Loan, and consequently the ability of the Company to make payments on the Notes, will depend primarily on the operating performance and financial condition of the Company's other subsidiaries, of which only some will guarantee or otherwise be required to make payments on the Notes, and then only from a date within 120 days from the Escrow Release Date. The operating performance and financial condition of the operating subsidiaries of the Company, and the ability of such subsidiaries to provide funds to the Company by way of dividends or otherwise, will in turn depend, to a certain extent, on general economic, financial, competitive, market and other factors described under "—*Risks Related to the Business*," many of which are beyond the Company's and the Issuer's control. If the subsidiaries of the Company do not generate income and cash flow sufficient to enable the Company to meet its payment obligations under the Pre-Merger Proceeds Loan and, if the Company is unable to raise additional debt financing or borrow under the Revolving Credit Facility, the Issuer will not be able to make payments on the Notes.

Various regulations and current or future agreements in respect of the subsidiaries of the Company may restrict the ability to, and in some cases prohibit, the ability of subsidiaries of the Company to distribute cash to the Company. Applicable laws and regulations, including local corporate laws, tax laws, foreign exchange controls, the EU Alternative Investment Fund Managers Directive and regulatory capital requirements, may also limit the amounts that the subsidiaries of the Company are permitted to pay as dividends or distributions to the Company. Any restrictions on distributions by such subsidiaries could adversely affect the ability of the Company to make payments on the Pre-Merger Proceeds Loan and, consequently, on the ability of the Issuer to make payments on the Notes prior to the Post-Settlement Merger. In addition, financial assistance and corporate benefit restrictions may prevent upstream loans from being made to the Company by its subsidiaries. Although the Indenture restricts the ability of the subsidiaries of the Company to enter into certain future consensual restrictions on their ability to pay dividends and make other payments to the Company, there are significant qualifications and exceptions to these limitations.

Whether or not our operating subsidiaries make dividends or distributions to the Company will be resolved upon by each subsidiary's respective shareholders' meeting, upon proposals by the relevant board of directors of such subsidiary, who are under no legal obligation to cause such company to pay a dividend or make a distribution. The determination of each board of directors will also depend on the level of distributable reserves of such subsidiary, and we cannot assure you that our operating subsidiaries will distribute dividends in an amount sufficient to service the Pre-Merger Proceeds Loan or the Notes, or at all. Holders of the Notes will not have any direct claim on the cash flows or assets of the Company's subsidiaries who are not Guarantors, and such subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Pre-Merger Proceeds Loan or the Notes or to make funds available to the Company or the Issuer for these payments.

The Issuer and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents relating to the Notes will allow the Issuer, the Guarantors and the other Collateral providers to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and is continuing and subject to certain conditions, the Issuer, the Guarantors and the other Collateral providers may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

The Notes will not be initially secured by all of the Collateral and the Guarantors will not initially guarantee the Notes.

On the Issue Date the Notes will not be secured by all of the Collateral, as further described under "*Description of the Notes—Security*." On the Issue Date and prior to the Escrow Release Date, the Notes will only be secured by the Escrow Charge. Upon the release of the Escrowed Property, the first-priority security interests over the Escrowed Property will be released. We will agree in the Indenture to secure the Notes (i) on the Escrow Release Date, by the Escrow Release Date Collateral; (ii) immediately following the repayment of all amounts outstanding under the Existing Senior Facilities and the release of the related guarantees and security interests securing the Existing Senior Facilities, by the TPZ Collateral; and (iii) within 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, by the Post-Escrow Release Date Collateral. Following the Post-Settlement Merger Date and to the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed, if necessary.

There can be no assurance, however, that we will be successful in procuring the grant of the above liens within the time periods specified, and any grant of security will be subject to certain agreed security principles and perfection requirements, as well as any other liens permitted under the Indenture to be granted on the same Collateral. The security interests will be limited to the same extent as those under the Revolving Credit Facility and otherwise as set forth under "C*ertain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*," which limitations could be significant. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*." It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions under applicable local insolvency laws. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

On the Issue Date, the Notes will not be guaranteed. On the Escrow Release Date, the Notes will only be guaranteed by the Company. We will agree in the Indenture, subject to the Agreed Security Principles, to take such necessary actions so that each of the Post-Escrow Release Date Guarantors becomes a guarantor of the Notes within 120 days from the Escrow Release Date, by executing and delivering to the Trustee a supplemental indenture substantially in the form attached to the Indenture. There can be no assurance that we will be successful in procuring such additional Guarantees within the time period specified. The Guarantees by the Guarantors will be limited as set forth in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes.

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Collateral. Such enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the Notes. The Security Agent is required to apply turned over amounts and other recoveries by the Security Agent from enforcement actions toward discharging the super senior obligations (including, among others, those under the Revolving Credit Facility, certain hedging obligations and future indebtedness that may be secured on a super senior basis (the "Super Senior Liabilities")) in priority to applying any such amounts toward discharging the Notes. As such, in the event of a foreclosure of the Collateral, you may not benefit from such recoveries if the then outstanding claims under such Super Senior Liabilities are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied *pro rata* in repayment of the Notes and any other indebtedness that ranks *pari passu* with the Notes.

Furthermore, claims of our secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

There are risks related to Spanish withholding tax, including in conjunction with the collection of certain documentation from the paying agent.

Under Spanish tax regulations established by Royal Decree 1065/2007 (as defined in "*Certain Taxation Considerations—Spain*"), income paid by the Issuer in respect of the Notes will not be subject to Spanish withholding tax only if certain requirements are met, including that the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market on the relevant interest payment dates, and that the paying agent provides us, in a timely manner, with a duly executed and completed statement providing certain details relating to the Notes (the "Payment Statement"). Accordingly, if we do not receive the Payment Statement from the paying agent in a timely manner, income in respect of the Notes will be subject to withholding tax at the then-applicable rate (currently 19.0%). See "*Certain Taxation Considerations—Spain*" for a more detailed explanation. The Issuer will not gross up payments in respect of any such withholding tax. See "*Description of the Notes—Withholding Taxes*."

It is expected that the paying agent will follow certain procedures to facilitate the timely provision by the paying agent to us of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. If such procedures are not followed, however, the Issuer will make the relevant Spanish withholding tax at the then-applicable rate (currently 19.0%) from any income payment in respect of the Notes. Such procedures may be revised from time to time in accordance with changes in the applicable Spanish laws and regulations or administrative interpretations thereof. Accordingly, while the Notes are represented by a Global Note, holders of the Notes must rely on such procedures in order to receive payments under the Notes free of any Spanish withholding tax, to the extent applicable. Prospective investors should note that none of the Issuer, the Paying Agent, the Trustee or the Initial Purchaser will be liable for any damage or loss suffered by any holder of the Notes who would otherwise be entitled to an exemption from Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such Spanish withholding tax. Therefore, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the paying agent to deliver a duly executed and completed Payment Statement, holders of the Notes may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Holders of the Notes may not control certain decisions regarding the Collateral.

The obligations under the Notes and the Guarantees thereof are secured on a first ranking basis with security interests over the Collateral that also secure our obligations under the Super Senior Liabilities. The Indenture also permits the Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the Indenture regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action.

The Intercreditor Agreement provides that the agent of the creditor class who wishes to deliver an enforcement instruction must first consult with every agent or representative of the other creditor classes, certain creditors and the Security Agent for a period of not less than 30 days. After an initial consultation period, the Security Agent may act upon the instructions of an instructing group, which may be holders of 50% of the aggregate principle amount of the Notes outstanding or creditors of 50% of the aggregate principal amount of super senior indebtedness (which includes drawn and undrawn commitments under the Revolving Credit Facility). To the extent there are conflicting instructions, those on behalf of holders of the Notes will prevail. However, in certain circumstances the creditors in respect of Super Senior Liabilities will have control over enforcement of the Collateral, including if (i) such creditors have not been fully repaid within six months of the end of the first 30-day consultation period, (ii) the Security Agent has not commenced any enforcement action within three months of the end of the first 30-day consultation period or (iii) an insolvency event has occurred and the Security Agent has not commenced any enforcement action.

These arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Issuer or its subsidiaries during such period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value.

If the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and future secured indebtedness may be secured by certain assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral at the time of enforcement. See "*Description of the Notes—Security*." Not all of our assets secure the Notes, and the Indenture allows the Issuer and its restricted subsidiaries to secure any future Indebtedness (as defined in the Indenture) permitted to be incurred under the Indenture (which may be structurally senior to the Notes and the guarantees) with the property and assets of the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes.

While the Indenture creates certain obligations to provide additional guarantees and grant additional security over assets, or a particular class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to the Agreed Security Principles. The Agreed Security Principles set forth in the Indenture set out a number of limitations on the rights of the holders of the Notes to be granted security or guarantees in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the security or guarantees provided by the Issuer and the Guarantors.

The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value at the time of enforcement of the assets underlying the security interests granted in favor of holders of the Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. The value of the Collateral may be less than the principal amount of the Notes, and no assurance can be given that, if the Issuer defaults on the payments due on the Notes and the Security Agent forecloses on and sells the Collateral, holders of the Notes will receive sufficient proceeds to satisfy all amounts owed on the Notes. In addition, any enforcement of the Collateral would be subject to relevant insolvency laws and regulations, and recovery of the value of any assets on insolvency may be limited or constrained by application of these laws and regulations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Collateral provided as security for the Notes is limited to liens granted by Guarantors over the shares in other Guarantors and over intercompany structural loans granted to Guarantors whose shares have been so pledged and to liens over material bank accounts of the Issuer. See "*Description of the Notes—Security*." Trade receivables, inventories, intellectual property rights, real property or other assets of the Issuer and the Restricted Subsidiaries (as defined under "*Description of the Notes*") will not constitute part of the Collateral. No appraisal of the value of the Collateral has been made in connection with this Offering. The value of the assets underlying the pledges will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of such collateral may not be liquid and its value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets will not secure the Notes, and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of our subsidiaries pledged to secure the Notes and the Guarantees thereof, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes, the holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and the Guarantors' remaining assets.

The Indenture also permits the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. In particular, security interests in the Collateral may be released if a lien is granted on such Collateral in favor of other indebtedness so long as such lien is a Permitted Lien (as defined under "*Description of the Notes—Certain Definitions—Permitted Liens*"). Moreover, if we issue additional Notes under the Indenture, holders of such Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Guarantees and security interests to secure the Notes may create hardening or voidance periods for such Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." In addition, following the Post- Settlement Merger Date and to the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed in accordance with the covenant described under "*Description of the Notes— Certain Covenants—Impairment of Security Interest*," which may restart or reopen hardening or voidance periods in respect of such collateral.

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

Enforcing your rights as a holder of the Notes or under the Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult.

The Issuer is incorporated under the laws of Spain; the Guarantors are incorporated or organized under the laws of Spain and may be organized in other jurisdictions; the Collateral includes the shares of certain of our subsidiaries incorporated under the laws of those jurisdictions in addition to Spain, and certain present and future intercompany loan receivables held by the Issuer and certain of its subsidiaries in respect of debtors in certain of these jurisdictions. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes, the Guarantees, the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral. We cannot predict in which jurisdiction or jurisdictions, insolvency or similar proceedings would be commenced, or the outcome of such proceedings, and such proceedings may be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of the holders of Notes under the Notes and with respect to the Collateral. See "*Service of Process and Enforcement of Civil Liabilities*," and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the guarantees and the security documents in these jurisdictions or limit any amounts that you may receive.

The security interests in the Collateral will not be granted directly to the holders of the Notes. The ability of the Security Agent or the Trustee, as applicable, to enforce the Collateral may be restricted by local law.

The security interests that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but to the Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Other Indebtedness—Intercreditor Agreement*."

In addition, the ability of the Security Agent or the Trustee, as applicable, to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions. In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the relevant Security Agent ("Parallel Debt") mirroring the obligations of the Issuer and the Guarantors owed to holders of the Notes under or in connection with the Indenture, as applicable ("Principal Obligations"). All or part of the pledges and other security interests in such jurisdictions will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Collateral created under the Parallel Debt construct are deemed not to have been validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. The concept of "parallel debt" may be questioned under Spanish and Portuguese law and we are not aware of any court precedent where it has been recognized by a Spanish or Portuguese courts. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Collateral may only be enforced by the Security Agent or the Trustee. Neither Spanish nor Portuguese law expressly recognizes the concepts of security agents or trustees and therefor, the security agent or trustee structure may not be recognized by Spanish or Portuguese courts. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—Portugal—Limitations on Validity and Enforcement of the Guarantees and Security Interests Granted by Portuguese Subsidiaries*." In cases where an entity acts as security agent of the beneficiaries of the security interest or guarantee (i.e., the creditors of the secured obligations), such security agent must be duly empowered for that purpose at the time it acts as security agent. The enforcement of the security interest granted in favor of the holders of the Notes through the Trustee or the Security Agent may be conditioned to the existence of a power of attorney granted by each of the secured parties in favor of the Trustee or the Security Agent for such purpose. If no such power of attorney is provided or such power of attorney is not valid, neither the Trustee nor the Security Agent may be able to enforce the relevant Collateral on behalf of the holders of the Notes, which would result in the holders of the Notes not receiving the full amount owed.

The pledges over "ações" of a Portuguese "sociedade anónima" may be difficult to enforce and may not benefit from the Collateral Directive or of the Decree Law 75/2017.

In order to enforce pledges over "*ações*" of a Portuguese "*sociedade anónima,*" the Security Agent may choose from certain proceedings available to it, including, without limitation, (i) the enforcement proceeding for financial collateral security established under Decree-Law 105/2004, of May 8, 2004, ("DL 105/2004"), which implemented in Portugal Directive 2002/47/EC of the European Parliament and of the Council, of June 6, 2002, on financial collateral arrangements (the "Collateral Directive"), to the extent applicable; (ii) the enforcement proceeding for commercial pledge established under Decree-Law 75/2017, of June 26, 2017 ("DL 75/2017") and under article 401 of the Portuguese Commercial Code, to the extent applicable; (iii) the general enforcement proceedings for pledged assets established under Articles 666.º to 685.º of the Portuguese Civil Code, to the extent applicable, as well as any other proceedings available at the time of enforcement.

So long as the secured obligations have not been irrevocably and unconditionally paid or performed and discharged in full or otherwise cancelled, the use of any of the above proceedings shall not be deemed to constitute a waiver of other available procedures. However, no assurance can be given that any such proceedings would be successful and any such steps may result in substantial legal costs and expenses that may not be recovered from the Issuer or through the enforcement of the Collateral.

To the extent that other share pledge over "*ações*" of a Portuguese "*sociedade anónima*" falls within the scope of DL 105/2004 or DL 75/2017, the Security Agent could enforce its rights of appropriation and avoid more burdensome steps for enforcement which would otherwise be required. However, in the event that a Portuguese court concluded that the share pledge over "*ações*" of a Portuguese "*sociedade anónima*" does not fall within the scope of DL 105/2004 (or that the beneficiaries thereof do not fall within the categories listed in Article 3 of DL 105/2004), the share pledge over "*ações*" of a Portuguese "*sociedade anónima*" and its enforcement would not benefit from certain insolvency privileges. Likewise, in the event that a Portuguese court concludes that the share pledge over "ações" of a Portuguese "sociedade anónima" does not fall within the scope of DL 105/2004 or the scope of DL 75/2017, the enforcement of share pledge over "*ações*" of a Portuguese "*sociedade anónima*" may need to be carried out through other procedures available, such as through the sale of the pledged property in the market or in a public auction in accordance with the procedures contemplated under Articles 666.º to 675.º of the Portuguese Civil Code, as applicable, and otherwise without the increased flexibility (i) provided for under the Collateral Directive, as implemented in Portugal by DL 105/2004 or (ii) set out in DL 75/2017.

No assurance can be given that the share pledge over "*ações*" of a Portuguese "*sociedade anónima*" will benefit from the Collateral Directive and we cannot predict in which jurisdiction or which insolvency proceeding would be commenced or the outcome of such proceedings, and, in the event that the share pledge over "*ações*" of a Portuguese "*sociedade anónima*" does not benefit from the Collateral Directive, applicable insolvency laws may adversely affect the enforceability of the obligations of the Issuer and the enforcement of share pledge over "*ações*" of a Portuguese "*sociedade anónima,*" or could result in substantial waiting periods, notice requirements and/or legal costs and expenses that may not be recoverable from the Issuer or through the enforcement of the share pledge over "*ações*" of a Portuguese "*sociedade anónima.*" See "*Service of Process and Enforcement of Civil Liabilities*," and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The granting of the Guarantees and Collateral by a Portuguese guarantor or presented in Portugal for any legal purposes in connection with the issuance of the Notes may not be sufficient to satisfy the total amount of the secured obligations arising from the Notes.

The granting of the Guarantees and Collateral may be subject to stamp tax *(Imposto do Selo)* in Portugal if they are granted by a Portuguese resident entity or if they are presented in the Portuguese territory for any legal purposes. Stamp Tax is due in Portugal at rates varying in accordance with the term of the Guarantees or Collateral granted and up to 0.6% (for Guarantees and Collateral with no term or with a term of 5 years or higher), to be levied on the maximum amount secured by such Guarantees or Collateral.

Any stamp duty triggered with the creation of the Guarantees will be borne by the respective Guarantors or the Issuer as applicable.

Considering the tax framework described above, and in order to reduce or limit the tax burden arising from the Guarantees and Collateral subject to stamp tax in Portugal, the maximum amount secured by those Guarantees and Collateral may be lower than the total amount of the liabilities arising from the Notes. For example, the Guarantee provided by TelePizza Portugal - Comércio de Produtos Alimentares, S.A., our Portuguese subsidiary, will be capped at €5.0 million. However, we cannot provide any assurances that holders of the Notes will be able to recover even this amount under such Guarantee. For the year ended December 31, 2018, TelePizza Portugal - Comércio de Produtos Alimentares, S.A. accounted for 10.3% of the Target Group's Underlying EBITDA.

The pledges over "acciones" (such as the TPZ Collateral) may be difficult to enforce and may not benefit from the Collateral Directive.

In order to enforce pledges over "*acciones*" of a "*sociedad anónima*" (such as the TPZ Collateral), the Security Agent may choose from certain proceedings available to it, including, without limitation, (i) the enforcement proceeding for financial collateral security established under Royal Decree-Law 5/2005, of March 11, 2005, on urgent measures to promote productivity ("RDL 5/2005"), which implemented in Spain the EU Directive 2002/47/EC of the European Parliament and of the Council, of June 6, 2002, on financial collateral arrangements (the "Collateral Directive"), to the extent available; (ii) the enforcement proceedings for mortgaged and pledged assets established under Articles 681 to 698 of Spanish Act 1/2000, of January 7, 2000, on Civil Procedure; and (iii) the out-of-court proceeding provided in Article 1,872 of the Spanish Civil Code, as well as any other proceedings available at the time of enforcement (such as the procedure contemplated under Article 322 of the Spanish Commercial Code for securities). So long as the secured obligations have not been irrevocably and unconditionally paid or performed and discharged in full or otherwise cancelled, the use of any of the above proceedings may not be deemed to constitute a waiver of other available procedures. However, no assurance can be given that any such proceedings would be successful and any such steps may result in substantial legal costs and expenses that may not be recovered from the Issuer or through the enforcement of the Collateral.

To the extent that the TPZ Collateral (or any other share pledge over "*acciones*" of a "*sociedad anónima*") falls within the scope of RDL 5/2005, the Security Agent could enforce its rights of appropriation and avoid more burdensome steps for enforcement which would otherwise be required. However, in the event that a Spanish court concluded that the TPZ Collateral does not fall within the scope of RDL 5/2005 (or that the beneficiaries thereof do not fall within the categories listed in Article 4 of RDL 5/2005), (i) the TPZ Collateral and its enforcement would not benefit from certain insolvency privileges; and (ii) the enforcement of the TPZ Collateral may need to be carried out through other procedures available, such as through the sale of the pledged property in the market or in a public auction in accordance with the procedures contemplated under Articles 681 to 698 of Spanish Act 1/2000, of January 7, 2000, on Civil Procedure; Article 1.872 of the Spanish Civil Code and Article 322 of the Spanish Commercial Code, as applicable, and otherwise without the increased flexibility provided for under the Collateral Directive, as implemented in Spain by the RDL 5/2005. No assurance can be given that the TPZ Collateral will benefit from the Collateral Directive and we cannot predict in which jurisdiction or which insolvency proceeding would be commenced or the outcome of such proceedings, and, in the event that the TPZ Collateral does not benefit from the Collateral Directive, applicable insolvency laws may adversely affect the enforceability of the obligations of the Issuer and the enforcement of TPZ Collateral, or could result in substantial waiting periods, notice requirements and/or legal costs and expenses that may not be recoverable from the Issuer or through the enforcement of the TPZ Collateral. See "*Service of Process and Enforcement of Civil Liabilities*," and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

In addition, applicable law in some jurisdictions requires that security over certain property and rights acquired after the granting of a general security interest or lien can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Trustee or the Security Agent will monitor the future acquisition of property and rights that constitute Collateral or that the security providers will inform the relevant agents of such acquisition, and that the necessary action will be taken to properly perfect the lien on the Collateral including with respect to the filing of any supplemental documentation, including continuation statements to maintain the collateral perfected. Neither the Security Agent nor the Trustee will have any obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. Such failure may result in the loss of the practical benefits of the liens thereon or of the priority of the liens securing the Notes and have an adverse effect on the rights of the holders of the Notes to the Collateral.

The disposal of pledged assets under Spanish law and other applicable jurisdictions will be subject to statutory restrictions and may be substantially delayed.

Appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event is generally not permitted under Spanish law or the laws of other applicable jurisdictions. As a result, the enforcement of a share pledge governed by Spanish law or the laws of other applicable jurisdictions typically requires the sale of the relevant collateral through a formal disposal process involving a public auction or other similar procedures. No assurance can be given that any such disposal process would be successful and any such steps may result in substantial waiting periods, notice requirements, legal costs and expenses that may not be recoverable from the Issuer or through the enforcement of the Collateral. See "*Service of Process and Enforcement of Civil Liabilities*," and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

In addition, upon the foreclosure of a share pledge where not all the share capital is pledged, the remaining shareholders and the company may have a pre-emption right recognized in Spanish law or the laws of other applicable jurisdictions (in the case of private limited liability companies) or as set out in the bylaws of the company (in the case of both private and public limited liability companies) where applicable, over the shares that are being foreclosed. This may delay the enforcement process or affect the value of the shares.

There are circumstances other than the repayment or discharge of the Notes under which the Collateral securing the Notes will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent.

Under a variety of circumstances, the Collateral securing the Notes will be released automatically, including a sale or other disposition of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture, as applicable, an initial public offering to the extent effected by an IPO Debt Pushdown, the achievement by the Notes of investment grade ratings and in connection with an enforcement sale permitted under the Intercreditor Agreement. The Indenture will also permit us to designate one or more restricted subsidiaries that are Guarantors as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any guarantees of the Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries. In addition, liens granted in respect of the shares of the Issuer, the intercompany receivables owed to the Issuer and the material bank accounts of the Issuer will be released upon the occurrence of the Post-Settlement Merger.

The insolvency laws of Spain and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

On and after the Escrow Release Date, our obligations under the relevant Notes will be guaranteed by the relevant Guarantors and secured by security interests over the relevant Collateral. The Issuer is incorporated under the laws of Spain and the Guarantors are incorporated or organized under the laws of Spain and may be organized in other jurisdictions. There is a rebuttable presumption that the "centre of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings, as well as in the Spanish Insolvency Act, is the jurisdiction where the registered office is situated. In addition, the Collateral will include a pledge over the shares in certain of our subsidiaries incorporated under the laws of Spain and potentially other jurisdictions and pledges of certain present and future intercompany loan receivables held by the Issuer and certain of our subsidiaries incorporated under the laws of Spain and potentially other jurisdictions.

The insolvency laws of foreign jurisdictions may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, the Guarantors or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Guarantee against a Guarantor and the enforceability of the security interests in the Collateral (the "Security Interests"). In certain circumstances the court may also void the Security Interest or the Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the guarantees and the Security Interests, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the Security Interests provided by such security provider;

- direct that the Issuer and the holders of the Notes return any amounts paid under a Guarantee or any Security Interest to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or security provider's creditors; and

- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee or Security Interest is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor or security provider under its Guarantee or the Security Interests will be limited to the amount that will result in such guarantee or Security Interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from the Guarantors and security providers under the Security Documents will also be limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Guarantee or Security Interest may be set aside, in which case the entire liability may be extinguished. See also "—*Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Guarantees were issued or the Security Interests created, the Guarantor or security provider:

- issued such Guarantee or created such Security Interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;

- issued such Guarantee or created such Security Interest in a situation where a prudent business person as a shareholder of such Guarantor or security provider would have contributed equity to such Guarantor or security provider or where the relevant beneficiary of the Guarantee or Security Interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made; or

- received less than reasonably equivalent value for incurring the debt represented by the Guarantee or Security Interest on the basis that the Guarantee or Security Interest were incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee or the creation of the Security Interest, or subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a Guarantee or created any Security Interest if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we are solvent, and will be so after giving effect to the Transactions, there can be no assurance as to which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" as of the date the Guarantees were issued or the Security Interests were created or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Guarantee was issued or the Security Interests were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

For an overview of certain insolvency laws and enforceability issues as they relate to the Guarantees and Security Interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.

Certain of the Guarantors are incorporated or organized under the laws of Spain and Guarantors may also be organized in other jurisdictions. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor will be subject to certain defenses available to the Issuer or the relevant Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, justified corporate interest (where applicable), capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. For example, the Guarantee provided by TelePizza Portugal - Comércio de Produtos Alimentares, S.A., our Portuguese subsidiary, will be capped at €5.0 million. However, we cannot provide any assurances that holders of the Notes will be able to recover even this amount under such Guarantee. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." For the year ended December 31, 2018, TelePizza Portugal - Comércio de Produtos Alimentares, S.A. accounted for 10.3% of the Target Group's Underlying EBITDA.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes and the Guarantees have not been, and will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A who are also Qualified Purchasers, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Notice to Investors*."

The Notes will initially be held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream.

Interests in the Global Notes (as defined in "*Book-Entry; Delivery and Form*") will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined in "*Book-Entry; Delivery and Form*"), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and

Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Trustee, the Transfer Agent, the Registrar or the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry; Delivery and Form*."

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes and the Guarantees will be structurally subordinated to the claims of creditors, including trade creditors and preferred stockholders (if any), of our non-Guarantor subsidiaries.

Generally, claims of creditors, trade creditors, employees, authorities and preferred stockholders (if any) of non-Guarantor subsidiaries of the Issuer, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Issuer and the Guarantors. Accordingly, in the event that any non-Guarantor subsidiary of the Issuer becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary; and
- creditors of such non-Guarantor subsidiary, including trade creditors employees, authorities and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Guarantees will be structurally subordinated to the creditors, including trade creditors and any preferred stockholders (if any) of the non-Guarantor subsidiaries of the Issuer. In addition, the Indenture will, subject to certain limitations, permit these non-Guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors are organized or incorporated outside the United States, and their business is substantially conducted outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, as substantially all of the assets of the Issuer and the Guarantors and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Spain. For further information see "*Service of Process and Enforcement of Civil Liabilities*."

The Notes may not become or remain listed on the Official List of the Luxembourg Stock Exchange.

Application has been made to the Official List of the Luxembourg Stock Exchange for the listing of the Notes and for admission to trade the Notes on the Euro MTF Market thereof. There can be no assurance that the Notes will become or remain listed on the Luxembourg Stock Exchange. If the Issuer cannot maintain the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Euro MTF Market thereof, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to maintain such listing on the Official List of the Luxembourg Stock Exchange. Listing of any of the Notes on the Official List of the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Luxembourg has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Luxembourg Stock Exchange or another recognized listing exchange for comparable issuers, the delisting of the Notes from the Official List of the Luxembourg Stock Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market and may result in adverse tax consequences for holders of the Notes.

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a Change of Control Triggering Event (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding respective Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Revolving Credit Facility Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a Change of Control Triggering Event would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control Triggering Event as defined in the Indenture.

In addition, the occurrence of certain events that might otherwise constitute a Change of Control Triggering Event will be deemed not to be a Change of Control Triggering Event, provided that upon consummation thereof, a certain consolidated net leverage ratio of the Issuer and its restricted subsidiaries is met.

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 term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a Change of Control Triggering Event under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "change of control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a Change of Control Triggering Event has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of the Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost, terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Failure to register under the U.S. Investment Company Act of 1940, as amended may result in a material adverse effect on the Issuer.

The Issuer has not been and will not be registered with the SEC as an investment company pursuant to the U.S. Investment Company Act of 1940, as amended, in reliance on the exemption from registration provided by Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended. No action positions are available for non-U.S. obligors (a) whose outstanding securities owned by U.S. persons are owned exclusively by Qualified Purchasers and (b) which do not make a public offering of their securities in the United States. Accordingly, investors in the Notes will not be afforded the protections of the U.S. Investment Company Act of 1940, as amended. No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but has failed, to register in violation of the U.S. Investment Company Act of 1940, as amended, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors could sue the Issuer and recover any damages caused by the violation of the registration requirement of the U.S. Investment Company Act of 1940, as amended; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves a, violation of the U.S. Investment Company Act of 1940, as amended would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the U.S. Investment Company Act of 1940, as amended. Should the Issuer be subjected to any or all of the foregoing, there would be a material adverse effect on the Issuer.

If the Issuer determines that a purchaser of the Notes that is a U.S. person was not a Qualified Purchaser at the time of its acquisition of the Notes, the Issuer will have the right, at its option, to require such person to dispose of its Notes to a person or entity that is qualified to hold the Notes immediately upon receipt of a notice from the Issuer that the relevant Purchaser was not a Qualified Purchaser.

The merger of the Issuer and the Company and the assumption of obligations under the Notes by the surviving entity may be treated as a taxable exchange for U.S. federal income tax purposes.

If the conditions for the Post-Settlement Merger are met, the Issuer will merge with the Company, and the Company will be the surviving entity. The Company, as the surviving entity, will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service could take a contrary view, and seek to treat the Post-Settlement Merger and the assumption of the obligations under the Notes by the Company as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") would recognize a gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Post-Settlement Merger is less than the principal amount of such Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with original issue discount for U.S. federal income tax purposes. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

You may face foreign currency exchange risks or other tax consequences as a result of investing in the Notes.

The Notes will be denominated and payable in a currency other than the United States dollar. If you are an investor that accounts for your investments on a U.S. dollar basis, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of such foreign currency relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of such foreign currency against the U.S. dollar could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to U.S. investors on a U.S. dollar basis. An investment in the Notes by U.S. investors may have other significant tax consequences. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

Holders of the Notes may have adverse tax consequences in the event of an IPO Pushdown.

Under certain circumstances, we may undertake an IPO Pushdown (as described under "*Description of the Notes—IPO Pushdown*"), pursuant to which the Issuer is entitled to give notice that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) will automatically operate so that, amongst other things the references to the Issuer and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries. In such event, each holding company of the IPO Pushdown Entity would be released from its obligations under the Indenture governing the Notes. Such a modification to the terms of the Notes could be treated for U.S. federal income tax purposes as a deemed exchange of (i) the Notes as in place prior to such modifications for (ii) new Notes as in place after such modifications ("New Notes"). If such modifications resulted in a deemed exchange, such a deemed exchange could be treated as a taxable transaction for U.S. federal income tax purposes in which certain beneficial owners of the Notes could be required to recognize gain or loss. Furthermore, for U.S. federal income tax purposes the New Notes deemed issued in such a deemed exchange could be treated as issued with original issue discount for U.S. federal income tax purposes. In such event, U.S. Holders (as defined under "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") would be required to include that original issue discount in their income as it accrues, in advance of the receipt of cash corresponding to such income. U.S. Holders should consult their own tax advisors as to the U.S. federal income tax considerations relating to modification of the Notes in connection with the IPO Pushdown, including the U.S. federal income tax considerations of a deemed exchange and resulting original issue discount, if any.

THE TRANSACTIONS

The Acquisition

On December 21, 2018, Bidco, a company controlled by KKR, submitted to the CNMV a prior announcement of an all-cash voluntary public tender offer (the "Takeover Offer") for all ordinary shares in the Target. On March 28, 2019, the CNMV approved and authorized the Takeover Offer launched by Bidco. Under the terms of the Takeover Offer, all shareholders of the Target who accept and tender their shares in the Takeover Offer will receive cash consideration equal to €6.00 per share (the "Offer Price"), implying an equity value of the Target equal to approximately €604 million and an enterprise value of €769 million (calculated as market capitalization plus market value of debt net of cash and cash equivalents). Following an analysis of the terms of the Takeover Offer on April 9, 2019, the board of directors (the "Board") of the Target declared its support for the Takeover Offer.

At the time the Takeover Offer was launched, Bidco did not directly hold any shares in the Target, however, Tasty Aggregator, a holding company controlled by KKR and the indirect sole shareholder of Bidco, held 28.56% of the Target's share capital (the "KKR Shares"). In addition, as of March 28, 2019, the Target held 2.72% of its share capital in the form of treasury shares (the "Treasury Shares"). The Takeover Offer's initial acceptance period expires on April 30, 2019. Pursuant to the provisions of Article 23 of the Royal Decree 1066/2007 of July 27, Bidco may extend the period for accepting the Takeover Offer for a total of 70 calendar days, upon giving prior notice to the CNMV.

The Takeover Offer is subject to the satisfaction of certain conditions, including (i) that if such condition is not waived by Bidco, Bidco reaches, at least, a 75% ownership stake in the Target with the Takeover Offer (the "Minimum Acceptance Threshold"); (ii) that the Target ends all business activities and dealings in Iran and with Iranian counterparties (which is currently in process); and (iii) clearance by the European Commission and the Chilean National Economic Prosecutor's Office (*Fiscalía Nacional Ecónomica*) Bidco intends to de-list the Target Shares in the medium-term to the extent permitted by law, either (a) by exercising a squeeze-out right, if the relevant requirements are met, or failing that, (b) by means of a permanent purchase order (a "Permanent Purchase Order") entitling the remaining shareholders of Target to sell their shares in Target to Bidco for a period of at least one month in accordance with Spanish takeover regulations.

In this Offering Memorandum, "Acquisition" refers to the Acquisition by Bidco of the KKR Shares, the Treasury Shares and any shares in the Target acquired in the Takeover Offer or otherwise.

Bidco expects to fund the Acquisition and related fees and expenses with the proceeds from the following sources:

(i) drawings under Facility B1 of the Bridge Facility or other funds available to Debtco and utilized for such purposes;

(ii) drawings under the Revolving Credit Facility; and

(iii) cash equity contributions from the Sponsor in the form of ordinary equity, preferred equity and/or deeply subordinated shareholder loans and the contribution of KKR Shares in Lux Newco (the "Equity Contribution").

The notional sources and uses necessary to consummate the Acquisition are shown in the table below. While our intention is to acquire 100% of the shares in the Target, the sources and uses shown below assume that Bidco holds 50% of the shares, plus one share, in the Target following the completion of the Acquisition. Actual amounts will vary from the notional amounts presented here depending on several factors, including the number of shares tendered in the Takeover Offer and differences from our estimates of fees and expenses.

Sources of Funds (assuming 50% of shares, plus one share)	**(in € millions)**	**Uses of Funds (assuming 50% of shares, plus one share)**	**(in € millions)**
Facility B1[1]	70.4	KKR Shares[4]	172.6
Revolving Credit Facility[2]	10.7	Takeover Offer Settlement Price[5]	113.1
Equity Contribution[3]	239.5	Treasury Shares purchase price	16.4
		Transaction fees and expenses[6]	18.5
Total Sources[7]	**320.6**	**Total Uses**[7]	**320.6**

[1] It is expected that the proceeds from the drawing by Debtco of Facility B1 under the Bridge Facility or other amounts available to Debtco and utilized for such purpose will be on-lent to Bidco through the Acquisition Loan. Such amounts may be used, together with amounts drawn under the Revolving Credit Facility and the Equity Contribution, to satisfy the purchase price of the Target Shares tendered in connection with the Takeover Offer. On or about the Escrow Release Date, we intend to repay all amounts outstanding under Facility B1 or such other funds, including accrued and unpaid interest and fees.

(2) It is expected that amounts drawn under the Revolving Credit Facility will be used to finance the purchase price of the Treasury Shares in addition to a portion of the financing fees payable in connection with the Acquisition. On or about the Escrow Release Date, we intend to repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest.

(3) Represents the cash equity investment to be made by the Sponsor and the contribution of the KKR Shares to Bidco. (4) Represents the equity value of the KKR Shares.

(5) Represents the aggregate purchase price for the Target Shares tendered in connection with the Takeover Offer (excluding the KKR Shares and the Treasury Shares) assuming (i) 18,851,499 (representing 18.72% of the issued and outstanding share capital of the Target) are validly tendered and (ii) a purchase price per share equal to the Offer Price.

(6) Represents estimated fees and expenses incurred in connection with the Acquisition, including commissions and commitment, funding, underwriting, advisory and other fees related to the Bridge Facility and Revolving Credit Facility. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above, as well as the actual Settlement Date.

(7) Our intention is to acquire 100% of the shares in the Target. If we assumed the acquisition by Bidco of 100% of the shares in the Target in the Takeover Offer, the sources and uses for the Acquisition disclosed in this table would, subject to the assumptions and notes that correspond to those above, be as follows:

Sources of Funds (assuming 100% of shares)	(in € millions)	Uses of Funds (assuming 100% of shares)	(in € millions)
Facility B1	140.9	KKR Shares	172.6
Revolving Credit Facility	20.6	Takeover Offer Settlement Price	415.3
Equity Contribution	463.6	Treasury Shares purchase price	16.4
		Transaction fees and expenses	20.8
Total Sources	**625.1**	**Total Uses**[(7)]	**625.1**

Prior to the Control Date, Debtco has indirect influence but will not have direct control over the Board of the Target. The Board will be required, prior to the Control Date, to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. See "*Risk Factors—Risks Related to the Transactions—Debtco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Control Date*."

The Refinancing

In connection with the Acquisition, Debtco entered into the Bridge Facility Agreement and the Revolving Credit Facility Agreement, which provide for borrowings of up to €335.0 million and €45.0 million, respectively. Depending on the amount of shares acquired pursuant to the Takeover Offer, it is assumed that at least €70.4 million will be drawn by Debtco under Facility B1 of the Bridge Facility or other funds available to Debtco and utilized for such purpose, and will subsequently be on-lent by Debtco, as lender, through the Acquisition Loan to Bidco, as borrower, to finance the purchase price of the Target Shares tendered in connection with the Acquisition. It is also expected that at least €10.7 million will be drawn by Bidco under the Revolving Credit Facility to finance a portion of the purchase price of the Treasury Shares as well as to pay certain fees and expenses incurred in connection with the Acquisition.

On or about the Escrow Release Date, the gross proceeds of the Offering will be on-lent by the Issuer, as lender, to the Company as, borrower, and upon receipt thereof, the Company will (i) distribute an amount to the Target, which the Target will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility; and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution, together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 of the Bridge Facility or such other funds used, including accrued and unpaid interest thereon and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon. We refer to the foregoing collectively as the "Refinancing."

The estimated sources and uses necessary to consummate the Refinancing and effect the RCF Debt Pushdown (as described below), assuming that we hold 50% of the shares in the Target, plus one share, following completion of the Acquisition (notwithstanding our intention to acquire 100% of the shares in the Target), are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including the number of shares tendered in the Takeover Offer, differences between our estimates of fees and expenses associated with the Refinancing and fees and expenses actually incurred, the amount of net debt of the Target Group as of its refinancing, the actual Escrow Release Date and the actual date of repayment of the Existing Senior Facilities, the Revolving Credit Facility and Facility B1 or other funds. See also "*Use of Proceeds*."

Sources of Funds (assuming 50% of shares, plus one share)	(in € millions)	Uses of Funds (assuming 50% of shares, plus one share)	(in € millions)
Notes offered hereby[1]	335.0	Repayment of the Existing Senior Facilities[3]	200.9
Cash on hand at the Target Group[2]..	33.1	Distribution to the Target for further application[4]	160.2
Cash on hand at Debtco.....................	3.0	Transaction fees and expenses[5]	10.0
Total Sources[6]	**371.1**	**Total Uses**[6]...	**371.1**

(1) On or about the Escrow Release Date, the Issuer will on-lend the proceeds of the Offering to the Company by way of the Pre-Merger Proceeds Loan, and the Company will distribute the gross proceeds to the Target to apply the proceeds as set forth above.

(2) Consists of €16.4 million of cash received from the purchase of Treasury Shares by Bidco and €16.7 million of available balance sheet cash of the Target.

(3) This figure represents the repayment of €200.0 million in aggregate principal amount of all amounts outstanding under the Existing Senior Facilities as at December 31, 2018, plus €0.9 million of accrued interest and break costs. The Existing Senior Facilities mature on April 8, 2021. Upon repayment, the Existing Senior Facilities will be cancelled, and the Existing Senior Facilities will be terminated.

(4) Represents a distribution by the Company to the Target, which the Target will use to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility. The funds necessary to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) will include estimated accrued and unpaid interest to the Escrow Release Date of approximately €0.5 million (assuming the Escrow Release Date occurs 45 days after the Settlement Date) in addition to the principal amount drawn as described under "*—The Acquisition*." Amounts drawn under Facility B1 or other funds will be used to finance part of the purchase price of the Acquisition. Facility B1 matures on December 20, 2020, unless extended, in accordance with its terms, until the date that is 84 months after the date on which a loan is first made under Facility B1. Upon repayment, the Bridge Facility (including Facility B2) will be cancelled, and the Bridge Facility Agreement will be terminated. The funds necessary to repay amounts outstanding under the Revolving Credit Facility will (assuming the Escrow Release Date occurs 45 days after the Settlement Date) include estimated accrued and unpaid interest to the Escrow Release Date of less than €0.1 million in addition to the principal amount drawn as described under "*—The Acquisition*." This distribution from the Company to the Target represents a cash outflow from the restricted group in respect of the Notes and results from the debt pushdown of the obligations in respect of the Notes that occurs by way of the Issuer being transferred from a subsidiary of Debtco into the Target Group.

(5) Represents estimated fees and expenses associated with the Offering, including underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences between our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above, as well as the actual Escrow Release Date.

(6) If we assumed the acquisition by Bidco of 100% of the shares in the Target in the Takeover Offer, (i) the sources disclosed in this table would include an additional €1.8 million of cash on hand and (ii) the uses disclosed in this table would include an additional €1.8 million in interest resulting from the increased amounts drawn in respect of the Acquisition under Facility B1 (or other funds used in lieu of Facility B1) and the Revolving Credit Facility, in each case subject to assumptions and notes that correspond to those above.

The Reorganization

After the Control Date and prior to the Escrow Release Date, we intend that (i) the Issuer will become a direct subsidiary of the Target, (ii) the Company will be incorporated or acquired by the Target and become a direct subsidiary of the Target and (iii) the Company will become the direct holding company of TPZ and the holding company of each member of the Target Group (other than the Target and the Issuer). Following the Escrow Release Date, we intend to merge the Issuer with the Company, with the Company being the surviving entity in the Post-Settlement Merger. The Issuer will use commercially reasonable efforts to achieve the Post- Settlement Merger, however, the Post-Settlement Merger is subject to certain conditions and may not be completed within the currently envisaged time frame or at all. We refer to the foregoing collectively as "The Reorganization."

The RCF Debt Pushdown

On the Escrow Release Date, subject to the Agreed Security Principles, (i) the Company and the Issuer will each accede to (x) the Revolving Credit Facility Agreement as a borrower and a guarantor and (y) the Intercreditor Agreement as a debtor, (ii) the Target will accede to the Intercreditor Agreement as an investor and a third party security provider and (iii) the Escrow Release Date Collateral will be granted. Immediately and automatically thereafter (i) Debtco and Bidco will each cease to be a borrower and a guarantor under the Revolving Credit Facility Agreement, (ii) Lux Midco will cease to be an investor and a third party security provider under the Intercreditor Agreement, (iii) each of Lux Midco, Debtco and Bidco will be released from all liabilities and obligations in respect of, among other documents, the Revolving Credit Facility Agreement and the Intercreditor Agreement and (iv) the Security Agent will release any assets of Lux Midco, Debtco and Bidco from the transaction security. We refer to the foregoing collectively as the "RCF Debt Pushdown."

Escrow Account

Pending the fulfillment of the conditions described under "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*", the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and will be pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes.

The release of the escrow proceeds from the Escrow Account is subject to the satisfaction of certain conditions, including the occurrence of the Settlement Date pursuant to the terms of the Takeover Offer (as the same may be amended, supplemented or modified from time to time). See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." If these conditions are not satisfied on or prior to the Business Day immediately following the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price for the Notes will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of such special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer may redeem the Notes at 100% of the issue price, plus accrued and unpaid interest*."

In the event of a special mandatory redemption, Debtco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including escrow account fees, negative interest on the escrow account balance and costs, accrued and unpaid interest and Additional Amounts, if any, owing to the holders of the Notes on such special mandatory redemption date pursuant to an escrow equity commitment delivered to the Issuer by Debtco (the "Escrow Equity Commitment"). The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Description of the Notes—Escrow of Proceeds*; *Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on an equity investment from Debtco*."

USE OF PROCEEDS

We estimate that the gross proceeds of the Offering of the Notes will be €335 million. The gross proceeds of the Notes, will be used (i) to distribute an amount to the Target, which the Target will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility; and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution, together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 of the Bridge Facility or other funds used, including accrued and unpaid interest thereon and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon. See "*The Transactions—The Refinancing*."

The estimated sources and uses of the funds necessary to consummate the Refinancing and effect the RCF Debt Pushdown, assuming that we hold 50% of the shares in the Target, plus one share following completion of the Acquisition (not withstanding our intention to acquire 100% of the shares in the Target), are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including the number of shares tendered in the Takeover Offer, differences between our estimates of fees and expenses associated with the Refinancing and fees and expenses actually incurred, the amount of net debt of the Target Group as of its refinancing, the actual Escrow Release Date and the actual date of repayment of the Existing Senior Facilities, the Revolving Credit Facility and Facility B1 or other funds.

Sources of Funds	(in € millions)	Uses of Funds	(in € millions)
Notes offered hereby[1]	335.0	Repayment of the Existing Senior Facilities[3]	200.9
Cash on hand at the Target Group[2]	33.1	Distribution to the Target for further application[4]	160.2
Cash on hand at Debtco	3.0	Transaction fees and expenses[5]	10.0
Total Sources[6]	**371.1**	**Total Uses**[6]	**371.1**

[1] On or about the Escrow Release Date, the Issuer will on-lend the proceeds of the Offering to the Company by way of the Pre-Merger Proceeds Loan, and the Company will distribute the gross proceeds to the Target to apply the proceeds as set forth above.

[2] Consists of €16.4 million of cash received from the purchase of Treasury Shares by Bidco and €16.7 million of available balance sheet cash of the Target.

[3] This figure represents the repayment of €200.0 million in aggregate principal amount of all amounts outstanding under the Existing Senior Facilities as at December 31, 2018, in addition to €0.9 million of accrued interest and break costs. The Existing Senior Facilities mature on April 8, 2021. Upon repayment, the Existing Senior Facilities will be cancelled, and the Existing Senior Facilities will be terminated.

[4] Represents a distribution by the Company to the Target, which the Target will use to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility. The funds necessary to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) will include estimated accrued and unpaid interest to the Escrow Release Date of approximately €0.5 million (assuming the Escrow Release Date occurs 45 days after the Settlement Date) in addition to the principal amount drawn as described under *"The Transactions—The Acquisition."* Amounts drawn under Facility B1 or other funds will be used to finance part of the purchase price of the Acquisition. Facility B1 matures on December 20, 2020, unless extended, in accordance with its terms, until the date that is 84 months after the date on which a loan is first made under Facility B1. Upon repayment, the Bridge Facility (including Facility B2) will be cancelled, and the Bridge Facility Agreement will be terminated. The funds necessary to repay amounts outstanding under the Revolving Credit Facility will (assuming the Escrow Release Date occurs 45 days after the Settlement Date) include estimated accrued and unpaid interest to the Escrow Release Date of less than €0.1 million in addition to the principal amount drawn as described under *"The Transactions—The Acquisition."* This distribution from the Company to the Target represents a cash outflow from the restricted group in respect of the Notes and results from the debt pushdown of the obligations in respect of the Notes that occurs by way of the Issuer being transferred from a subsidiary of Debtco into the Target Group.

[5] Represents estimated fees and expenses associated with the Offering, including underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences between our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above, as well as the actual date of Escrow Release Date.

[6] If we assumed the acquisition by Bidco of 100% of the shares in the Target in the Takeover Offer, (i) the sources disclosed in this table would include an additional €1.8 million of cash on hand and (ii) the uses disclosed in this table would include an additional €1.8 million in interest resulting from the increased amounts drawn in respect of the Acquisition under Facility B1 (or other funds used in lieu of Facility B1) and the Revolving Credit Facility, in each case subject to assumptions and notes that correspond to those above.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and the consolidated capitalization (i) of the Target as of December 31, 2018, on a historical basis, and (ii) of the Target Group as adjusted to give effect to the completion of the Transactions as described in "*The Transactions*" as if they had occurred on December 31, 2018, as well as cash used in connection with our acquisition of 45 stores in Chile in connection with the Yum! Alliance. This table is subject to the various assumptions regarding amounts as set forth under "*Use of Proceeds*." In particular, it assumes that we hold 50% of the issued and outstanding ordinary shares in the Target, plus one share, following the completion of the Acquisition (notwithstanding our intention to acquire 100% of the shares in the Target) and that all amounts outstanding under the Existing Senior Facilities will be repaid in full. To the extent that more than 18.72% of the shares in the Target are acquired in connection with the Takeover Offer, the amount drawn under Facility B1 or other funds utilized and required to be repaid in connection with the Acquisition will be increased, which may impact other amounts stated below. The historical consolidated financial information has been derived from the 2018 Financial Statements of the Target prepared on the basis of IFRS included elsewhere in this Offering Memorandum. The amounts shown in the following table are presented excluding adjustments to unamortized financing costs, accrued and unpaid interest and any fees or issue costs, if applicable.

You should read this table in conjunction with "*The Transactions*," "*Use of Proceeds*," "*Selected Historical Financial Information,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Description of Other Indebtedness,*" "*Description of the Notes*" and our Financial Statements included elsewhere in this Offering Memorandum. This table excludes operating leases as of December 31, 2018. See "*Business—Properties and Leases*."

	As of December 31, 2018			
(in € millions)	**Target Actual**	**Adjustments for the Acquisition**	**Refinancing and Chile Acquisition**	**Target Adjusted**
Cash and cash equivalents (*Efectivo y otros medios líquidos equivalente*)[1]	**56.7**	**16.4**	**(53.1)**	**20.0**
Indebtedness:				
Notes offered hereby[2]	—	—	335.0	335.0
Revolving Credit Facility[3]	—	—	—	—
Existing Senior Facilities (*Senior Facilities*)[4]	200.0	—	(200.0)	—
Total indebtedness	**200.0**			**335.0**
Shareholders' Equity (*Patrimonio neto*)[5]	595.7	8.6	(169.5)	434.8
Total capitalization	**795.7**			**769.8**

[1] The adjustments for the Acquisition amount represents the €16.4 million in cash consideration expected to be received by the Target in connection with the purchase of Treasury Shares by Bidco from the Target. The adjustments for the Offering, Refinancing and Chile Acquisition represents (i) the addition of €335.0 million of cash proceeds from the Notes offered hereby received into the Target Group via the Pre-Merger Proceeds Loan and (ii) the subtraction of (x) €200.9 million to repay the Existing Senior Facilities, (y) a distribution of €157.2 million to shareholders of the Target sufficient for Debtco to repay amounts drawn under Facility B1 or other funds utilized and to be repaid in connection with the Acquisition and to repay amounts drawn under the Revolving Credit Facility and (z) the payment of €10.0 million in transaction fees and expenses incurred in connection with the Offering. The adjustment under (ii)(y) above assumes that €3.0 million of cash on hand at Debtco is used to repay Facility B1 or other funds utilized and/or the Revolving Credit Facility. See "*Use of Proceeds*." In addition, the adjustments for the Offering, Refinancing and Chile Acquisition also represents €20.0 million of cash used or to be used in connection with our acquisition of 45 stores in Chile in connection with the Yum! Alliance. Cash and cash equivalents as of December 31, 2018, after giving effect to the Transactions and the Chile Acquisition, may differ from the amounts presented here due to, among other reasons, differences resulting from the actual transaction fees and expenses and the timing of the Escrow Release Date compared to the assumptions detailed herein.

[2] Represents the aggregate principal amount of the Notes offered hereby.

[3] The Revolving Credit Facility Agreement will provide for aggregate borrowings of up to €45.0 million. While the Revolving Credit Facility will be drawn in connection with the Acquisition, it is expected to be repaid on or about the Escrow Release Date using proceeds from the Notes distributed to Debtco and, in part, using the cash on hand at Debtco. See "*Use of Proceeds*." We assume that no cash drawings will be outstanding under the Revolving Credit Facility after giving effect to the Refinancing and the RCF Debt Pushdown. See "*Description of Other Indebtedness—Revolving Credit Facility Agreement*."

[4] As of December 31, 2018, we had €200.0 million in aggregate principal amount outstanding under the Existing Term Loan Facility of the Existing Senior Facilities (with a book value under IFRS of €197.7 million (*pasivos financieros con entidades de crédito*), excluding €0.8 million of accrued and unpaid interest and €0.2 million of other financial and accrued expenses), all of which is expected to be repaid as part of the Refinancing and including €2.3 million of unamortized financing costs (*gastos de formalización préstamos*), which will be written off in connection with the repayment of such indebtedness. The Existing Senior Facilities also include the €15.0 million Existing Revolving Facility, which was undrawn as of December 31, 2018.

[5] The Adjustments for the Acquisition amount represents the equity of the Target Group as of December 31, 2018, as adjusted to give effect to the implied equity value of the Target's shares in the Takeover Offer, which is €604.3 million, an increase of €8.6 million over the shareholders' equity of the Target as of December 31, 2018. The Adjustments for the Offering, Refinancing and Chile Acquisition amount represents (i) a distribution of €157.2 million to shareholders of the Target sufficient for Debtco to repay amounts drawn under Facility B1

or other funds utilized and to be repaid in connection with the Acquisition and to repay amounts drawn under the Revolving Credit Facility (which assumes that €3.0 million of cash on hand at Debtco is used to repay Facility B1 or other funds utilized and/or the Revolving Credit Facility); (ii) the payment of €10.0 million in transaction fees and expenses incurred in connection with the Offering; and (iii) the write-off of €2.3 million of unamortized financing costs (*gastos de formalizacion de préstamos*) in respect of the Existing Senior Facilities. See "*The Transactions*."

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables present the Target's selected financial information and have been derived from, and should be read in conjunction with, our Financial Statements, that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Summary— Summary Selected Consolidated Financial and Other Information," "Use of Proceeds" and "Capitalization."

All historical financial information presented in this Offering Memorandum is that of the Target and its subsidiaries. Accordingly, all references to "we," "us," "our" or the "Target Group" in respect of historical financial information in this Offering Memorandum are to the Target and its subsidiaries on a consolidated basis.

Results of operations for prior years or periods are not necessarily indicative of the results to be expected for the full year or any future period.

Consolidated Income Statement

	For the year ended December 31,		
(in € millions)	**2016**	**2017[1]**	**2018**
Revenues (*Ingresos*)	**339.6**	**342.4**	**340.3**
Merchandise and raw materials used (*Consumo de mercaderías y materias primas*)	(88.6)	(93.3)	(97.5)
Personnel expenses (*Gastos por retribuciones a los empleados*)	(118.6)	(90.8)	(94.9)
Amortization and depreciation (*Gastos por amortización*)	(17.4)	(18.3)	(16.5)
Other expenses (*Otros gastos*)	(100.7)	(93.1)	(118.6)
Impairment of non-current assets (*Deterioros de activos no corrientes*)	—	1.9	(7.5)
Other losses (*Otras pérdidas*)	—	(1.6)	(1.1)
Operating profit (*Beneficio de explotación*)	**14.3**	**47.2**	**4.2**
Finance income (*Ingresos financieros*)	3.7	0.8	1.2
Finance costs (*Gastos financieros*)	(25.5)	(10.4)	(8.4)
Other losses (*Otras pérdidas*)	(0.7)	—	—
Profit/(loss) before tax from continuing operations (*Beneficio/(pérdida) antes de impuestos de actividades continuadas*)	(8.2)	37.6	(3.0)
Income tax income/(expense) (*Ingresos/(gastos) por impuestos sobre las ganancias*)	19.0	(6.4)	(2.5)
Profit/(loss) for the year from continuing operations (*Beneficio/(pérdida) del ejercicio de actividades continuadas*)	10.7	31.2	(5.5)
Post-tax profit/(loss) on discontinued operations (*Beneficio/(pérdida) después de impuestos de las actividades interrumpidas*)	(0.0)	0.5	(4.1)
Profit/(loss) for the year (*Beneficio/(pérdida) del ejercicio*)	**10.7**	**31.7**	**(9.6)**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information*."

Consolidated Statement of Financial Position

	As at December 31,		
(in € millions)	**2016**	**2017[1]**	**2018**
Property, plant and equipment (*Inmovilizado material*)	46.0	50.5	51.2
Goodwill (*Fondo de comercio*)	387.3	388.0	397.3
Other intangible assets (*Otros activos intangibles*)	330.2	337.1	341.3
Deferred tax assets (*Activos por impuestos diferidos*)	32.2	30.4	40.0
Non-current financial assets (*Activos financieros no corrientes*)	30.7	35.5	32.4
Total non-current assets (*Total activos no corrientes*)	**826.4**	**841.5**	**862.2**
Inventories (*Existencias*)	11.6	10.9	10.2
Trade and other receivables (*Deudores comerciales y otras cuentas a cobrar*)	38.4	41.1	40.9
Other current financial assets (*Otros activos financieros corrientes*)	1.8	2.7	2.8
Other current assets (*Otros activos corrientes*)	3.8	3.2	1.4
Cash and cash equivalents (*Efectivo y otros medios líquidos equivalentes*)	64.0	87.3	56.7
Subtotal current assets (*Subtotal activos corrientes*)	**119.6**	**145.2**	**112.0**
Non-current assets held for sale (*Activos no Corrientes mantenidos para la venta*)	0.3	0.1	15.0
Total current assets (*Total activos corrientes*)	**119.9**	**145.3**	**127.0**

(in € millions)	As at December 31, 2016	 2017[1]	 2018
Total assets (*Total activo*)	**946.3**	**986.8**	**989.2**
Share capital (*Capital social*)	25.2	25.2	25.2
Share premium (*Prima de emisión*)	533.7	533.7	533.7
Retained earnings (*Ganancias acumuladas*)	51.3	81.4	60.6
Own shares (*Acciones propias*)	—	—	(15.5)
Translation differences (*Diferencias de conversión*)	(3.1)	(5.1)	(9.1)
Equity attributable to equity holders of the parent and total equity (*Patrimonio atribuido a tenedores de instrumentos de patrimonio neto de la dominante y total patrimonio neto*)	**607.1**	**635.2**	**594.9**
Non-controlling interests (*Intereses minoritarios*)	0.0	0.2	0.8
Equity (*Patrimonio neto*)	**607.1**	**635.4**	**595.7**
Loans and borrowings (*Pasivos financieros con entidades de crédito*)	195.6	196.7	197.7
Other financial liabilities (*Otros pasivos financieros*)	—	8.6	9.5
Deferred tax liabilities (*Pasivos por impuestos diferidos*)	82.9	83.4	82.0
Provisions (*Provisiones*)	0.1	0.1	4.6
Other non-current liabilities (*Otros pasivos no corrientes*)	6.4	7.1	16.3
Total non-current liabilities (*Total pasivos no corrientes*)	**285.0**	**295.9**	**310.1**
Loans and borrowings (*Pasivos financieros con entidades de crédito*)	1.0	0.9	1.0
Other financial liabilities (*Otros pasivos financieros*)	—	0.5	3.3
Trade and other payables (*Acreedores comerciales y otras cuentas a pagar*)	50.2	51.1	65.7
Provisions (*Provisiones*)	0.2	0.1	4.7
Other current liabilities (*Otros pasivos corrientes*)	2.7	2.8	4.0
Subtotal current liabilities (*Subtotal pasivos corrientes*)	**54.1**	**55.4**	**78.7**
Liabilities directly associated with non-current assets held for sale (*Pasivos directamente asociados con activos no Corrientes mantenidos para la venta*)	0.1	0.1	4.7
Total current liabilities (*Total pasivos corrientes*)	**54.2**	**55.5**	**83.4**
Total equity and liabilities (*Total patrimonio neto y pasivo*)	**946.3**	**986.8**	**989.2**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

Consolidated Statement of Cash Flows

(in € millions)	For the year ended December 31, 2016	 2017[1]	 2018
Net cash from operating activities (*Efectivo neto generado por las actividades de explotación*)	48.8	47.6	27.2
Net cash used in investing activities (*Efectivo neto utilizado en las actividades de inversión*)	(30.2)	(25.6)	(35.8)
Net cash from (used in) financing activities (*Efectivo neto utilizado en las actividades financieras*)	3.4	—	(21.9)
Net increase (decrease) in cash and cash equivalents (*Aumento/(disminución) de efectivo y otros medios líquidos equivalentes*)	**22.0**	**22.0**	**(30.4)**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements included in this Offering Memorandum, as well as with the sections in this Offering Memorandum titled "Presentation of Financial and Other Information" and "Summary—Summary Selected Consolidated Financial and Other Information." For purposes of this section, "we," "our," "us" and other similar terms refer to the Target and its subsidiaries.

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

Overview

Founded in 1987, we are the largest non-U.S.-based pizza delivery company. On December 30, 2018, our strategic alliance with Yum! Brands took effect, making us the largest pizza master franchise network globally by number of stores operated as of December 31, 2018. The Yum! Alliance nearly doubled our chain sales, which is the sum of sales from own stores and franchised stores, to €1.2 billion of *pro forma* chain sales for the year ended December 31, 2018. Today, we operate a vertically integrated network of 2,631 stores in 39 countries under the Telepizza and Pizza Hut brands, offering a wide range of pizzas and complementary foods and beverages for delivery, take-out and dine-in. We operate 1,620 Telepizza-branded stores and 1,011 Pizza Hut- branded stores. We operate across two hubs, Iberia and Latin America, with Iberia representing 42% and Latin America representing 17% of *pro forma* chain sales for the year ended December 31, 2018. We are the number one pizza delivery network in Spain, Portugal and Chile, and hold leading market positions in the other key markets in which we operate.

We operate in the fast-growing, highly fragmented pizza delivery market, where pizza chains are gaining market share, and which benefits from the macro trends of increasing digital penetration and convenience- oriented food consumption. Between 2014 and 2018, the global pizza delivery market grew by a CAGR of 6.3% (based on revenue), with pizza delivery chains growing by a CAGR of 8.5%, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, a significantly faster pace of growth than other sectors of the quick service restaurant ("QSR") market.

Approximately 84% of our stores are franchises, resulting in a store network characterized by low capital expenditure requirements, short payback periods and high free cash flow generation. We generate revenue from sales to our franchisees of dough and other ingredients we produce and logistically manage through our vertically integrated supply chain, sales in our own stores, royalties and marketing fees from our franchisees and other income from sublease income and other services we provide to franchisees including IT, payroll and other services. Our highly cash generative, low capital expenditure intensity business model has proven resilient through economic cycles, as demonstrated by our Underlying EBITDA margins remaining stable between 17% and 19% from 2007-2018.

We supply our network of owned and franchised stores with a vertically integrated QSR-model supply chain. We operate dough production facilities in Europe and Latin America, which supply pre-measured, frozen dough for Telepizza stores and will, in the future, supply the Pizza Hut stores we operate. This supply chain combines global production and logistics operations to efficiently produce and supply dough, meat and other ingredients and materials to the stores, allowing us to provide a differentiated "one stop shop" food service offering to our stores. Thanks to our capability to seamlessly and efficiently deliver dough and other ingredients, our stores benefit from our front-of-house production capabilities, which deliver them significant cost savings and increased profitability through optimized inventory management and lower personnel and space costs, compared to competitors who produce their own dough in each store. Our vertically integrated supply chain also provides consistently high product quality and tight control over food safety across our network of stores.

Our stores' product portfolio consists primarily of pizza, with a globally consistent core pizza offering supplemented by local adaptations catering to local tastes and ongoing product innovation. Our stores also serve non-pizza items, such as drinks, burgers, sides and desserts. Our key sales channel is delivery, with approximately 56% of Telepizza chain sales in jurisdictions in which we own stores constituting delivery sales, with 25% of such chain sales constituting digital sales. Our stores cater to a wide range of consumers, including families, teenagers and young people. We have strong brand recognition, with our Telepizza brand enjoying strong customer affinity in Iberia, while in Latin America, we benefit from the strength of the globally recognized Pizza Hut brand.

As our store network has grown, we have successfully scaled our business to benefit from the efficiencies, brand recognition and reach resulting from our increased scale, and we expect to continue to accelerate our development with the implementation of the Yum! Alliance. For more information on the Yum! Alliance, see "*Business—Material Agreements—The Yum! Alliance*."

Our Reporting Segments

We operate through different strategic business segments, consisting of owned stores, franchised stores, and master franchise stores. Our strategic business segments operate under different market conditions and are managed separately because they require different operational strategies.

In our Financial Statements, we present our results of operations according to four geographical segments:

- Spain;
- Rest of Europe (Ireland, Portugal and Switzerland);
- Latin America (Chile, Colombia, Ecuador, Paraguay and Peru); and
- Master Franchise and Rest of the World.

As explained more fully in "*Business—Regions in Which We Operate—Our Business in Rest of the World*," the Master Franchise and Rest of the World segment comprises the remaining markets where we currently operate (that were not already included in the Spain, Rest of Europe or Latin America segments). In these markets, we have entered into master franchise agreements.

Segment performance is measured based on the operating profit generated by each segment. Certain assets or liabilities that apply to the Group as a whole and the general costs not directly attributable to any specific segment are recorded within our Spain segment. For example, in 2016, we incurred €32.0 million in expenses as a result of Telepizza's initial public offering and our management incentive plans, and these expenses were included in the Spain segment. For information on our business segments, see "*Business—Regions in Which We Operate*."

In the discussion below, we analyze our results of operations both on a consolidated basis and by segment.

Key Factors Affecting Our Results of Operations and Financial Condition

Factors affecting our results of operations and financial condition include the following:

Yum! Alliance

On December 30, 2018, our strategic alliance with Yum! Brands took effect, and we became the exclusive master franchisee of, and authorized supplier to, Pizza Hut stores in Iberia, much of Latin America and Switzerland. See "*Business—Material Agreements—The Yum! Alliance*." As a result of the Yum! Alliance and as of December 31, 2018, we increased the number of stores in our network, from 1,620 Telepizza stores to 2,631

Telepizza and Pizza Hut stores. In addition, as most of the Pizza Hut stores that were added to our network are franchised stores, our franchised store network as a percentage of total stores increased from 76% to 84% as of December 31, 2018. As a result of the overall increase in the number of stores in our network, we expect our revenue and our results of operations to increase in the next few years.

In the future, as a result of our strategic alliance, we may also change the segmental presentation of our results of operations. See "*—Factors Affecting Comparability of Our Financial Statements—Segmental Information*."

Unless the context requires otherwise, references in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" do not give effect to the Yum! Alliance.

Store Network

In order to maintain our market share and attract new customers, we seek to (i) ensure that our existing stores are modern and attractive and (ii) expand our network through the opening of new own and franchised stores in existing and new markets, and master franchised stores in existing markets. As of December 31, 2018, our Telepizza network included a total of 1,620 stores, of which 76.2% were franchised stores and 23.8% were own stores.

Our network is comprised of own stores and franchise stores, and as we expand, we constantly seek to maintain an optimal distribution between our own and franchise holdings to maximize our revenues. As part of our strategy, we intend to have no less than 10% of own stores in our network.

Our own stores require capital expenditure in order to maintain customer traffic. From our own stores, we realize the full contribution of their revenues to our EBITDA and the associated capital expenditures vary according to the size of the store and the nature of the refurbishment. In 2018, we spent €0.6 million on the refurbishment of own stores in our Spain segment, €0.2 million on the refurbishment of own stores in our Rest of Europe segment and

€0.7 million on the refurbishment of own stores in our Latin America segment. However, in 2018, capital expenditures for refurbishments decreased as we deferred a number of refurbishments in anticipation of the Yum! Alliance. In addition, as part of our general strategy and in connection with the Yum! Alliance, we expect to undertake capital expenditures during the next three years to open new stores and convert Telepizza stores to Pizza Hut stores, particularly in Latin America, as well as to invest in our dough factories. See "*Liquidity and Capital Resources—Capital Expenditures*." In order to sustain further growth and expand our market share, we plan to continue our store opening strategy, encompassing a selective expansion of our footprint in Spain and internationally through own stores and franchises in new and existing markets and master franchise agreements in existing markets.

Unlike own stores, franchise stores do not typically require our upfront investment in capital expenditures. The franchisee covers the costs of the franchise and pays for opening capital expenditures and ongoing maintenance capital expenditures, while paying us a fee for the use of the brand and marketing spend based on a percentage of revenues of the franchisee. In addition, franchisees are required (subject to limited local exceptions) to source their supplies from our supply chain, which provides us with additional revenue and EBITDA streams. Franchisees also pay us other fees including, among others, transfer fees, franchise fees and fees for other services that we provide, such as subleasing, IT, payroll and other services.

The comparability of our results of operations from one period to the next are affected by our opening and closing of stores, both own and franchised, and the related capital expenditures incurred with the expansion of our network. In 2018, we closed 39 own stores and opened 90 franchised and master franchised stores.

Financial Profile of Our Franchise Network

Our results of operations are affected by the overall financial health of our franchisees and their stores, as franchised and master franchised stores accounted for 76.2% of our global network by number of stores as of December 31, 2018. We receive revenues from franchisees in the form of royalties, alliance fees and marketing contributions calculated as a percentage of franchise store revenues, as well as revenues in the form of factory sales to franchisees. Other income includes (i) the fees receivable from franchisees when we transfer own stores to franchisees, known as the store transfer fee, (ii) franchise and master franchise fees, which are receivable upon the opening of a new franchised or master franchised store, the granting of a master franchise agreement, or the renewal of an existing franchise agreement and (iii) sublease income and income from other services that we provide to our franchisees and master franchisees, such as IT, payroll and other services. As a result, our performance depends significantly on the level of sales and profitability of our franchises. If a franchisee faces financial difficulties it could result in, among other things, (i) decreasing revenues from franchises and advertising contributions for us, (ii) delayed payments to us of royalties, alliance fees and/or franchise fees and (iii) closure of franchised stores, which could jeopardize the payment of store transfer fees that are payable over a specific term. In situations where certain franchisees in our network have found themselves in financially strained situations, we have sometimes permitted an increase in the relevant collection days.

As we adjust our store ratio in favor of franchises through the transfer of own stores to franchised stores, we increase franchise-related revenues. At the same time, certain costs associated with our own stores that do not exist for our franchise stores decrease as a result of the transfer of own stores to franchised stores.

In addition, if a franchised store continues to underperform, we may buy back such stores and convert them to own stores or refurbish them, and we may decide to later transfer them to a new franchisee. In connection with the Yum! Alliance, in 2018, we increased our store buyback activity as part of our plan to convert our Telepizza stores to Pizza Hut stores. The buyback of stores results in an increase in our revenues, as we consolidate all sales from our own stores in our revenue, while, in respect of franchise stores, we only consolidate revenues received from franchisees in respect of royalties, alliance fees and marketing fees paid by franchisees along with revenue received from factory sales and other services we provide to franchisees.

We have modified our franchise network by closing and transferring a number of stores (the majority for reasons of underperformance or relocation) including 19, 15 and 46 closures (excluding master franchises) in 2016, 2017 and 2018, respectively, and 40, 53 and 27 net transfers of own stores to franchised stores in 2016, 2017 and 2018, respectively. In addition, in 2016, 2017, and 2018, we bought back 26, 14 and 37 stores, respectively. We have also taken a more pro-active approach to risk management by closely monitoring the financial profile of our franchisees to rapidly address any weakness.

The comparability of our results of operations from one period to the next are affected by the change in composition of our franchise network, including through the transfer of own stores to our franchisees or buybacks of stores from franchisees.

Effects of Fluctuations in the Prices of Raw Materials

Fluctuations in the prices of cheese and dough components or any other raw materials in the markets in which we operate, significantly affect our operating profit. Of our gross purchases of raw materials in Spain, cheese represented approximately 32%, meat-based products represented approximately 21%, packaging represented approximately 7%, dough ingredients represented approximately 5% and sauces represented approximately 4% in 2018. While these percentages may vary slightly in other countries due to market prices and consumer preferences, the product mix remains consistently stable over time.

Our cheese and dough component prices are generally set by market conditions, which are outside of our control. In 2014, we entered into the long-term Ornua Supply Agreement for cheese components according to which pricing is re-evaluated quarterly based on market conditions and we are subject to an agreed minimum purchase amount. We have 6 suppliers of cheese globally (three in Europe and four in Latin America – one of which supplies us in both regions). Ornua is our main supplier in Spain and Portugal, representing 32% and 31% of the supply in 2018, respectively, supplying us from multiple facilities across the globe. For dough components, we have supply contracts with various suppliers in the different countries in which we operate. In the case of meat-based products, Tello Food Group is our main supplier in Spain, representing 6% of the supply, Industrias Cárnicas Tello is our global supplier for Europe, the Middle East and Africa ("EMEA"), and Europa Cuisson is our main supplier of chicken in Spain and Portugal, representing 5% and 2% of the supply, respectively. In addition, we have back-up suppliers for cheese, meat and dough components, as well as for our other raw materials in the event our primary suppliers cannot deliver the components in the contracted amounts or to our specifications or in the event our needs exceed our supply requirements. In these instances, we may choose to buy from our back-up suppliers rather than our primary suppliers. The market prices of cheese and dough components have fluctuated in the past, and we believe that they will continue to do so. Many factors affect the price fluctuations of commodities and these factors may significantly affect our profitability and their timing can affect the comparability of our interim results of operations.

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

Marketing and Advertising Programs' Effectiveness

In the markets in which we operate, marketing and advertising programs are a key traffic driver and enable us not only to attract new customers to our brand but also to retain existing customers. On an annual basis, in order to reinforce our brand awareness, enhance our image and create traffic, we spend approximately 4% of our chain sales in Spain on multimedia advertising campaigns at the local and national level. Marketing campaigns are the primary means by which we advertise our product innovation and price promotion. Through local advertising and promotion campaigns, we leverage our store locations as another medium of communication with our customers. In Spain, in 2018, our Telepizza brand consideration (i.e., percentage of customers who consider buying our products based on the overall number of customers who are familiar with our brand) was 81%.

As described in "*Business—Our Products"* and *"Business—Marketing*," our franchisees worldwide are required to pay to us a certain percentage of their revenues as a contribution (which we record within "Royalties") to our advertising and marketing campaigns which are executed centrally. Our franchisees are also required to allocate a certain percentage of their revenue towards direct marketing initiatives. We monitor closely the marketing spends and frequency of our competitors' marketing and advertising campaigns and endeavor to maintain a relatively constant investment in our marketing initiatives in order to maintain strong brand awareness in the market.

Effects of Foreign Exchange Variations on Our Results of Operations

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

When the euro depreciates against other currencies, our revenue and profits from operations that use those functional currencies will be higher when translated into euros. Conversely, when the euro appreciates against these currencies our revenue and profits from operations that use those currencies will be lower. In addition to the direct impact of foreign exchange variation on revenue and profit, in certain jurisdictions in which we operate outside the eurozone, costs incurred are denominated in euros. This indirectly impacts profits in local currency, and such impact may not be neutral once the local profits are converted back into euros, due to fluctuations in the applicable exchange rate. For example, the Chilean peso to euro exchange rate increased from $732.61 to €1.00 on average in 2017 to $757.25 to €1.00 on average in 2018. This evolution resulted in decreased revenues and profits when amounts recorded in Chilean pesos were translated into euros. Furthermore, if such a trend were to continue, given that part of the Ornua Supply Agreement requires that we pay Ornua in euros to serve as our supplier worldwide, the price of cheese would be more expensive each year for our stores in Chile, assuming a constant euro price of cheese. We currently do not hedge our foreign exchange risk.

As of December 31, 2018, had the euro weakened by 10% against the Chilean peso, the Colombian peso and the Polish zloty, with the other variables remaining constant, consolidated post-tax profit (*beneficio consolidado despues de impuestos*) would have been €0.1 million higher in 2018 (€0.1 million higher in 2017), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. The translation differences (*diferencias de conversion*) recognized under other comprehensive income would have increased by €4.3 million in 2018 (and €7.0 million in 2017), mainly due to translation differences on foreign operations.

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

Sales and margins in the QSR and pizza delivery industries are affected by, among others, general consumption trends, the relative success of new or existing products and competition within the QSR and pizza delivery industries.

The focus of our product offering is pizza. The general consumption of pizza is affected by trends in the foodservice sector, private consumption evolution, major economic events and, in some cases, weather conditions. These fluctuations in pizza consumption in the different markets where we operate may affect our results of operations.

We emphasize product innovation, with the frequent introduction of new pizza offerings, and the consumer reaction to new product launches can affect our sales. For example, on September 27, 2016, we launched our "Barbacoa Gourmet" pizza, which represented on the last two days of that month 11.7% of our chain sales and 13.7% of our chain sales in October in Spain. This pizza was the first in our new "Gourmet" premium pizza category. We have continued developing this premium line over the past two years, which has positively affected our sales and brand. As of February 2019, our Gourmet pizzas generated an average ticket price 36% higher than the rest of our pizzas offered in Spain.

In addition, in recent years customers have increasingly used our digital platform to access our products. In 2016, 2017, and 2018, digital sales accounted for 20.7%, 23.0% and 25.1% of our chain sales in the countries where we have digital sales (Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador). We expect the volume of digital sales to increase as we continue to enhance and personalize our digital platform. In Spain, Telepizza digital sales penetration rate (i.e. the digital delivery sales over total delivery chain sales in Spain) increased from 24% in January 2013 to 43% in January 2019. Our capital expenditure on digital and information technology has increased in recent years, from €3.8 million in 2016, to €4.3 million in 2017 and €5.2 million in 2018.

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

General Economic Conditions and Demand for Our Products

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

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

Factors Affecting Comparability of Our Financial Statements

The Transactions

In the future, and following the completion of the Post-Settlement Merger, we may choose to report our consolidated financial condition and results of operations at a different level than the Target. The Financial Statements of the Target in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated statement of financial position, consolidated income statement and other comprehensive income (statement of comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, we will account for the Acquisition using the acquisition method of accounting under IFRS, and will apply purchase accounting adjustments in connection with the Transactions to the financial statements for accounting periods subsequent to the Settlement Date. The application of purchase accounting could result in different carrying values for existing assets and assets we may add to our statement of financial position, which may include intangible assets, such as goodwill, leasehold rights and software, and different amortization and depreciation expenses. Due to these and other potential adjustments, our future financial statements could be materially different once the adjustments are made and may not be comparable to the Target's consolidated financial statements included in this Offering Memorandum.

We will incur a substantial amount of indebtedness as a result of the Transactions. As at December 31, 2018, on an unaudited as adjusted basis to give effect to the Transactions, we would have had €335.0 million of outstanding total indebtedness, comprised of the aggregate principal amount of the Notes offered hereby. See "*Capitalization*." In addition, we will have up to €45.0 million of borrowing capacity under the Revolving Credit Facility. See "*Capitalization*." Our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future repayment of our indebtedness, and this may place us at a competitive disadvantage because some of our competitors are less leveraged.

Restatement of 2017 Financial Statements

In the 2018 Financial Statements, we restated the 2017 comparative column in our consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows to make the financial information set forth therein comparable with our 2018 consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows, respectively. The purpose of the restatement was to (i) give effect to the reclassification our operations in Poland and the Czech Republic as discontinued and (ii) reflect the definitive accounting of the 2017 acquisition of the Apache chains in Ireland. As a result, the 2017 Financial Statements are not comparable to the 2016 Financial Statements, which do not reflect such discontinued operations. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information*."

Segmental Information

Historically and for the 2016, 2017 and 2018 financial years, we reported our results of operations according to the following segments:

- Spain;
- Rest of Europe;
- Latin America; and
- Master Franchise and Rest of the World.

Following the Yum! Alliance, we may revise our reporting segments. In the event we decide to report our results of operations according to different segments from the ones listed above, the results of our annual consolidated accounts as at and for the years ended December 31, 2019 and December 31, 2018 (as restated to reflect these new segments), will not be comparable to the consolidated annual accounts for previous years.

IFRS 16

The International Accounting Standards Board issued IFRS 16 ("Leases") in January 2016, which became effective from January 1, 2019. IFRS 16 introduces a single accounting model for lessees that principally obligates lessees to account for right-of-use assets and lease liabilities for lease contracts with a term of more than twelve months. The significant impact of IFRS 16 is the elimination of the classification according to IAS 17 (Leases) of lease contracts as operating leases and finance leases. As a result, leases, which were shown off-balance sheet according to IAS 17, are now recognized as a right-of-use asset and lease liability on the statement of financial position. We have applied IFRS 16 for the first time for the period beginning January 1, 2019. To this end, in our 2018 Financial Statements we disclosed a process for the implementation of IFRS 16 that enabled us to quantify the estimated impact of IFRS 16 in our 2018 consolidated annual accounts. Because we carry out our activity by leasing a large number of stores and, to a lesser extent, offices, factories and warehouses, for periods in excess of one year, the application of IFRS 16 in 2019 is expected to result in the recognition of rights-of-use assets (*activos por derecho de uso*) amounting to approximately €87.0 million, a net investment in subleases (*inversion neta en subarriendos*) totaling approximately €61.0 million, lease liabilities (*pasivos por arrendamientos de contratos*) of approximately €160.0 million and a loss (*resultado negativo*) of approximately €7.0 million for the difference between the rights-of-use assets and the net investments in subleases. As a result of the implementation of IFRS 16, the results of our annual consolidated accounts for the year ended December 31, 2019 (and any interim reporting going forward), will not be comparable to the consolidated annual accounts (or any interim reporting) for previous years. For additional information on the effects of the first-time application of IFRS 16, see note 1 to our 2018 Financial Statements.

Components of Our Historical Results of Operations

Revenues

Our revenues are derived from four sources:

- *Own outlet sales*: Revenue from sales at our own stores.

- *Factory sales to franchisees*: Revenue from our wholesale production facility sales of products and supplies to franchisees and master franchisees. It includes sales of all ingredients and products except for beverages, salads and ice creams which are supplied directly from the suppliers to the franchisees and master franchisees. These sales can be affected by the discounts that we extend to our franchisees.

- *Royalties*: Revenue from royalties and marketing franchise fees, which are paid to us by franchisees and master franchisees based on a percentage of franchise store sales.

- *Other income*: Consists of (i) the fee payable to us by franchisees when we transfer own stores to franchisees, known as the store transfer fee, (ii) franchise and master franchise fees, which are paid upon the opening of a new franchised or master franchised store, the granting of a master franchise agreement, or the renewal of an existing franchise agreement and (iii) income from sublease income and other services that we provide to our franchisees and master franchisees, such as IT, payroll and other services.

Merchandise and Raw Materials Used (Consumo de Mercaderías y Materias Primas)

Merchandise and raw materials (*consumo de mercaderías y materias primas*) used includes the direct costs and expenses associated with food, beverage and packaging of our menu items at our own stores, as well as merchandise and materials that we sell to our franchises, such as pizza dough. Prices for merchandise and raw materials are variable in nature. Such prices change with sales volume, are affected by our product mix and are subject to fluctuations in commodity costs.

Personnel Expenses (Gastos por Retribuciones a los Empleados)

Personnel expenses (*gastos por retribuciones a los empleados*) includes the costs and expenses related to the maintenance and proper functioning of our work force, including the payment of salaries and wages, social security, termination benefits and other employee benefits for employees of our own stores. In 2018, our personnel expenses (*gastos por retribuciones a los empleados*) were 30.5% of our total expenses, comprised of merchandise and raw materials used (*consumos de mercaderías y materias primas*), personnel expenses (*gastos por retribuciones a los empleados*) and other expenses (*otros gastos*), excluding depreciation and amortization (*gastos por amortización*).

Amortization and Depreciation (Gastos por Amortización)

Amortization and depreciation (*gastos por amortización*) primarily consists of the depreciation of property, plant and equipment and amortization of intangible assets. In 2006, we acquired the "Telepizza" trademark through a business combination. When allocating a purchase price to the shares of Telepizza, the owner of the trademark (*marca*), the brand name was measured at its fair value of €247.0 million. We also recognized in this business combination the rights arising from the franchise contracts (*contratos de franqucia*) at their fair value of €133.0 million. For each of 2016, 2017 and 2018, amortization and depreciation (*gastos por amortización*) has included €5.8 million, €5.7 million and €4.5 million respectively in amortization (*gastos por amortización*) in connection with this purchase price allocation to contractual and other rights (*derechos contractuales y otros*).

Other Expenses (Otros Gastos)

Other expenses (*otros gastos*) consists of expenses related to our operating leases, transporting of our materials and products, our advertising and marketing initiatives, utilities and other expenses.

Impairment of Non-Current Assets (Deterioros de activos no corrientes)

Impairment of non-current assets (*deterioros de activos no corrientes*) consists of the recognition or reversal of an impairment for the difference between the fair value and the recorded cost of property, plant and equipment, goodwill and other intangible assets.

Other Losses (Otras Pérdidas)

Other losses (*otras pérdidas*) consists of losses incurred in connection with sales of property, plant and equipment, the losses related to goodwill and the reversals on such losses.

Finance Income (Ingresos Financieros)

Finance income (*ingresos financieros*) consists of the income gained through financing or hedging instruments as well as exchange rate gains.

Finance Costs (Gastos Financieros)

Finance costs (*gastos financieros*) consists of the costs, interest and other charges involved in financing or hedging instruments as well as exchange rate losses.

Income Tax Income/(Expense) (Ingresos (Gastos) por Impuestos Sobre las Ganancias)

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

Historical Results of Operations

The following table below summarizes our financial performance for the periods indicated:

	For the year ended December 31,		
(in € millions)	**2016**	**2017[(1)]**	**2018**
Revenues (*Ingresos*)	**339.6**	**342.4**	**340.3**
Merchandise and raw materials used (*Consumo de mercaderías y materias primas*)	(88.6)	(93.3)	(97.5)
Personnel expenses (*Gastos por retribuciones a los empleados*)	(118.6)	(90.8)	(94.9)
Amortization and depreciation (*Gastos por amortización*)	(17.4)	(18.3)	(16.5)
Other expenses (*Otros gastos*)	(100.7)	(93.1)	(118.6)
Impairment of non-current assets (*Deterioros de activos no corrientes*)	—	1.9	(7.5)
Other losses (*Otras pérdidas*)	—	(1.6)	(1.1)
Operating profit (*Beneficio de explotación*)	**14.3**	**47.2**	**4.2**
Finance income (*Ingresos financieros*)	3.7	0.8	1.2
Finance costs (*Gastos financieros*)	(25.5)	(10.4)	(8.4)
Other losses (*Otras pérdidas*)	(0.7)	—	—
Profit/(loss) before tax from continuing operations (*Beneficio/(pérdida) antes de impuestos de actividades continuadas*)	(8.2)	37.6	(3.0)
Income tax income/(expense) (*Ingresos/(gastos) por impuestos sobre las ganancias*)	18.9	(6.4)	(2.5)
Profit/(loss) for the year from continuing operations (*Beneficio/(pérdida) del ejercicio de actividades continuadas*)	10.7	31.2	(5.5)
Post-tax profit/(loss) on discontinued operations (*Beneficio/(pérdida) después de impuestos de las actividades interrumpidas*)	(0.0)	0.5	(4.1)
Profit/(loss) for the year (*Beneficio/(pérdida) del ejercicio*)	**10.7**	**31.7**	**(9.6)**

[(1)] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

The following table sets forth consolidated financial information for the years ended December 31, 2017 and 2018. The financial information presented in the 2017 column below was extracted from the restated 2017 comparable column in our 2018 Financial Statements, which were restated to give effect to the reclassification of our operations in Poland and the Czech Republic as discontinued and to reflect the definitive accounting of the 2017 acquisition of the Apache chains in Ireland.

	For the year ended December 31,		
(in € millions)	**2017[(1)]**	**2018**	**% Change**
Revenues *(Ingresos)*	**342.4**	**340.3**	**0.6%**
Merchandise and raw materials used *(Consumo de mercaderías y materias primas)*	(93.3)	(97.5)	4.5%
Personnel expenses *(Gastos por retribuciones a los empleados)*	(90.8)	(94.9)	4.5%
Amortization and depreciation *(Gastos por amortización)*	(18.3)	(16.5)	(9.8)%
Other expenses *(Otros gastos)*	(93.1)	(118.6)	27.4%
Impairment of non-current assets *(Deterioros de activos no corrientes)*	1.9	(7.5)	(494.7)%
Other losses *(Otras pérdidas)*	(1.6)	(1.1)	(31.3)%
Operating profit *(Beneficio de explotación)*	**47.2**	**4.2**	**(91.1)%**
Finance income *(Ingresos financieros)*	0.8	1.2	50.0%
Finance costs *(Gastos financieros)*	(10.4)	(8.4)	(19.2)%
Profit/(loss) before tax from continuing operations *(Beneficio/(pérdida) antes de impuestos de actividades continuadas)*	37.6	(3.0)	(108.0)%
Income tax income/(expense) *(Ingresos/(gastos) por impuestos sobre las ganancias)*	(6.4)	(2.5)	(60.9)%
Profit/(loss) for the year from continuing operations *(Beneficio/(pérdida) del ejercicio de actividades continuadas)*	31.2	(5.5)	(117.6)%
Post-tax profit/(loss) on discontinued operations *(Beneficio/(pérdida) después de impuestos de las actividades interrumpidas)*	0.5	(4.1)	(920)%
Profit/(loss) for the year *(Beneficio/(pérdida) del ejercicio)*	**31.7**	**(9.6)**	**(130.3)%**

(1) Restated figures. See "Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information."

Revenues (Ingresos)

Our revenues (*ingresos*) slightly decreased by €2.1 million, or 0.6%, to €340.3 million in 2018 from €342.4 million in 2017 (as restated) primarily as a result of the factors discussed below.

Own Outlet Sales (Venta en tiendas al público)

Own outlet sales *(Venta en tiendas al público)* decreased by €21.8 million, or 11.8%, to €162.8 million in 2018 from €184.6 million in 2017 (as restated), primarily as a result of a decrease in the number of own stores from 441 own stores (*tiendas propias*) in 2017 to 386 own stores (*tiendas propias*) in 2018.

Factory Sales to Franchisees (Venta de fábricas al por mayor a franquiciados y otros)

Factory sales to franchisees *(Venta de fábricas al por mayor a franquiciados y otros)* increased by €14.0 million, or 13.6%, to €117.2 million in 2018 from €103.2 million in 2017 (as restated), primarily as a result of a net addition of 68 stores to our franchised stores network, which resulted in increased activity in this segment.

Royalties (Royalty)

Royalties (*Royalty*) increased by €7.2 million, or 25.4%, to €35.5 million in 2018 from €28.3 million in 2017 (as restated), primarily as a result of a net addition of 68 stores to our franchised stores network, which resulted in increased activity in this segment.

Other Revenues

Other revenues (comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*)) decreased by €1.5 million, or 5.7%, to €24.8 million in

2018 from €26.3 million in 2017 (as restated), primarily as a result of a decrease in revenue from initial franchise fees, due to a decrease in the number of own stores transferred to franchised stores as well as a decrease in the transfer fee charged during 2018.

Merchandise and Raw Materials Used (Consumo de Mercaderías y Materias Primas)

Merchandise and raw materials (*Consumo de mercaderías y materias primas*) used increased by €4.2 million, or 4.5%, to €97.5 million in 2018 from €93.3 million in 2017 (as restated), primarily resulting from the increase in the price of raw materials, particularly the price of cheese in Spain, as well as increased chain sales resulting in an increase in supply sales and consequently the amount of merchandise and raw materials used.

Personnel Expenses (Gastos por Retribuciones a los Empleados)

Personnel expenses (*Gastos por retribuciones a los empleados*) increased by €4.1 million, or 4.5%, to €94.9 million in 2018 from €90.8 million in 2017 (as restated), primarily as a result of an increase in remunerations in connection with a €5.0 million incentive fee expense in connection with the consummation of the Yum! Alliance.

Amortization and Depreciation (Gastos por Amortización)

Consolidated amortization and depreciation (Gastos por amortización) decreased by €1.8 million, or 9.8%, to €16.5 million in 2018 from €18.3 million in 2017 (as restated), primarily due to the contractual rights acquired in connection with the acquisition of the shares of Telepizza in 2006 which became fully amortized in 2017.

Other Expenses (Otros gastos)

Details of other expenses are as follows:

	For the year ended December 31,		
(in € millions)	**2017[1]**	**2018**	**% Change**
Operating leases *(Arrendamientos operativos)*	30.0	31.3	4.3%
Transport *(Transportes)*	13.8	15.8	14.5%
Advertising and publicity *(Publicidad y propaganda)*	17.1	17.8	4.1%
Utilities *(Suministros)*	11.0	10.6	(3.6)%
Other expenses (Otros gastos)	21.2	43.1	103.3%
Total Other Expenses *(Otros gastos)*	**93.1**	**118.6**	**27.4%**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

Other expenses (Otros gastos) increased by €25.5 million, or 27.4%, to €118.6 million in 2018 from €93.1 million in 2017 (as restated), primarily as a result of €12.1 million in expenses incurred in connection with the negotiation and signing of the Yum! Alliance agreement. In addition, other expenses increased due to the provision in 2018 for onerous lease agreements that relate to stores that can be subleased but for which the income from such subleases will be lower than the rent paid.

Impairment of Non-Current Assets (Deterioros de activos no corrientes)

Impairment of non-current assets (*deterioros de activos no corrientes*) increased by €9.4 million, to an impairment loss of €7.5 million in 2018 from a reversal of impairment of €1.9 million in 2017 (as restated). This was primarily due to a €5.8 million impairment (*deterioro*) of the Jeno's Pizza brand, which was recognized in connection with our obligation under the Yum! Alliance agreement to convert all of our outlets in Colombia to the Pizza Hut brand within a maximum period of five years. Under the Yum! Alliance agreement, the useful life of the Jeno's Pizza brand was changed from indefinite to an estimated three years.

Other Losses (Otras Pérdidas)

Our other losses (*Otras pérdidas*) decreased by €0.5 million, or 31.3%, to €1.1 million in 2018 from €1.6 million in 2017 (as restated), primarily due to increased losses on the sale of property, plant and equipment in 2017.

Operating Profit (Beneficio de Explotación)

Our operating profit (*Beneficio de explotación*) decreased by €43.0 million, or 91.1%, to €4.2 million in 2018 from €47.2 million in 2017 (as restated). As a percentage of revenues (*ingresos*), our operating profit (*beneficio de explotación*) decreased to 1.2% in 2018 from 13.8% in 2017. This was primarily due to a combination of a one-time cost of €20.7 million for the closing of the Yum! Alliance and other transaction related non-cash adjustments of €12.9

million primarily resulting from closing the Yum! Alliance in December 2018. Excluding the effect of these one-off costs, our operating profit (*beneficio de explotación*) would have decreased by €9.4 million, or 19.9%, to €37.8 million in 2018 from €47.2 million in 2017 (as restated). Furthermore, the operating profit (*beneficio de explotación*) as a percentage of revenues (*ingresos*) would have decreased to 11.1% in 2018 from 13.8% in 2017.

Finance Income (Ingresos Financieros)

Our finance income (*Ingresos financieros*) increased by €0.4 million, or 50.0%, to €1.2 million in 2018 from €0.8 million in 2017 (as restated), primarily due to more favorable currency exchange rates.

Finance Costs (Gastos Financieros)

Finance costs (*Gastos financieros*) decreased by €2.0 million, or 19.2%, to €8.4 million in 2018 from €10.4 million in 2017 (as restated), primarily due to better exchange rates and a decrease in the interest rate of our Existing Senior Facilities.

Income Tax Income/(Expense) (Ingresos/(Gastos) por Impuestos Sobre las Ganancias)

Our income tax expense (*Gastos por impuestos sobre las ganancias*) decreased by €3.9 million, or 60.9%, to €2.5 million in 2018 from an income tax expense (*gastos por impuestos sobre las ganancias*) of €6.4 million in 2017 (as restated), primarily due to €10.8 million of deferred tax assets capitalized (*reconocimiento de impuestos diferidos*) in 2018 as compared to €3.3 million of deferred tax assets capitalized in 2017.

Post-Tax Loss on Discontinued Operations (Beneficio/(pérdida) después de Impuestos de las Actividades Interrumpidas)

Our post-tax loss on discontinued operations (*Pérdida después de impuestos de las actividades interrumpidas*) increased by €4.6 million, to a loss of €4.1 million in 2018 from a profit of €0.5 million in 2017 (as restated) primarily due to increased losses in our businesses in Poland and Czech Republic which were considered as discontinued operations in both years.

Profit/(Loss) for the Year (Beneficio/(pérdida) del Ejercicio)

Profit for the year (*Beneficio del ejercicio*) decreased to a loss of €9.6 million in 2018 from a profit of €31.7 million in 2017 (as restated) primarily due to transaction related costs arising from the Yum! Alliance.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

The following table sets forth consolidated financial information for the years ended December 31, 2016 and 2017. The financial information presented in the 2017 column below was extracted from the restated 2017 comparable column in our 2018 Financial Statements, which were restated to give effect to the reclassification of our operations in Poland and the Czech Republic as discontinued and to reflect the definitive accounting of the 2017 acquisition of the Apache chains in Ireland. The financial information presented in the 2016 column below has been extracted from our 2016 Financial Statements and does not give effect to the reclassification of such discontinued operations. Consequently, the 2017 restated financial information presented below is not comparable to the 2016 Financial Information. See "*Presentation of Financial and Other Information— Presentation of Financial Information—Historical Financial Information*."

	For the year ended December 31,		
(in € millions)	**2016**	**2017**[1]	**% Change**
Revenues (*Ingresos*)	**339.6**	**342.4**	**0.8%**
Merchandise and raw materials used (*Consumo de mercaderías y materias primas*)	(88.6)	(93.3)	5.3%
Personnel expenses (*Gastos por retribuciones a los empleados*)	(118.6)	(90.8)	(23.4)%
Amortization and depreciation (*Gastos por amortización*)	(17.4)	(18.3)	5.2%
Other expenses (*Otros gastos*)	(100.7)	(93.1)	(7.5)%
Impairment of non-current assets *(Deterioros de activos no corrientes)*	—	1.9	—
Other losses (*Otras pérdidas*)	—	(1.6)	—
Operating profit (*Beneficio de explotación*)	**14.3**	**47.2**	**230.1%**
Finance income (*Ingresos financieros*)	3.7	0.8	(78.4)%
Finance costs (*Gastos financieros*)	(25.5)	(10.4)	(59.2)%
Other losses (*Otras pérdidas*)	(0.7)	—	(100.0)%

	For the year ended December 31,		
(in € millions)	**2016**	**2017**[(1)]	**% Change**
Profit/(loss) before tax from continuing operations (*Beneficio/(pérdida) antes de impuestos de actividades continuadas*)........	(8.2)	37.6	(558.5)%
Income tax income/(expense) (*Ingresos/(gastos) por impuestos sobre las ganancias*)	18.9	(6.4)	(133.9)%
Profit/(loss) for the year from continuing operations (*Beneficio/(pérdida) del ejercicio de actividades continuadas*).....	10.7	31.2	191.6%
Post-tax profit/(loss) on discontinued operations (*Beneficio/(pérdida) después de impuestos de las actividades interrumpidas*)........	(0.0)	0.5	—%
Profit/(loss) for the year (*Beneficio/(pérdida) del ejercicio*)	**10.7**	**31.7**	**196.3%**

(1) Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

Revenues (Ingresos)

Revenues (*Ingresos*) increased by €2.8 million, or 0.8%, to €342.4 million in 2017 (as restated) from €339.6 million in 2016 as a result of the factors below.

Own Outlet Sales (Venta en tiendas al público)

Own outlet sales *(Venta en tiendas al público)* decreased by €11.3 million, or 5.8%, to €184.6 million in 2017 (as restated) from €195.9 million in 2016, primarily as a result of our store network optimization process, whereby we reduced our number of own stores (*tiendas propias*) from 454 in 2016 to 441 in 2017, and increased our franchised stores from 935 in 2016 to 1,166 in 2017.

Factory Sales to Franchisees (Venta de fábricas al por mayor a franquiciados y otros)

Factory sales to franchisees (Venta de fábricas al por mayor a franquiciados y otros) increased by €5.2 million, or 5.3%, to €103.2 million in 2017 (as restated) from €98.0 million in 2016, primarily as a result of a net addition of 231 stores to our franchised stores network, which resulted in increased sales to franchises.

Royalties (*Royalties*)

Royalties (*Royalties*) increased by €3.5 million, or 14.1%, to €28.3 million in 2017 (as restated) from €24.8 million in 2016, primarily as a result of a net addition of 231 stores to our franchised stores network, which resulted in increased invoicing to franchises.

Other Revenues

Other revenues (comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*)) increased by €5.4 million, or 25.8%, to €26.3 million in 2017 (as restated) from €20.9 million in 2016. This €5.4 million difference was primarily due to a net addition of 231 stores to our franchised stores network, which resulted in increased revenue from franchises.

Merchandise and Raw Materials Used (Consumo de Mercaderías y Materias Primas)

Merchandise and raw materials (*Consumo de mercaderías y materias primas*) used increased by €4.7 million, or 5.3%, to €93.3 million in 2017 (as restated) from €88.6 million in 2016, primarily resulting from an increase in the cost of raw materials, in particular the cost of cheese during the first half of the year.

Personnel Expenses (Gastos por Retribuciones a los Empleados)

Personnel expenses (G*astos por retribuciones a los empleados*) decreased by €27.8 million, or 23.4%, to €90.8 million in 2017 (as restated) from €118.6 million in 2016, primarily as a result of one-off costs incurred in 2016 related to Telepizza's initial public offering.

Amortization and Depreciation (Gastos por Amortización)

Consolidated amortization and depreciation (*Gastos por amortización*) increased by €0.9 million, or 5.2%, to €18.3 million in 2017 (as restated) from €17.4 million in 2016, primarily as a result of the amortization and depreciation related to new investments.

Other Expenses (Otros gastos)

Details of other expenses are as follows:

	For the year ended December 31,		
(in € millions)	**2016**	**2017[(1)]**	**% Change**
Operating leases (*Arrendamientos operativos*)	29.7	30.0	1.0%
Transport (*Transportes*)	12.7	13.8	8.7%
Advertising and publicity (*Publicidad y propaganda*)	17.2	17.1	(0.6)%
Utilities (*Suministros*)	11.5	11.0	(4.3)%
Other expenses (*Otros gastos*)	29.6	21.2	(28.4)%
Total Other Expenses (*Otros gastos*)	**100.7**	**93.1**	**(7.5)%**

(1) Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information*."

Other expenses (*Otros gastos*) decreased by €7.6 million, or 7.5%, to €93.1 million in 2017 (as restated) from €100.7 million in 2016, primarily as a result of the increase in our activities referred to above.

Impairment of Non-Current Assets (Deterioros de activos no corrientes)

A gain of €1.9 million in 2017 (as restated) for a net reversal of impairment of non-current assets (*deterioros de activos no corrientes*) was recognized as compared to €0 in 2016. This was primarily due to a reversal of impairment recorded on property, plant and equipment (*Reversion del deterioro de valor de inmovilizado material*) of €2.1 million related to significant additions 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 plant and equipment. This was partially off-set by an impairment *(deterioro del fondo de comercio*) of €0.2 million recorded on goodwill.

Other Losses (Otras Pérdidas)

Our other losses (*Otras pérdidas*) increased by €0.9 million, or 128.6%, to €1.6 million in 2017 (as restated) from €0.7 million in 2016, primarily due to losses on the sale of property, plant and equipment in 2017.

Operating Profit (Beneficio de Explotación)

As a result of the foregoing, our operating profit (*beneficio de explotación*) increased by €32.9 million to €47.2 million in 2017 (as restated) from €14.3 million in 2016. As a percentage of our revenues (*ingresos*), our operating profit (*beneficio de explotación*) increased to 13.8% in 2017 from 4.2% in 2016.

In 2017, one-off expenses of €0.7 million were incurred in connection with the negotiation of the Yum! Alliance and in 2016, transaction related expenses of €32.0 million were incurred in connection with Telepizza's initial public offering. Excluding the effect of these one-off costs, our operating profit (*beneficio de explotación*) would have increased by €1.6 million, or 3.5%, to €47.9 million in 2017 from €46.3 million in 2016. Furthermore, the operating profit (*beneficio de explotación*) as a percentage of revenues (*ingresos*) would have increased to 14.0% in 2017 from 13.6% in 2016.

Finance Income (Ingresos Financieros)

Our finance income (*ingresos financieros*) decreased by €2.9 million, or 78.4%, to €0.8 million in 2017 (as restated) from €3.7 million in 2016, primarily due to the debt reduction through Telepizza's initial public offering in 2016 and the resulting financing structure.

Finance Costs (Gastos Financieros)

Finance costs (*Gastos financieros*) decreased by €15.1 million, or 59.2%, to €10.4 million in 2017 (as restated) from €25.5 million in 2016, primarily due to the debt reduction through Telepizza's initial public offering in 2016 and the resulting financing structure.

Income Tax Income/(Expense) (Ingresos (Gastos) por Impuestos Sobre las Ganancias)

Our income tax expense (*Ingresos (gastos) por impuestos sobre las ganancias*) increased by €25.3 million, to an expense of €6.4 million in 2017 (as restated) from an income of €18.9 million in 2016, primarily due to a taxable profit incurred in 2017 as compared to a taxable loss incurred in 2016 and €3.3 million of deferred taxes capitalized (*reconocimiento de impuestos diferidos*) in 2017 as compared to €20.4 million of deferred taxes capitalized in 2016.

Post-Tax Loss on Discontinued Operations (Beneficio/(pérdida) después de Impuestos de las Actividades Interrumpidas)

Our post-tax loss on discontinued operations (*Beneficio/(pérdida) después de impuestos de las actividades interrumpidas*) increased by €0.5 million to €0.5 million in 2017 (as restated) from €0 in 2016, primarily due to the recognition of discontinued operations in Poland and the Czech Republic in 2017.

Profit/(Loss) for the Year (Beneficio/(pérdida) del Ejercicio)

Profit for the year (*Beneficio del ejercicio*) increased by €21.0 million to a profit of €31.7 million in 2017 (as restated) from a profit of €10.7 million in 2016 primarily due to one-off costs related to Telepizza's public offering incurred in 2016.

Results and Other Information by Segment

The following tables show the results of operations by each of our segments for the years ended December 31, 2016, 2017 and 2018.

	2018					
(in € millions)	**Spain (*España*)**	**Rest of Europe (*Resto Europa*)**	**Latin America (*Latino-América*)**	**Master Franchise and Rest of World (*Master franquicia y Resto del Mundo*)**	**Eliminations (*Eliminaciones*)**	**Total (*Total*)**
Own outlet sales (*Ventas tiendas propias*)	76.7	36.2	49.8	0.1	—	162.8
Factory sales to franchisees (*Ventas fábrica a franquiciados*)	92.8	10.6	13.2	0.6	—	117.2
Royalties (*Royalties*)	26.8	5.0	3.7	0.0	—	35.5
Other revenue[(1)]	16.2	0.9	7.7	0.0	—	24.8
To other segments (*A otros segmentos*)	34.5	—	—	—	(34.5)	—
Total revenues (*Total ingresos ordinarios*)	**247.0**	**52.7**	**74.4**	**0.7**	**(34.5)**	**340.3**
Amortization and depreciation (*Amortizaciones*)	(11.4)	(1.2)	(3.9)	(0.0)	—	(16.5)
Impairment of non-current assets (*Deterioro de activos no corrientes*).	(4.9)	—	(2.5)	—	—	(7.4)
Other net gains/(losses) (*Otras pérdidas netas*)	(0.3)	0.1	(0.7)	(0.1)	—	(1.0)
Operating profit/(loss) (*Beneficio de explotación*)	10.5	5.6	(11.7)	(0.1)	—	4.2
Net finance income/(cost) (*Ingresos financieros neto*)	(5.8)	0.1	(1.5)	(0.0)	—	(7.2)
Income tax (*Impuesto sobre las ganancias*)	3.7	(7.2)	1.0	(0.0)	—	(2.5)
Profit/(loss) from continuing operations (*Resultado financiero de actividades continuadas*)	**13.8**	**(4.2)**	**(14.8)**	**(0.3)**	**—**	**(5.5)**
Profit/(loss) from discontinued operations (*Resultado de actividades discontinuadas*)	(0.2)	(3.9)	—	—	—	(4.1)
Non-controlling interests (*Intereses de minoritarios*)	—	0.8	(0.1)	—	—	0.7
Profit/(loss) attributable to the Parent (*Resultado atribuido a la sociedad dominante*)	**13.6**	**(8.9)**	**(14.7)**	**(0.3)**	**—**	**(10.3)**

	2018					
(in € millions)	**Spain (*España*)**	**Rest of Europe (*Resto Europa*)**	**Latin America (*Latino-América*)**	**Master Franchise and Rest of World (*Master franquicia y Resto del Mundo*)**	**Eliminations (*Eliminaciones*)**	**Total (*Total*)**
Segment assets (*Activos del segmento*)	**906.9**	**40.3**	**26.7**	**0.3**	**—**	**974.2**
Assets from discontinued operations or held for sale (*Activos de operaciones discontinuadas o mantenidas para la venta*)	0.0	14.8	0.0	0.1	—	15.0
Group assets (*Activos del grupo*)	**912.8**	**49.0**	**27.0**	**0.4**	**—**	**989.2**
Segment liabilities (*Pasivos del segmento*)	**20.8**	**62.5**	**18.7**	**0.9**	**—**	**102.9**
Liabilities from discontinued operations or held for sale (*Pasivos de operaciones discontinuadas o mantenidas para la venta*)	—	4.5	0.1	0.1	—	4.7
Unassigned liabilities (*Pasivos sin asignar*)	—	—	—	—	—	881.6
Group liabilities (*Pasivos del grupo*)	**20.8**	**67.0**	**18.8**	**1.0**	**—**	**989.2**
Investments in property, plant and equipment and intangible assets (*Inversiones en inmovilizado material e inmaterial*)	**27.8**	**3.2**	**26.7**	**—**	**—**	**57.7**

(1) Other revenue is comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

	2017[1]					
(in € millions)	**Spain (*España*)**	**Rest of Europe (*Resto Europa*)**	**Latin America (*Latino-América*)**	**Master Franchise and Rest of World (*Master franquicia y Resto del Mundo*)**	**Eliminations (*Eliminaciones*)**	**Total (*Total*)**
Own outlet sales (*Ventas tiendas propias*)	99.9	32.5	52.2	—	—	184.6
Factory sales to franchisees (*Ventas fábrica a franquiciados*)	84.1	7.7	10.5	0.9	—	103.2
Royalties (*Royalties*)	23.5	—	3.7	1.1	—	28.3
Other revenue[2]	17.2	1.0	8.1	—	—	26.3
To other segments (*A otros segmentos*)	20.1	—	—	—	(20.1)	—
Total revenues (*Total ingresos ordinarios*)	**244.8**	**41.2**	**74.5**	**2.0**	**(20.1)**	**342.4**
Amortization (*Amortizaciones*)	(13.4)	(1.0)	(3.9)	—	—	(18.3)
Impairment of non-current assets (*Deterioro de activos no corrientes*)	2.8	(0.3)	(0.6)	—	—	1.9
Other net gains/(losses) (*Otras pérdidas netas*)	(1.6)	0.4	(0.4)	—	—	(1.6)
Operating profit/(loss) (*Beneficio de explotación*)	31.8	7.8	6.4	1.2	—	47.1
Net finance income/(cost) (*Resultado financiero*)	(7.6)	(0.1)	(1.9)	0.0	—	(9.6)
Income tax *(Impuestos sobre las ganancias*)	(5.7)	(0.2)	(0.5)	(0.0)	—	(6.3)
Profit/(loss) from continuing operations (*Impuesto de actividades continuadas*)	**20.0**	**7.1**	**2.9**	**1.2**	**—**	**31.2**

	2017[1]					
(in € millions)	**Spain (*España*)**	**Rest of Europe (*Resto Europa*)**	**Latin America (*Latino-América*)**	**Master Franchise and Rest of World (*Master franquicia y Resto del Mundo*)**	**Eliminations (*Eliminaciones*)**	**Total (*Total*)**
Profit/(loss) from discontinued operations (*Resultado de actividades interrumpidas*)	—	0.5	—	—	—	0.5
Non-controlling interests (*Intereses minoritarios*)	—	0.1	—	—	—	0.1
Profit/(loss) attributable to the Parent (*Resultado atribuido a la sociedad dominante*)	**20.0**	**7.7**	**2.9**	**1.2**	**—**	**31.8**
Segment assets (*Activos del segmento*)	**834.3**	**58.4**	**94.0**	**—**	**—**	**986.7**
Assets from discontinued operations or held for sale (*Activos de operaciones discontinuadas o mantenidas para la venta*)	0.1	—	—	—	—	0.1
Group assets (*Activos del grupo*).	**834.4**	**58.4**	**94.0**	**—**	**—**	**986.8**
Segment liabilities (*Pasivos del segmento*)	**50.2**	**14.0**	**7.3**	**—**	**—**	**71.5**
Liabilities from discontinued operations or held for sale (*Pasivos de operaciones discontinuadas o mantenidas para la venta*)	0.1	—	—	—	—	0.1
Unassigned liabilities (*Pasivos sin asignar*)..	—	—	—	—		915.3
Group liabilities (*Pasivos del grupo*)	**50.2**	**14.0**	**7.3**	**—**	**—**	**986.8**
Investments in property, plant and equipment and intangible assets (*Inversiones en inmovilizado material e inmaterial*)	**13.8**	**12.0**	**7.4**	**—**	**—**	**33.2**

[1] Restated figures. See "*Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information.*"

[2] Other revenue is comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

	2016					
(in € millions)	**Spain (*España*)**	**Rest of Europe (*Resto Europa*)**	**Latin America (*Latino-América*)**	**Master Franchise and Rest of World (*Master franquicia y Resto del Mundo*)**	**Eliminations (*Eliminaciones*)**	**Total (*Total*)**
Own outlet sales (*Ventas tiendas propias*)..	110.5	34.5	50.9	—	—	195.9
Factory sales to franchisees (*Ventas fábrica a franquiciados*)	74.8	14.1	8.9	0.2	—	98.0
Royalties (*Royalty*)	18.7	3.0	2.2	0.9	—	24.8
Other revenue[1]................................	12.4	1.7	5.3	1.5	—	20.9
To other segments (*A otros segmentos*)	12.3	—	—	—	(12.3)	—
Total revenues (*Total ingresos de explotación*).....................................	**228.7**	**53.3**	**67.3**	**2.6**	**(12.3)**	**339.6**
Amortization and depreciation (*Amortizaciones*)..............................	(11.9)	(1.4)	(4.1)	—	—	(17.4)
Segment operating profit/(loss) (*Resultado operativo del segmento*) .	(1.6)	7.2	6.3	2.4	—	14.3

	2016					
(in € millions)	**Spain** **(*España*)**	**Rest of Europe** **(*Resto Europa*)**	**Latin America** **(*Latino-América*)**	**Master Franchise and Rest of World** **(*Master franquicia y Resto del Mundo*)**	**Eliminations** **(*Eliminaciones*)**	**Total** **(*Total*)**
Net finance income/(cost) (*Resultado financiero*)	(20.5)	(0.4)	(1.0)	—	—	(21.9)
Other gains (*Otras ganancias*)	0.0	0.0	0.2	—	—	0.2
Other losses (*Otras pérdidas*)	(0.4)	(0.1)	(0.4)	—	—	(0.9)
Income tax (*Impuesto sobre las ganancias*)	21.2	(1.4)	(0.8)	(0.0)	—	19.0
Profit/(loss) from continuing operations (*Resultado de actividades continuadas*)	**(1.1)**	**5.2**	**4.3**	**2.3**	**—**	**10.7**
Loss after tax from discontinued operations (*Resultados después de impuestos de actividades interrumpidas*)	(0.0)	—	—	—	—	(0.0)
Loss attributable to the Parent (*Resultado atribuido a la sociedad dominante*)	**(0.1)**	**4.2**	**4.3**	**2.3**	**—**	**10.7**
Segment assets (*Activos del segmento*)	**790.4**	**46.0**	**109.6**	**—**	**—**	**946.0**
Assets from discontinued operations or held for sale (*Activos de operaciones discontinuadas o mantenidas para la venta*)	0.3	—	—	—	—	0.3
Group assets (*Activos del grupo*)	**790.7**	**46.0**	**109.6**	**—**	**—**	**946.3**
Segment liabilities (*Pasivos del segmento*)	**43.8**	**8.0**	**8.7**	**—**	**—**	**60.5**
Liabilities from discontinued operations or held for sale (*Pasivos de operaciones discontinuadas o mantenidas para la venta*)	0.0	—	—	—	—	0.0
Unassigned liabilities (*Pasivos sin asignar*)	—	—	—	—	—	884.0
Group liabilities (*Pasivos del grupo*)	**43.8**	**8.0**	**8.7**	**—**	**—**	**946.3**
Investments in property, plant and equipment and intangible assets (*Inversiones en inmovilizado material e inmaterial*)	**13.6**	**4.3**	**9.1**	**—**	**—**	**27.0**

(1) Other revenue is comprised of revenue from franchising activity (*ingresos por la actividad franquiciadora*), other services rendered to franchises (*otros servicios a franquiciados*), revenue from initial franchise fees (*ingresos de cánones*) and sublease income (*ingresos por subarriendo*).

Total Revenues by Segment (Ingresos por Segmento)

Spain (*España*)

Our total revenues (*total ingresos ordinarios*) from our Spain (*España*) segment increased by €2.2 million, or 0.9%, to €247.0 million in 2018 from €244.8 million in 2017 (as restated), primarily as a result of increased sales by our franchisees in Spain through our digital channel due to our promotional activities and our customers' increased engagement with our digital platform.

Our total revenues (*total ingresos ordinarios/total ingresos de explotacio´n*) from our Spain (*España*) segment increased by €16.1 million, or 7.0%, to €244.8 million in 2017 (as restated) from €228.7 million in 2016, primarily as a result of increased factory sales to franchises and royalties due to increased sales by our franchisees.

Rest of Europe (*Resto Europa*)

Our total revenues (*total ingresos ordinarios*) from our Rest of Europe (*Resto Europa*) segment increased by €11.5 million, or 27.9%, to €52.7 million in 2018 from €41.2 million in 2017 (as restated), primarily as a result of the acquisition of the Apache Pizza chain in Ireland as well as the increase in chain sales in Portugal, mainly due to our promotional activities and the increase in our digital sales.

Our total revenues (*total ingresos ordinarios/total ingresos de explotacio´n*) from our Rest of Europe (*Resto Europa*) segment decreased by €12.1 million, or 22.7%, to €41.2 million in 2017 (as restated) from €53.3 million in 2016, primarily as a result of the reclassification of our operations in Poland and the Czech Republic as discontinued operations in 2017.

Latin America (*Latino-América*)

Our total revenues (*total ingresos ordinarios*) from our Latin America (*Latino-América*) segment remained flat at €74.4 million in 2018 compared to €74.5 million in 2017 (as restated).

Our total revenues (*total ingresos ordinarios/total ingresos de explotación*) from our Latin America (*Latino-América*) segment increased by €7.2 million, or 10.7%, to €74.5 million in 2017 (as restated) from €67.3 million in 2016, primarily as a result of increased factory sales to franchises and royalties due to increased sales of our franchisees.

Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*)

Our total revenues (*total ingresos ordinarios*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased by €1.3 million, or 65.0%, to €0.7 million in 2018 from €2.0 million in 2017 (as restated).

Our total revenues (*total ingresos ordinarios/total ingresos de explotacio´n*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased by €0.6 million, or 23.1%, to €2.0 million in 2017 (as restated) from €2.6 million in 2016, primarily as a result of receiving a one-off opening fee received from franchise operations in Iran in 2016.

Operating Profit by Segment (Beneficio de Explotación por Segmento)

Spain (*España*)

Our operating profit (*Beneficio de explotación*) from our Spain (*España*) segment decreased by €21.3 million, or 67.0%, to €10.5 million in 2018 from €31.8 million in 2017 (as restated). As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Spain (*España*) segment decreased to 3.1% in 2018 from 9.3% in 2017 as a result of transaction related costs in 2018 related to the Yum! Alliance.

Our operating profit (*beneficio de explotación*) from our Spain (*España*) segment increased by €33.4 million to €31.8 million in 2017 (as restated) from a loss of €1.6 million in 2016. As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Spain (*España*) segment increased to 9.3% in 2017 from a loss of (0.5)% in 2016. This was primarily due to one-off expenses incurred in 2016 in connection with the initial public offering which were not incurred in 2017.

Rest of Europe (*Resto Europa*)

Our operating profit (*beneficio de explotación*) from our Rest of Europe (*Resto Europa*) segment decreased by €2.2 million, or 28.2%, to €5.6 million in 2018 from €7.8 million in 2017 (as restated). As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Rest of Europe (*Resto Europa*) segment decreased to 1.6% in 2018 from 2.3% in 2017.

Our operating profit (*beneficio de explotación*) from our Rest of Europe (*Resto Europa*) segment increased by €0.6 million, or 8.3%, to €7.8 million in 2017 (as restated) from €7.2 million in 2016. As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Rest of Europe (*Resto Europa*) segment increased to 2.3% in 2017 from 2.1% in 2016. This was primarily due to the improvement in our operations in Portugal.

Latin America (*Latino-América*)

Our operating profit (*beneficio de explotación*) from our Latin America (*Latino-América*) segment decreased by €18.1 million to a loss of €11.7 million in 2018 from a profit of €6.4 million in 2017 (as restated). As a percentage of total revenues (*ingresos*), our operating loss (*beneficio de explotación*) from our Latin America (*Latino-América*) segment decreased to (3.4)% in 2018 from 1.9% in 2017. This was primarily due to transaction related costs related to the Yum! Alliance in 2018.

Our operating profit (*beneficio de explotación*) from our Latin America (*Latino-América*) segment slightly increased by €0.1 million, or 1.6%, to €6.4 million in 2017 (as restated) from €6.3 million in 2016. As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Latin America (*Latino-América*) segment increased to 1.9% in 2017 from 1.8% in 2016.

Master Franchise and Rest of the World (*Masterfranquicia y Resto del Mundo*)

Our operating profit (*beneficio de explotación*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased by €1.3 million, or 108.3%, to a loss of €0.1 million in 2018 from a profit of €1.2 million in 2017 (as restated). As a percentage of total revenues (*ingresos*), our operating loss (*beneficio de explotación*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased to (0.0)% in 2018 from 0.4% in 2017.

Our operating profit (*beneficio de explotación*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased by €1.2 million, or 50.0%, to €1.2 million in 2017 (as restated) from €2.4 million in 2016. As a percentage of total revenues (*ingresos*), our operating profit (*beneficio de explotación*) from our Master Franchise and Rest of World (*Masterfranquicia y Resto del Mundo*) segment decreased to 0.4% in 2017 from 0.7% in 2016. This was primarily due to the increase in personnel expenses to improve customer service in 2017.

Liquidity and Capital Resources

Overview

Our principal cash requirements consist of the following:

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

Our principal sources of liquidity are expected to be cash flows from our operating activities, capital contributions and shareholder contributions, and short-term and long-term loans and financing, including drawings under our Revolving Credit Facility. The availability of the Revolving Credit Facility will be subject to certain conditions.

Our ability to generate operating cash flows depends on our operating performance, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in "*Risk Factors*." We believe that, based on our level of operations as reflected in our results of operations for the year ended December 31, 2018, our cash flows from operating activities, cash on hand and the availability of borrowings under our Revolving Credit Facility and factoring facilities will be sufficient to fund our operations and capital expenditures and to service our debt for at least the next twelve months. The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt. Losses or other events could further reduce the net equity and distributable reserves of our subsidiaries.

We anticipate that we will be highly leveraged for the foreseeable future and our ability to generate future financing cash flows will be limited by the Indenture and the Revolving Credit Facility, which may have important negative consequences for you. See "*Risk Factors*," "*Description of the Notes—Certain Covenants— Limitation on Indebtedness*" and "*Description of Other Indebtedness*." In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness, including under the Notes offered hereby, and increase our leverage.

The proceeds from the Offering of the Notes will be used as set forth under "*Use of Proceeds*."

Cash Flows

The following table sets forth our consolidated statements of cash flows for the years presented, including cash from discontinued operations:

(in € millions)	For the year ended December 31, 2016	2017[1]	2018
Net cash from operating activities *(Efectivo neto generado por las actividades de explotación)*	48.8	47.6	27.2
Net cash used in investing activities *(Efectivo neto utilizado en las actividades de inversión)*	(30.2)	(25.6)	(35.7)
Net cash from (used in) financing activities *(Efectivo neto utilizado en las actividades financieras)*	3.4	—	(21.9)
Net increase (decrease) in cash and cash equivalents *(Aumento/(disminución) de efectivo y otros medios líquidos equivalentes)*	**22.0**	**22.0**	**(30.4)**

(1) Restated figures. See "Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information."

Cash Flows Provided by Operating Activities (Efectivo generado por las actividades de explotación)

Our cash flows from operating activities (*Efectivo neto generado por las actividades de explotación*) decreased by €20.4 million, from €47.6 million in 2017 (as restated) to €27.2 million in 2018. This decrease was primarily due to the payment of expenses related to the Yum! Alliance agreement.

Our cash flows from operating activities (*Efectivo neto generado por las actividades de explotación*) slightly decreased by €1.2 million, to €47.6 million in 2017 (as restated) compared to €48.8 million in 2016 primarily due to the net effect of the expenses incurred in 2016 relating to the initial public offering and the reclassification in 2017 of interest paid to operating activities from financing activities due to the adoption of IFRS 9.

Cash Flows (Used in) Investing Activities (Efectivo neto utilizado en las actividades de inversión)

Our cash flows used in investing activities (*Efectivo neto utilizado en las actividades de inversión*) increased by €10.1 million, from €25.6 million in 2017 (as restated) to €35.7 million in 2018. This increase was primarily due to the acquisition of subsidiaries, in particular the acquisition of Pizza Hut operations in Ecuador.

Our cash flows used in investing activities (*Efectivo neto utilizado en las actividades de inversión*) decreased by €4.6 million, from €30.2 million in 2016 to €25.6 million in 2017 (as restated). This decrease was primarily due to the new classification in 2017 of other cash used for other non-current financial assets to operating activities from the adoption of IFRS 9.

Cash Flows Provided by Financing Activities (Efectivo neto utilizado en las actividades financieras)

Our cash flows used in financing activities (*Efectivo neto utilizado en las actividades financieras*) increased from €0 in 2017 (as restated) to €21.9 million in 2018. This increase was primarily due to the acquisition of our own shares and paying a dividend in 2018.

Our cash flows from financing activities (*Efectivo neto utilizado en las actividades financieras*) decreased from €3.4 million in 2016 to €0 in 2017 (as restated). This decrease was primarily due to the refinancing and the initial public offering in 2016.

Working Capital

The following table shows our working capital as of December 31, 2016, 2017 and 2018:

(in € millions)	As of December 31, 2016	2017[1]	2018
Current assets[2] (*Activos Corrientes*)	119.9	145.3	127.0
Current liabilities (*Pasivos Corrientes*)	(54.2)	(55.5)	(83.4)
Working capital[3]	**65.7**	**89.8**	**43.6**

(1) Restated figures. See "Presentation of Financial and Other Information—Presentation of Financial Information—Historical Financial Information."

(2) Current assets include cash and cash equivalents (efectivo y otros medios líquidos equivalentes) of €64.0 million, €87.3 million and €56.7 million in 2016, 2017 (as restated) and 2018, respectively.

(3) This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance and liquidity derived in accordance with IFRS. See "Presentation of Financial and Other Information."

Working capital decreased by €46.2 million, or 51.4%, to €43.6 million as of December 31, 2018, from €89.8 million as of December 31, 2017. This decrease was primarily due to a decrease in cash and cash equivalents and an increase in trade and other payables.

Working capital increased by €24.1 million, or 36.7%, to €89.8 million as of December 31, 2017, from €65.7 million as of December 31, 2016. This increase was primarily due to higher cash and cash equivalents in 2017.

Capital Expenditures

We generally require capital expenditures for the maintenance of our existing store portfolio to remain competitive and maintain the value of our brand. In addition, in previous years our capital expenditures have mainly related to the opening of new stores and the refurbishment and relocation of our existing stores. In 2018, however, in preparation for the upcoming store conversions in connection with the Yum! Alliance, we reduced our capital expenditures in store openings and refurbishments and relocations, and increased our capital expenditures in information technology and store buybacks.

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

	For the year ended December 31,		
(in € millions)	**2016**	**2017[(1)]**	**2018[(2)]**
Maintenance	5.4	4.6	4.9
New Investment	21.7	23.2	21.9
Store buybacks	4.2	1.6	6.9
Store openings	7.6	6.9	2.3
Refurbishments and relocations	3.9	7.9	3.4
Digital & IT[(3)]	3.8	4.3	5.2
Efficiency and Supply Chain	2.2	2.4	4.1
Total capital expenditures	**27.0**	**27.8**	**26.9**

(1) Does not include €11.1 million in capital expenditures in 2017 related to the acquisition of the Apache Pizza chain in Ireland in 2017 as a result of the restatement made in 2018 to the accounts of 2017.

(2) Does not include €19.0 million in capital expenditures in 2018 related to the acquisition of Pizza Hut Ecuador nor €11.9 million for the initial franchise fee.

(3) Includes capital expenditures related to new and replacement information technology equipment.

Although our store buyback capital expenditures in 2018 were higher than in 2017 in anticipation of the consummation of the Yum! Alliance, in 2019 we expect our operating capital expenditures will be mainly related to store openings, conversions and refurbishments and are expected to require capital expenditures of approximately €40.0 to €45.0 million. This estimate excludes the impact of any acquisitions or divestments over the period. In addition, as part of our general strategy and in connection with the Yum! Alliance, we intend to undertake capital expenditures during the next three years to open new stores and convert Telepizza stores to Pizza Hut stores, particularly in Latin America, as well as to invest in our dough factories.

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

Contractual Obligations

The following table presents information relating to our contractual obligations and commercial commitments as of December 31, 2018, after giving effect to the Transactions:

	Less than 1 year	**1-5 years**	**After 5 years**	**Total**
(in € millions)	**Payments due by period end**			
Notes offered hereby[(1)]	—	—	335.0	335.0
Revolving Credit Facility[(2)]	—	—	—	—
Total	**—**	**—**	**335.0**	**335.0**

(1) Represents the aggregate principal amount of the Notes excluding future interest payments.

(2) Represents €45.0 million aggregate commitments made available under the Revolving Credit Facility, assuming it remains undrawn as of the Escrow Release Date.

Off-Balance Sheet Arrangements

With the exception of bank and other guarantees provided in the ordinary course of business (*pasivos contingentes por avales bancarios y otras garantías relacionadas con el curso normal del negocio*) amounting to €6.1 million as of December 31, 2018, we do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as special purpose entities, which include special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, we are exposed to a variety of financial risks, including interest rate risk, currency risk, liquidity risk and credit risk. Our global risk management focuses on uncertainty in the financial markets and aims to minimize potential adverse effect on our profits. We also use derivatives to mitigate our risks.

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prior to the Transactions, our exposure to the risk of changes in market interest rates related primarily to our Existing Senior Facilities which bear interest at a variable rate.

In order to minimize interest rate risk, we enter from time to time into variable to fixed interest rate swaps. We generally obtain non-current borrowings with variable interest rates and swap these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. For example, in 2016, we entered into a fixed interest rate swap to hedge €100.0 million of our drawings under the Existing Term Loan Facility (the "Swap"), which swapped the EURIBOR rate with a zero floor for a fixed rate of 0.27%. The Swap became effective on April 29, 2018, and expires on April 29, 2021. As of December 31, 2018, it had a negative fair value of €0.6 million (€0.1 million as of December 31, 2017). As part of the Refinancing, we intend to terminate the Swap.

As of December 31, 2018, had interest rates been 25 basis points higher or lower, with the other variables remaining constant, this would not have affected the loss for the year, mainly because borrowings costs on variable interest rate debt not hedged by the Swap have a floor of 1% and, therefore, 1% was the rate paid during the year for variable interest pegged to EURIBOR.

The Revolving Credit Facility will bear interest at variable rates. While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in market interest rates.

Foreign Currency Risk

Since we operate internationally, we are exposed to variations in exchange rates for commercial transactions in foreign currency, intragroup payables in foreign currency and net assets deriving from net investments in foreign operations with functional currencies other than the euro. There are no significant Group balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where we operate.

We currently do not hedge our foreign currency risk. We expect that possible fluctuations in the exchange rates of the Chilean peso, the Colombian peso and the Polish zloty will not have a significant impact on our consolidated equity.

The Notes and the Revolving Credit Facility will be denominated in euro, and changes in foreign exchange rates will therefore give rise to foreign exchange exposure. While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in foreign exchange rates.

As of December 31, 2018, had the euro weakened by 10% against the Chilean peso, the Colombian peso and the Polish zloty, with the other variables remaining constant, consolidated post-tax profit (*beneficio consolidado despues de impuestos*) would have been €0.1 million higher in 2018 (€0.1 million higher in 2017), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. The translation differences (*diferencias de conversion*) recognized under other comprehensive income would have increased by €4.3 million in 2018 (and €7.0 million in 2017), mainly due to translation differences on foreign operations.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfill present or future obligations if we do not have sufficient funds available to meet such obligations at the time they become due. Liquidity risk arises mostly in relation to cash flows generated and used in working capital and from financing activities, particularly by servicing our debt, in terms of both interest and capital, and our payment obligations relating to our ordinary business activities. We manage liquidity risk by continuously monitoring our expected cash flows and working capital levels and ensuring that adequate borrowing facilities are maintained.

The Group's liquidity policy consists of arranging credit facilities and holding marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling it to settle market positions relating to short-term investments immediately, thus ensuring that this financial risk is minimized.

Credit Risk

Credit risk is the risk of financial loss resulting from counterparty failure to repay or service debt owed to us according to the contractual terms or obligations. We are not exposed to significant credit risk since our credit risk is not significantly concentrated, our cash placements and derivative contracts are with highly solvent entities, the average collection period for trade receivables is very short, and customers have adequate credit records, which significantly reduces the likelihood of bad debts.

For further information see also note 32 to our 2018 Financial Statements.

Critical Accounting Policies

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

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

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

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

- We determine the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets.

- Calculation of the recoverable amount: We test goodwill and the brands for impairment on an annual basis. Calculation of the recoverable amount requires us to use estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. We generally use discounting cash flow methods to calculate these values, based on projections of the budgets we approve. The cash flows take into consideration past experience and represent our best estimate of future market performance. The key assumptions employed when determining fair value less costs to sell include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

- Valuation allowances for bad debts require a high degree of judgment by us and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice versa.

- We capitalize the tax credits we consider likely to be offset in the foreseeable future based on our business plan for each tax jurisdiction in which we operate.

- The estimates made in connection with share-based payments are subject to a high degree of uncertainty.

- The effects of the Yum! Alliance in our consolidated annual accounts are considered critical due to the different accounting assumptions and impacts associated with the agreement, as it substantially modifies the prior business model.

- We are subject to regulatory and legal processes and inspections by government bodies in various jurisdictions. We use significant judgment when determining the provisions for these legal processes.

- The calculation of provisions for onerous contracts and litigation is subject to a high degree of uncertainty. We recognize provisions for onerous contracts when estimated total costs exceed the economic benefits expected to be received under the contract.

- Although estimates are calculated by our directors based on the best information available at the closing date of the consolidated annual accounts, future events may require changes to these estimates in subsequent years. Any effect on the Financial Statements of adjustments to be made in subsequent years would be recognized prospectively.

For a description of these critical accounting policies and estimates, see note 4 (*Accounting Principles*) to our 2018 Financial Statements.

INDUSTRY

Global Industry Overview

According to Euromonitor International Ltd.'s Consumer Foodservice 2018 edition market research (hereinafter "Euromonitor"), the global consumer foodservice industry is expected to grow to over €2.5 trillion in annual sales in 2018, recording a year of strong growth. Growth increase over 2.4% in 2018, with a further 4.7% rise projected for 2019.

					Forecast
	Consumer Foodservice Market			CAGR %	CAGR %
(in € billions)	2016	2017	2018	2016-2018	2018-2022
Region					
Asia Pacific	1,064.0	1,095.1	1,124.7	2.8%	5.6%
Australasia	42.8	45.3	46.8	4.6%	5.0%
Eastern Europe	47.6	53.2	55.8	8.3%	5.5%
Latin America	215.4	233.8	241.6	5.9%	7.1%
Middle East and Africa	90.2	90.2	94.4	2.3%	6.8%
North America	530.4	537.7	541.0	1.0%	3.7%
Western Europe	440.1	442.0	453.2	1.5%	3.0%
World	**2,430.4**	**2,497.2**	**2,556.4**	**2.6%**	**4.9%**

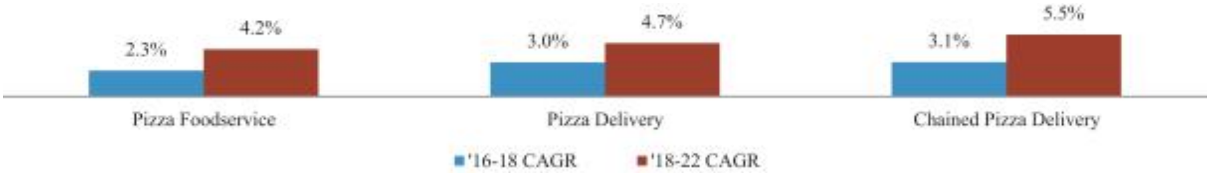
Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

We operate within the pizza consumer foodservice sector of the consumer foodservice market, which includes all outlets that specialize in pizza. This sector is made up of three sub-sectors: (i) pizza full service restaurants, which encompass all sit-down establishments where the focus is on the ambiance and a broader product range and are characterized by table service and relatively higher price points compared to quick service units, (ii) pizza 100% home delivery/takeaway, where players operate fixed units which provide limited facilities for consumption on the premises and offer food to either be picked up by the consumer or delivered and (iii) fast food pizza, which consists of outlets that offer limited menus that are prepared quickly and ordered and served from a counter.

The global pizza consumer foodservice sector is estimated by Euromonitor to be worth approximately €128 billion in 2018 and was forecast to grow to approximately €134 billion in 2019. In 2018, the largest pizza consumer foodservice sub-sector by value was pizza full service restaurants, estimated to be worth approximately €63 billion in 2018 (approximately 49% of pizza consumer foodservice). The second pizza consumer foodservice sub-sector by value is estimated to be 100% home delivery/takeaway, estimated to be worth approximately €53 billion in 2018 (approximately 42% of pizza consumer foodservice) and within this sector, chains are estimated to represent approximately €31 billion in sales. Fast food pizza is estimated to be worth approximately €12 billion according to Euromonitor in 2018.

Global Foodservice Growth by Pizza Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

Latin America has been one of the fastest growing markets for pizza consumer foodservice the past two years, and this market is expected to grow at a 6.8% CAGR over the next four years while the overall global pizza consumer foodservice is expected to grow at a CAGR of 4.2%. Latin America's pizza 100% home delivery/ takeaway and chained pizza delivery/takeaway markets are expected to grow respectively at a CAGR of 8.4% and 6.9% over the next four years.

	Pizza Foodservice Market				Forecast
	2016	2017	2018	CAGR % 2016-2018	CAGR % 2018-2022
(in € billions)					
Region					
Asia Pacific	9.2	9.5	9.9	3.7%	7.1%
Australasia	1.8	1.9	1.9	4.3%	4.1%
Eastern Europe	3.5	4.0	4.2	9.0%	5.9%
Latin America	13.5	14.4	14.9	5.0%	6.8%
Middle East and Africa	4.1	4.2	4.3	2.9%	5.0%
North America	43.7	43.9	44.4	0.8%	4.0%
Western Europe	46.9	47.6	48.8	2.0%	2.7%
World	**122.7**	**125.5**	**128.4**	**2.3%**	**4.2%**

Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

	Pizza Delivery Market				Forecast
(in € billions)	2016	2017	2018	CAGR % 2016-2018	CAGR % 2018-2022
Region					
Asia Pacific	3.5	3.5	3.5	0.8%	3.8%
Australasia	1.2	1.3	1.4	4.6%	3.9%
Eastern Europe	0.3	0.4	0.5	26.0%	9.3%
Latin America	2.9	3.2	3.3	6.5%	8.4%
Middle East and Africa	0.6	0.6	0.6	0.9%	5.0%
North America	22.8	22.9	23.6	1.7%	5.1%
Western Europe	19.0	19.7	20.6	4.1%	3.8%
World	**50.4**	**51.6**	**53.5**	**3.0%**	**4.7%**

Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

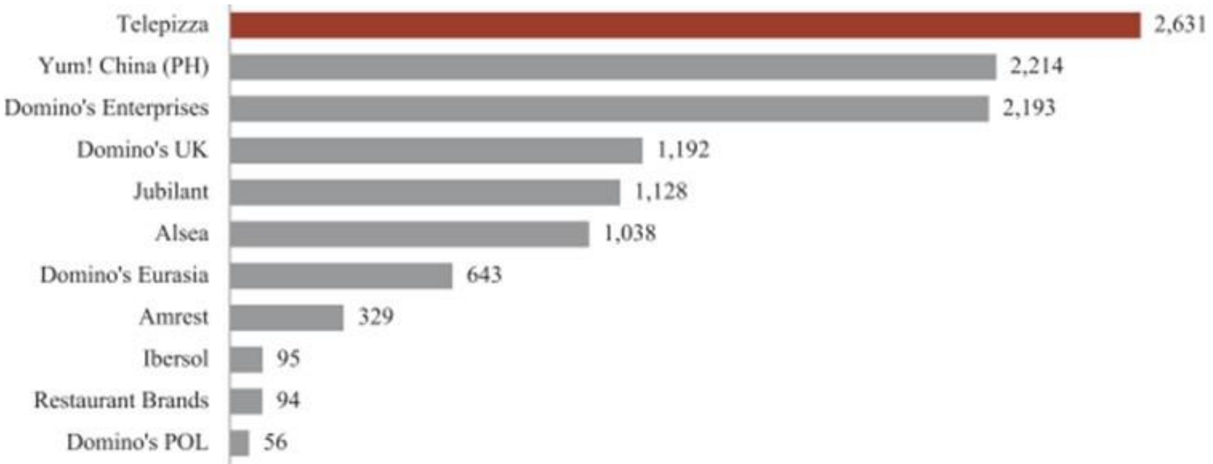
	Chained Pizza Delivery Market				Forecast
	2016	2017	2018	CAGR % 2016-2018	CAGR % 2018-2022
(in € billions)					
gion					
Asia Pacific	3.1	3.1	3.1	0.9%	4.2%
Australasia	1.0	1.0	1.1	4.6%	3.8%
Eastern Europe	0.2	0.3	0.3	40.2%	11.3%
Latin America	1.4	1.6	1.6	6.5%	6.9%
Middle East and Africa	0.4	0.4	0.4	3.8%	5.5%
North America	18.2	18.2	18.9	1.7%	5.6%
Western Europe	4.5	4.8	5.2	6.7%	5.4%
World	**28.8**	**29.4**	**30.6**	**3.1%**	**5.5%**

Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

Following the execution of our strategic agreement with Yum! Brands in December 2018, we believe that we are the largest master franchisee in the global pizza delivery foodservice sector in terms of number of stores.

Global Pizza Delivery Master Franchises by Store Count (2018 Store Counts, Telepizza PF for Yum! Transaction)



Source: Telepizza Management, public filings of the relevant companies, and the New Zealand Herald in respect of Restaurant Brands MLA in New Zealand

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

- Universal appeal and easy adaptation to local preferences: pizza continues to establish itself as one of the fastest growing foodservice categories globally, benefiting from its global recognition, versatility, both in terms of the product itself and the formats where it can be found. The potential for customization and localization that pizza offers works well in quick service takeaway concepts as well as in more communal, full-service settings.

- Favorable consumer trends in convenience and delivery: the sector is ideally positioned to benefit from secular consumer trends (led by changing millennial consumption habits), which include a rise in the importance of providing a customized product with the availability of premium ingredients and new taste experiences, local sourcing and simplicity of positioning and ingredients (Source: Euromonitor International Ltd. "Experience More: In the Moment," June 2018 and "Understanding the Five Drivers Shaping Megatrends," January 2019).

- Convenience: amplifying trend of social lives moving to people's homes which is driving a considerable increase in consumers' need for convenience, all-day dining options and delivery.

- Resilience: relatively resilient throughout economic cycles and well-placed to benefit from general economic recovery/improving consumer confidence. The recent recovery in consumption in Iberia and Latin America has driven a significant improvement in foodservice sales and in QSR in particular. The macroeconomic improvement in these regions is expected to continue over the medium term according to Economist Intelligence Unit ("EIU").

- Significant global white space and further global growth opportunities: we believe several markets globally remain largely underpenetrated by large players such as Domino's Pizza and us, with considerable potential for growth in the pizza consumer foodservice sector. (Source: Euromonitor).

- Fragmented market with growing share of chains: pizza consumer foodservice chain sales represent 40% of the total consumer pizza foodservice market globally. In comparison, chains represent approximately 88% of chicken fast food total sales, and respectively approximately 81%, 73% and 66% of burger, Latin American and bakery fast food, highlighting a potential for further consolidation in pizza foodservice (Source: Euromonitor).

- Well-positioned to benefit from digitalization: The 100% home delivery/takeaway sector in general is one of the main beneficiaries of a surge in the use of digital technology. Online ordering, irrespective of channel, is growing in popularity. Digital technologies, led by smart phones and tablets, are fueling a greater push for immediacy, making it easier to order, improving order accuracy, allowing quick reordering of favorites, enabling online prepayment using cards, and saving waiting time on deliveries and pick-ups (Source: Euromonitor, "100% Home Delivery/Takeaway in Spain," April 2018).

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

The chained pizza 100% home delivery/takeaway market globally in terms of euro is expected to grow by 5% annually between 2018 and 2022 (Source: Euromonitor).

Overview of the Operating Environment in International Markets

We have a presence in a number of countries and regions around the world of which Spain, Portugal, certain countries in Latin America and the Caribbean are the most important. We believe that our markets outside of Iberia will continue to grow at a faster rate than Spain and Portugal, driven by following factors:

Young population: according to EIU, in 2018, people aged 24 or younger in Chile, Mexico, Colombia, Peru and Spain represents respectively 35%, 45%, 40%, 45% and 24% of the population. Given our product offering is principally targeted to young independents and families with children (a group characterized by higher loyalty, order frequency, order size and average ticket price) we believe that the market is uniquely positioned to benefit significantly from the breadth of its core target market in Latin America.

Emerging middle classes: many countries in Latin America are experiencing the growth of their middle class as a result of fast growing economies. The growth of the middle class has thus increased the size of our target market and our competitors.

Significant room for growth in per capita expenditure compared to more developed countries: in 2018, annual expenditure on pizza consumer foodservice is estimated to be €3.8 billion, €184 million, €4.3 billion and €229 million in Spain, Portugal, Mexico and Chile, respectively (Source: Euromonitor). EIU estimates the population of these countries in 2018 to be approximately 46 million, 10 million, 131 million and 18 million, respectively. Thus, annual expenditure per capita on pizza consumer foodservice in Spain is expected to be approximately €86 per person compared to approximately €18 per person in Portugal, approximately €32 in Mexico and approximately €16 in Chile.

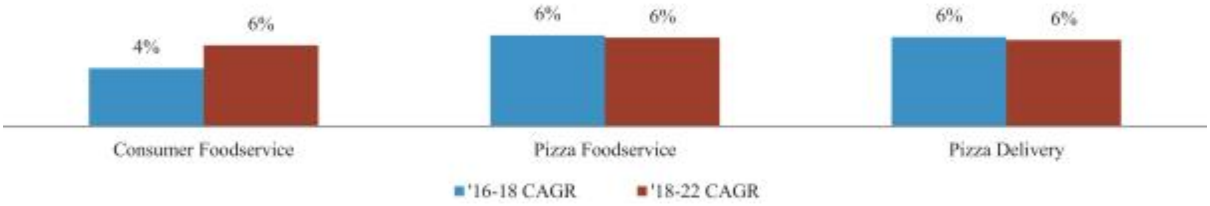
Overview of the Operating Environment in Spain

The Spanish economy is forecast to grow at a real GDP CAGR of 2.1% between 2018 and 2022. EIU estimates that private consumption will increase at a CAGR of 2.0% over the same period. Due to the rise in digitalization and the growing ease and convenience of placing pizza delivery orders online, the increase in internet users has had a significant impact on our pizza delivery sales. According to the International Telecommunications Union, the percentage of internet users grew to 85% of the Spanish population in 2017, up from 79% in 2015. In addition, our primary customer groups include teens, young dependents (generally aged 18 to 24) and young independents (generally aged 25 to 34). In 2017, EIU estimated the percentage of the total Spanish population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 10%, 5% and 11%, respectively. In 2017, 80% of Spain's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Spain is estimated to be worth a total of approximately €81 billion in 2018, of which pizza consumer foodservice represents approximately €3.8 billion (5% consumer of total foodservice). The pizza 100% home delivery/takeaway sector was estimated to be worth approximately €854 million in 2018 (approximately 22% of pizza foodservice) and expected to increase to €917 million in 2019.

Within the Spanish pizza consumer foodservice market, we held a store market share of approximately 56% (market share based on number of stores) as of 2017, followed by Domino's Pizza in Spain, as the distant number two player with approximately 18% market share (Source: Euromonitor; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Spain Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

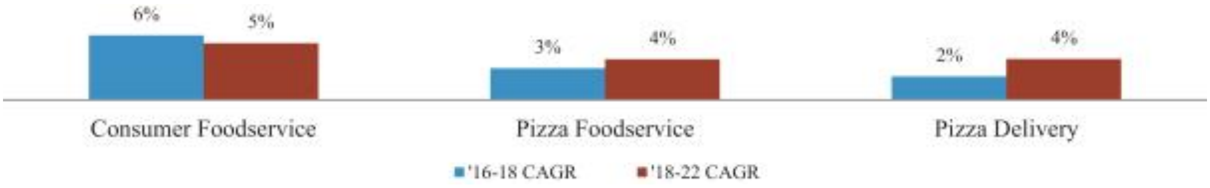
Overview of the Operating Environment in Portugal

The Portuguese economy is forecast to grow at a real GDP CAGR of 1.9% between 2018 and 2022. Furthermore, EIU estimate that private consumption will increase at a CAGR of 1.8% in the same period. According to the International Telecommunications Union, the percentage of internet users grew to 74% of the Portuguese population in 2017, from 69% in 2015. In addition, in 2017, EIU estimated the percentage of the total Portuguese population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 10%, 5% and 11%, respectively. In 2017, 65% of Portugal's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Portugal is estimated to be worth a total of approximately €8.1 billion in 2018, of which pizza consumer foodservice represents approximately €184 million (approximately 2% of total foodservice). The pizza 100% home delivery/takeaway sector is estimated to be worth €43 million in 2018 (approximately 24% of pizza consumer foodservice) and is expected to increase to €45 million in 2019.

We were the largest pizza consumer foodservice chain in the Portuguese market in 2017, with a store market share of approximately 93% (market share based on number of stores) as of 2017, followed by Domino's Pizza, the number two player with a market share of approximately 7% (Source: Euromonitor; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Portugal Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

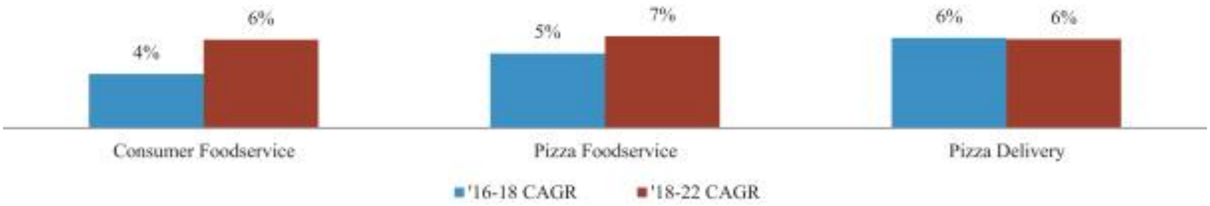
Overview of the Operating Environment in Mexico

The Mexican economy is forecast by EIU to grow real GDP at a CAGR of 2.0% between 2018 and 2022. Furthermore, EIU estimate that private consumption will increase at a CAGR of 2.1% over the same period. According to the International Telecommunications Union, the percentage of internet users grew to 64% of the Mexican population in 2017, up from 57% in 2015. In addition, in 2017, EIU estimated the percentage of the total Mexican population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 18%, 9% and 16%, respectively. In 2017, 80% of Mexico's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Mexico is estimated to be worth a total of approximately €42.9 billion in 2018, of which pizza consumer foodservice represents approximately €4 billion (approximately 9% of total consumer foodservice). The pizza 100% home delivery/takeaway sector is estimated to be worth approximately €575 million in 2018 (approximately 14% of pizza consumer foodservice) and expected to increase to €616 million in 2019.

As of 2017, we were the third largest pizza consumer foodservice chain in the Mexican market with a store market share of approximately 11% (market share by store count) behind Domino's Pizza (approximately 31% share) and Little Caesar's Pizza (approximately 19% share). (Source: Euromonitor; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Mexico Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

Overview of the Operating Environment in Chile

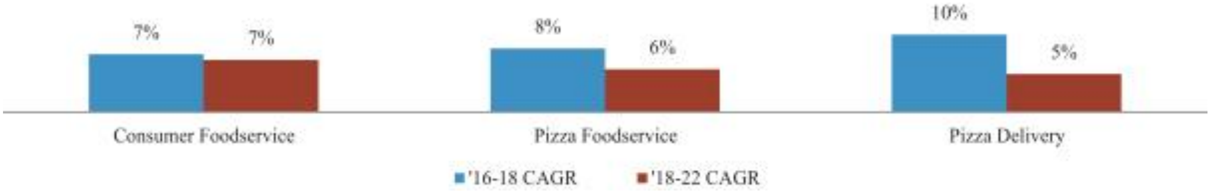
The Chilean economy is forecast by EIU to grow real GDP at a CAGR of 3.2% between 2018 and 2022. Furthermore, private consumption will increase at a CAGR of 2.9% over the same period. (Source: EIU, February 2019). According to the International Telecommunications Union, the percentage of internet users grew to 82% of the Chilean population in 2017, from 77% in 2015. In addition, in 2017, EIU estimated the percentage of the total Chilean population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 14%, 8% and 16%, respectively. In 2017, 87% of Chile's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Chile is estimated to be worth a total of approximately €4.3 billion in 2018, of which pizza consumer foodservice represented approximately €299 million (approximately 7% of total foodservice). The pizza 100% delivery/takeaway sector is estimated to be worth €190 million in 2018 (approximately 64% of pizza foodservice) and expected to increase to €199 million in 2019.

We were the largest pizza consumer foodservice chain in the Chilean market with a store market share of approximately 66% as of 2017 (market share based on number of stores), followed by Papa John's International and Domino's Pizza as the distant number two and number three players with a market share of approximately

18% and 8%, respectively. (Source: *Euromonitor*; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Chile Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

Overview of the Operating Environment in Other Telepizza Markets

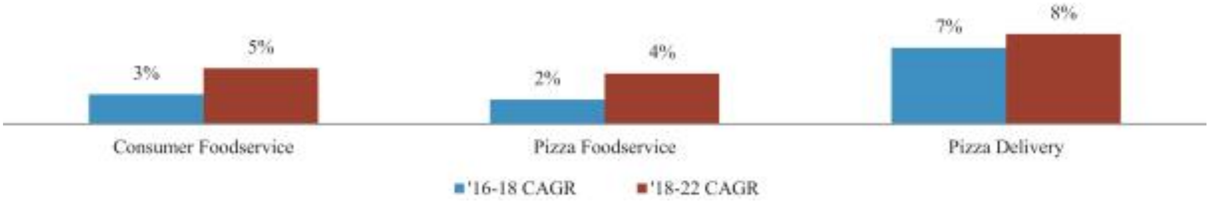
Colombia

The Colombian economy is forecast by EIU to grow real GDP at a CAGR of 3.2% between 2018 and 2022. Furthermore, private consumption is estimated to increase at a CAGR of 3.1% over the same period. According to the International Telecommunications Union, the percentage of internet users grew to 62% of the Colombian population in 2017, from 56% in 2015. In addition, in 2017, EIU estimated the percentage of the total Colombian population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 17%, 8% and 17%, respectively. In 2017, 80% of Colombia's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Colombia is estimated to be worth a total of approximately €10.8 billion in 2018, of which pizza consumer foodservice represents approximately €709 million (approximately 7% of total consumer foodservice). The pizza 100% home delivery/takeaway sector is estimated to be worth €59 million in 2018 (approximately 8% of pizza consumer foodservice) and expected to increase to €64 million in 2019.

We were the largest pizza consumer foodservice chain in the Colombian market with a store market share of approximately 40% in 2017 (market share based on number of stores), followed by Domino's Pizza (approximately 31% share) and Archies Colombia (approximately 13% share). (Source: Euromonitor; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Colombia Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

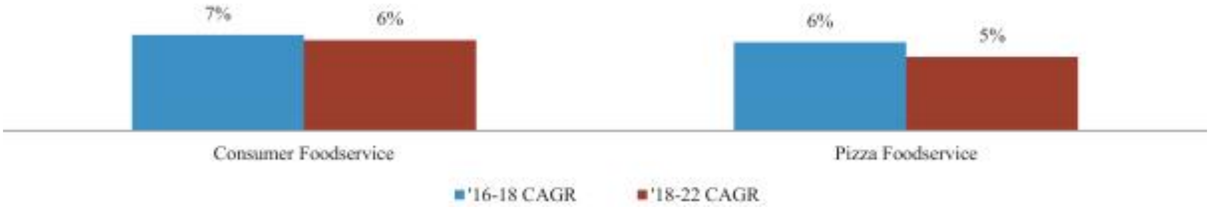
Peru

The Peruvian economy is forecast by EIU to grow real GDP at a CAGR of 3.7% between 2018 and 2022. Furthermore, private consumption is estimated to increase at a CAGR of 3.7% over the same period. According to the International Telecommunications Union, the percentage of internet users grew to 49% of the Peruvian population in 2017, from 41% in 2015. In addition, in 2017, EIU estimated the percentage of the total Peruvian population comprised of teens (aged 10 to 19), young dependents (aged 20 to 24) and young independents (aged 25 to 34) was 17%, 9% and 16%, respectively. In 2017, 78% of Peru's population lived in urban setting, as defined by the World Bank.

According to Euromonitor, the consumer foodservice market in Peru is estimated to be worth a total of approximately €7.1 billion in 2018, of which pizza consumer foodservice represents approximately €462 million (approximately 6% of total consumer foodservice). The pizza fast food sector is estimated to be worth €127 million in 2018 (approximately 28% of pizza consumer foodservice) and expected to increase to €137 million in 2019.

We were the number one player in the Peruvian chained pizza consumer foodservice market with a store market share of approximately 50% as of 2017 (market share based on number of stores), with Pizzas Raúl a distant second with approximately 16% (Source: Euromonitor; our unit counts are *pro forma* for the Yum! Alliance. Where there is a difference between our actual number of stores in 2017 and Euromonitor International Ltd.'s figures, actual figures prevail when calculating market share. All market shares are calculated based on chained pizza consumer foodservice market).

Peru Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

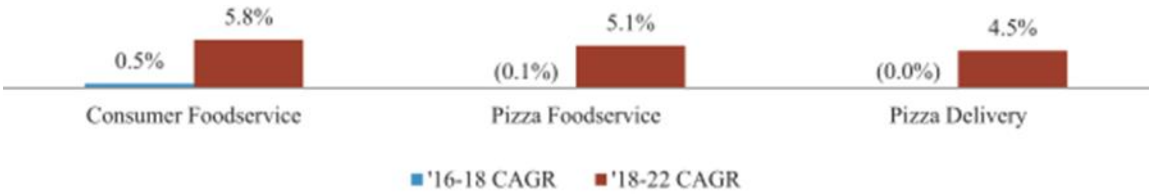
Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology, Pizza 100% home delivery data for Peru is not reported by Euromonitor International Ltd.

Latin America and the Caribbean

We define Latin America and the Caribbean as consisting of Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Puerto Rico and Venezuela. According to Euromonitor, the consumer foodservice market in these countries is estimated to be worth a total of approximately €25.6 billion in 2018 of which pizza consumer foodservice represents approximately €1.8 billion (approximately 7% of total consumer foodservice). According to Euromonitor, the pizza 100% home delivery/ takeaway sector is estimated to be worth €854 million in 2018 (approximately 48% of pizza consumer foodservice) and is expected to increase to €886 million in 2019.

We believe that we have the leading market share in Latin America and the Caribbean with 211 stores (Source: Telepizza Management).

Latin America and Caribbean Foodservice Growth by Category



Source: Euromonitor International Ltd., Consumer Foodservice 2018 edition, current prices, including tax where applicable, year-over-year exchange rates.

Note: All calculations based on values in euros, converted as per Euromonitor International Ltd. exchange rate methodology.

Rest of the World

We also operate in Angola, Russia, Switzerland and the United Kingdom.

BUSINESS

Overview

Founded in 1987, we are the largest non-U.S.-based pizza delivery company. On December 30, 2018, our strategic alliance with Yum! Brands took effect, making us the largest pizza master franchise network globally by number of stores operated as of December 31, 2018. The Yum! Alliance nearly doubled our chain sales, which is the sum of sales from own stores and franchised stores, to €1.2 billion of *pro forma* chain sales for the year ended December 31, 2018. Today, we operate a vertically integrated network of 2,631 stores in 39 countries under the Telepizza and Pizza Hut brands, offering a wide range of pizzas and complementary foods and beverages for delivery, take-out and dine-in. We operate 1,620 Telepizza-branded stores and 1,011 Pizza Hut- branded stores. We operate across two hubs, Iberia and Latin America, with Iberia representing 42% and Latin America representing 17% of *pro forma* chain sales for the year ended December 31, 2018. We are the number one pizza delivery network in Spain, Portugal and Chile, and hold leading market positions in the other key markets in which we operate.

We operate in the fast-growing, highly fragmented pizza delivery market, where pizza chains are gaining market share, and which benefits from the macro trends of increasing digital penetration and convenience- oriented food consumption. Between 2014 and 2018, the global pizza delivery market grew by a CAGR of 6.3% (based on revenue), with pizza delivery chains growing by a CAGR of 8.5%, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, a significantly faster pace of growth than other sectors of the quick service restaurant ("QSR") market.

Approximately 84% of our stores are franchises, resulting in a store network characterized by low capital expenditure requirements, short payback periods and high free cash flow generation. We generate revenue from sales to our franchisees of dough and other ingredients we produce and logistically manage through our vertically integrated supply chain, sales in our own stores, royalties and marketing fees from our franchisees and other income from sublease income and other services we provide to franchisees, including IT, payroll and other services. Our highly cash generative, low capital expenditure intensity business model has proven resilient through economic cycles, as demonstrated by our Underlying EBITDA margins remaining stable between 17% and 19% from 2007-2018.

We supply our network of owned and franchised stores with a vertically integrated QSR-model supply chain. We operate dough production facilities in Europe and Latin America, which supply pre-measured, frozen dough for Telepizza stores and will, in the future, supply the Pizza Hut stores we operate. This supply chain combines global production and logistics operations to efficiently produce and supply dough, meat and other ingredients and materials to the stores, allowing us to provide a differentiated "one stop shop" food service offering to our stores. Thanks to our capability to seamlessly and efficiently deliver dough and other ingredients, our stores benefit from our front-of-house production capabilities, which deliver them significant cost savings and increased profitability through optimized inventory management and lower personnel and space costs, compared to competitors who produce their own dough in each store. Our vertically integrated supply chain also provides consistently high product quality and tight control over food safety across our network of stores.

Our stores' product portfolio consists primarily of pizza, with a globally consistent core pizza offering supplemented by local adaptations catering to local tastes and ongoing product innovation. Our stores also serve non-pizza items, such as drinks, burgers, sides and desserts. Our key sales channel is delivery, with approximately 56% of Telepizza chain sales in jurisdictions in which we own stores constituting delivery sales, with 25% of such chain sales constituting digital sales. Our stores cater to a wide range of consumers, including families, teenagers and young people. We have strong brand recognition, with our Telepizza brand enjoying strong customer affinity in Iberia, while in Latin America we benefit from the strength of the globally recognized Pizza Hut brand.

As our store network has grown, we have successfully scaled our business to benefit from the efficiencies, brand recognition and reach resulting from our increased scale, and we expect to continue to accelerate our development with the implementation of the Yum! Alliance. For more information on the Yum! Alliance, see "—*Material Agreements—The Yum! Alliance*."

Our Strengths

We operate the largest pizza master franchise network globally, and are geographically diversified, with leading positions in core markets

We are the largest non-U.S.-based pizza delivery company and the largest pizza master franchise network globally by number of stores operated as of December 31, 2018. We operate a network of 2,631 own and franchise stores as of December 31, 2018, including 1,620 Telepizza branded stores and 1,011 Pizza Hut branded stores with operations in 39 countries. In Iberia, across both the Telepizza and Pizza Hut brands, we are the pizza delivery leader, and in 2017, we had 56% market share in Spain and 93% market share in Portugal, based on store count. We also are the market leader in growth markets in Latin America, including in Chile, Peru, Colombia and Ecuador, with market leading positions in the other key markets in which we operate, based on the number of stores operated as of December 31, 2018.

In Iberia, we believe we will further strengthen our leadership position through the pursuit of a dual-brand strategy, where we expect to benefit from our increased catchment and scale. We intend to strengthen both the Telepizza and Pizza Hut brands in Iberia through the exchange of best practices and operational know-how and enhanced product offering and value propositions for customers. In Latin America, we intend to leverage Pizza Hut's greater brand recognition to drive additional market share through the conversion of Telepizza stores to Pizza Hut stores and to capitalize on favorable market trends in the region, while leveraging our greater scale to realize further economies of scale in our supply chain.

We operate in the attractive and fast-growing €53.5 billion pizza delivery market, where chains are gaining market share

We operate in the fast-growing, highly-fragmented global pizza delivery market, which, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, was a €53.5 billion market in 2018. Between 2014 and 2018, the global pizza delivery market grew by a CAGR of 6.3% (based on revenue), with pizza delivery chains growing by a CAGR of 8.5%, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, significantly faster growth than other sectors of the QSR market. This growth is expected to continue, according to Euromonitor International Ltd., Consumer Foodservice 2018 edition, with the pizza delivery market and pizza delivery chains growing faster than the total pizza food service market, which grew by a CAGR of 4% between 2014-2018 according to Euromonitor International Ltd., Consumer Foodservice 2018 edition. This strong growth has been driven by macro trends, including increasing digital penetration and convenience-oriented food consumption. The pizza delivery market has also shown resilience during economic downturns, given its relatively low average ticket price compared to other QSR market offerings, and adaptability. Pizza is easily customized to local preferences and the latest food trends. The pizza delivery market is also highly fragmented compared to other components of the QSR market, with such fragmentation benefiting large-scale, established players such as Telepizza, who can leverage brand recognition, operational efficiency and vertically integrated supply chains, and who are strong in the digital know-how and technology underlying delivery service. As a result of these factors, pizza delivery chains such as Telepizza have shown resilience through economic downturns and have been growing, and are expected to continue to grow their market share at the expense of independents. Our core Iberian market is further characterized by an urbanized customer base with a growing demand for convenient and affordable dining options and increased digital penetration. Furthermore, the growth markets in which we operate in Latin America benefit from young populations, emerging middle classes and exhibit significant room for growth in per capita expenditures on pizza. We believe our scale, market leadership and other strengths position us for continued growth and increased profitability in this attractive market.

We operate a scalable, low capital expenditure intensity business model with compelling unit economics

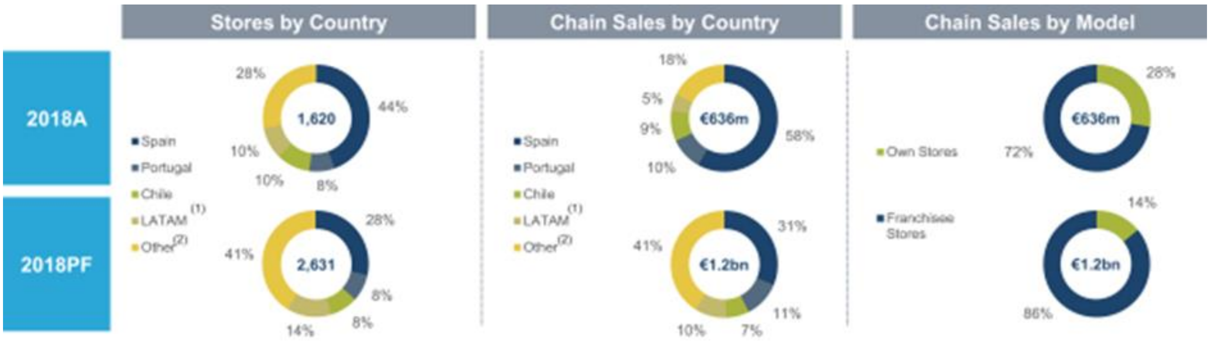
We operate 84% of our global network by number of stores as franchises. According to this model, the franchisee generally covers the costs of the store and pays for opening capital expenditures and ongoing maintenance capital expenditures. From our franchisees, we recoup a royalty for the use of the brand in addition to contributions for marketing spend with both calculated as a percentage of franchise store revenues. In addition, through the infrastructure of our vertically integrated supply chain, we are able to provide our franchisees with a "one stop shop" service whereby they conveniently source substantially all of their supplies from our supply chain. We enjoy additional revenue from wholesale factory sales made to franchisees (*ventas de fábrica al por mayor a franquiciados y otros*), which for the year ended December 31, 2018, comprised €117.2 million, or 34.4% of revenue (*ingresos*). Total revenues from franchisees, excluding wholesale factory sales to franchisees and other sales (*ventas de fa´ brica al por mayor a franquiciados y otros*) and sublease income (*ingresos por subarrendamientos*) from franchisees was €51.2 million or 15.1% of total revenues (*ingresos*) for the year ended December 31, 2018. Our franchisees also pay us other fees, such as (i) transfer fees payable when we transfer own stores to franchisees, (ii) franchise and master franchise fees which are receivable upon the opening of a new franchise store, the granting of a master franchise agreement or the renewal of an existing franchise agreement and (iii) sublease income and fees for other services that we provide to franchisees such as IT, payroll and other services. As we seek to optimize the compelling economics of our expanding franchise model, we proactively monitor and alter the composition of our franchise network through the strategic sale, transfer and buyback of franchises based on their performance.

Our integrated production and supply chain QSR model allows us to realize value creation on both a revenue and cost basis

Our vertically integrated supply chain combines global production and logistics operations to efficiently supply meat and other ingredients and materials to our own stores. In addition, we also produce and supply dough to our own stores. Through our established supply chain, we realize revenues as we provide our franchised stores a "one stop shop" supply service that is convenient and cost-efficient. By leveraging our extensive operational knowledge, delivery excellence and production capacity, we believe we will realize further revenue synergies by extending our supply chain to the Pizza Hut network, using the capacity in our supply chain that is already available. We believe the increased penetration of our production and supply chain network will drive revenue generation and margin improvement as we increase the number of franchisees to whom we provide supply services. In addition, we expect to realize cost-based synergies in the form of procurement, savings in the amount of €4.0 million by 2020. By leveraging our economies of scale, global purchasing policy and consolidated position in the markets in which we operate, we expect to realize indirect savings from, among others, reductions in the cost of rent and marketing spend, optimization of energy procurement, and securing improved terms on our global contracts with suppliers. Furthermore, we expect that as we apply our supply chain to our larger network of stores, we will benefit from greater stability and resilience and recognize margin improvement.

We have achieved additional diversification by geography and business model and expanded our addressable market through the Yum! Alliance

Through the Yum! Alliance, we have further diversified our earnings by geography and business model. The following graphics show our percentage of chain sales by geography and by business model before and after the Yum! Alliance:



Source: Information provided by Telepizza Management.

(1) Colombia, Peru, Ecuador, Paraguay and Panama.

(2) Guatemala, El Salvador, Russia, Iran, Bolivia, Angola, UK, Malta and Others.

The Yum! Alliance resulted in a doubling of the size of our addressable market, from approximately 250 million people to approximately 500 million people, and resulted in an increase in the number of stores in our network from 1,620 to 2,631, as of December 31, 2018. Similarly, for the year ending December 31, 2018, our revenues (*ingresos*) were €340.3 million and our chain sales were €635.7 million, but after a full year contribution from the Yum! Alliance we would have had approximately €1.2 billion in chain sales.

We expect this diversification and significantly expanded platform will further improve our resilience and bolster our stable Underlying EBITDA and cash flow generation profile.

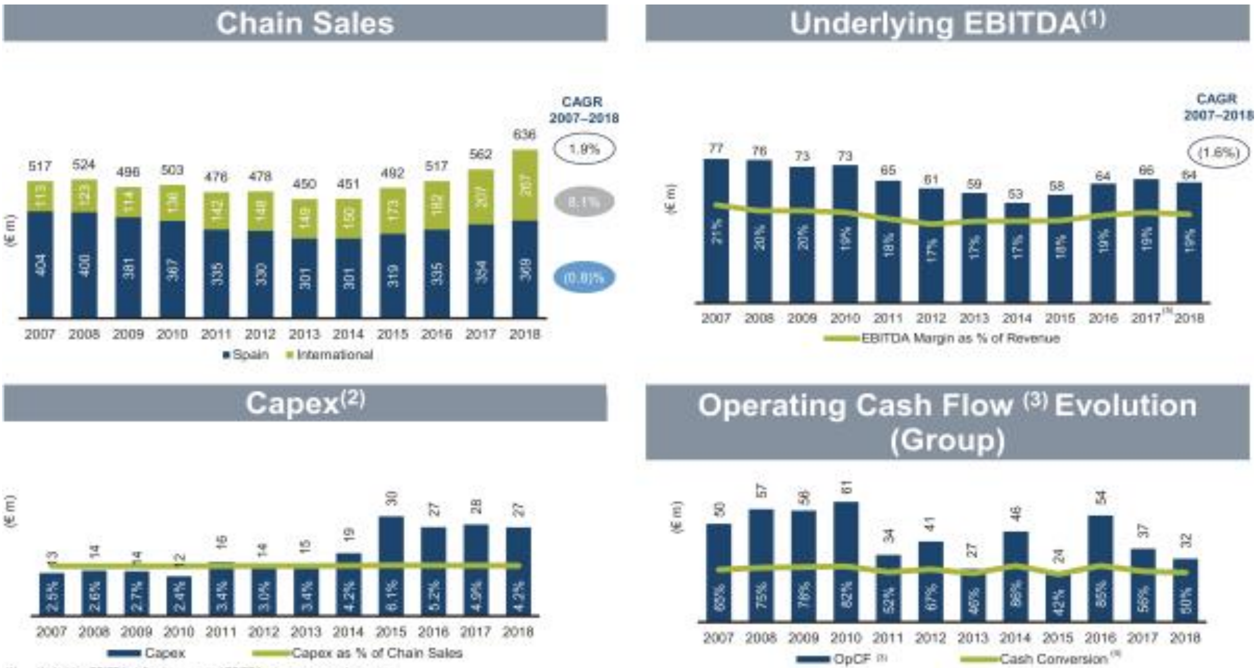
We have a proven digital platform delivering a multi-channel delivery strategy

Pizza delivery is the core channel for our business, comprising 56% of Telepizza chain sales in jurisdictions in which we own stores for the year ended December 31, 2018, and we are a leader in pizza delivery in our core market. Underpinning our strength in delivery and driving our prospects for the growing delivery market in the future is our best-in-class and differentiated digital platform. We operate a single, streamlined global digital platform for most of our store network, and for the year ended December 31, 2018, digital delivery sales accounted for 25% of Telepizza chain sales in jurisdictions in which we own stores. We expect the volume of our digital sales to increase, along with growth in the pizza chain market and as digital and e-commerce penetration grows in our core markets.

We have been a leader in continually updating and adapting our digital offerings to our customers' needs. In 2015, to respond to our customers' focus on the speed with which one can place an order and make payment, we developed the application ("app") "Click & Pizza" which allows the customer to submit an order and pay for it with one click. In 2017, we implemented several updates to make the app more user-friendly, including the addition of features such as geolocation, real-time tracking and payment tokenization. As of December 31, 2018, 35% of our digital sales were completed through the app. In 2018, we launched new digital initiatives to link our app to Amazon Alexa and created Telepicoin, the first stage of our digital loyalty program. In addition to our digital initiatives to improve our customers' experience, we seek to engage with our customers directly through targeted social media campaigns and promotions. Specifically, as social media platforms continue to gain popularity, we have increased our presence on Facebook, Twitter and Instagram. We believe that our digital platform is central to the continued success of our business and encourages higher annual spend per customer, higher order frequency and increased customer loyalty and brand awareness. Moreover, our digital delivery offer provides us with key information on customer preferences, allowing us to better target pricing and promotion and drive customer loyalty.

We have a resilient and stable Underlying EBITDA profile and a history of strong cash flow generation

Our business and financial profile is highly resilient, stable and cash generative and our business is supported by the momentum of the fast-growing delivery chains in the countries in which we operate. We navigated an extremely difficult macro-economic environment in our core Iberian market between 2008 and 2015 which resulted in a significant reduction in consumption and consumer spending power, but we nonetheless maintained consistent EBITDA margins throughout the period due to the universal appeal and financial accessibility of pizza products and the success of our strategic pricing and bundling strategy. The following table shows our chain sales, Underlying EBITDA, Underlying EBITDA margins, capex and operating cash flow for the period from 2007 to 2018:



(1) Underlying EBITDA defined as reported EBITDA minus non recurring costs.
(2) Excluding M&A Capex
(3) Defined as Underlying EBITDA – Capex (excluding M&A Capex) - Taxes - Change in Working Capital
(4) Calculated as Operating Cash Flow / EBITDA.
(5) 2017 Underlying EBITDA figure restated.

In recent years, we have benefited from both a stable Underlying EBITDA profile and strong cash conversion rates of 85%, 56% and 50% for the years ended December 31, 2016, 2017 and 2018, respectively. We have also maintained a disciplined approach to capital expenditures, with capital expenditures as a percentage of chain sales being 5.2%, 4.9% and 4.2% for the years ended December 31, 2016, 2017 and 2018, respectively, and capital expenditures as a percentage of revenue being 8.0%, 8.1% and 7.9% for the years ended December 31, 2016, 2017 and 2018, respectively. Maintenance capital expenditures comprised approximately 1% of chain sales in each of these years. Due to our increased penetration of new and existing markets, we expect that we will be positioned to further increase our revenue and chain sales and continue to generate strong free cash flows.

We have a dedicated, highly-experienced management team with a proven track record of success

We have a dedicated management team with deep knowledge and more than 100 years of combined experience within the industry. Our management team has a successful track record of fostering the growth, profitability and improved efficiency of Telepizza. For example, our management team has, in the past, led the implementation of a successful expansion model of own stores, franchises and selective acquisitions. Our management team also effectively navigated a severe macro-economic environment, ensuring that we were able to maintain our leading market share in Spain during this time and throughout the economic crisis in Spain. Telepizza's management team transformed the Group with the implementation of a more efficient hub structure to cover the regions where we have a consolidated presence, led the development of a strong digital platform and continually promotes an innovative corporate culture. See "*Management.*" More recently, our management team successfully concluded the two-year negotiation process for the Yum! Alliance and prepared Telepizza's store network and supply chain for immediate implementation of the Pizza Hut master franchise agreements.

Our Strategies

Our primary aim is to preserve our position as a leading operator of pizza outlets under global brands in Iberia and Latin America. We intend to carry out this aim while maintaining a solid financial position that we believe will enable us to seize growth opportunities and simultaneously exceed our customers' expectations. We will continue to pursue the following strategies, which we believe will further enhance our business, market position and competitive advantages.

Build on the Yum! Alliance to preserve our position as a multi-brand vertically integrated operator with best- in-class delivery capabilities

The Yum! Alliance represents a transformative opportunity for the Group. It has resulted in the doubling of our store portfolio and our expansion in a diverse range of markets. First, the agreement presents the opportunity to diversify and optimize our commercial operations under two brands. In Spain and Portugal we will pursue a dual brand strategy, operating both Pizza Hut and Telepizza stores. This allows us not only to maximize our footprint, but also to generate value through a holistic pricing and promotion strategy.

In addition, the alliance affords us the ability to generate economies of scale and procurement synergies through penetration of our supply chain across a larger store network.

Exceed our customers' expectations and continue to be their leading quality, value and convenience pizza provider

We believe that our customers demand quality, value and convenience from us as their pizza provider. We intend to continue to provide best-in-class products and services to our customers by continuing to focus on quality, both through quality control and product consistency through our vertically integrated supply chain, adapting our offerings to local tastes and providing innovative new products. Furthermore, our strong digital platform adds value and convenience to our delivery services. We intend to continue to invest in our digital delivery capabilities to better understand customer preferences and personalize our marketing and products, while also improving our operating efficiency.

Capitalize on the market leading positions of the Pizza Hut and Telepizza brands in our existing markets to further increase our market presence

We aim to further strengthen and increase our leading position in the markets in which we operate. In Iberia, we intend to pursue a dual-brand strategy to increase our penetration of catchment areas. Accordingly, though we will operate Pizza Hut franchises under the Pizza Hut brand, we will continue to operate the Telepizza network under the Telepizza brand, which we believe will further develop Telepizza's presence and customers' awareness of the brand in the region. Through our dual-brand approach, and by utilizing the strength of both the Telepizza and Pizza Hut brands, we intend to increase our geographic footprint in Iberia. In Latin America, where we will gradually convert our Telepizza branded stores to Pizza Hut stores, we intend to strengthen our leading position and increase our market share by leveraging the strength of the globally recognized Pizza Hut brand. In both Iberia and Latin America, though we will apply different brand strategies to increase our geographic footprint, we intend to implement and increase the penetration of our logistics and supply chains to further strengthen our leading positions.

Maintain our stable and resilient financial positions in order to provide us a solid base for generating attractive returns

We intend to continue focusing our efforts on the implementation of cost-effective initiatives that will enable us to maximize the growth potential of our existing business. We believe that our solid position in our current markets, our proven success opening new stores, and our demonstrated ability to generate steady cash flows, will allow us to further increase our market presence organically. Furthermore, as we expand our franchise model, we intend to leverage the compelling unit economics through the generation of revenue from franchise fees, alliance fees and royalties in addition to revenues from the increased penetration of our supply chain network. Pursuant to the Yum! Alliance, we have committed to open approximately 1,300 new stores by 2028. In order to increase our operational margins and meet our expansion targets, we will seek to achieve these targets by acquiring certain operators of Pizza Hut stores. As we expand our franchise network, we will proactively manage our profile through the strategic sale, transfer and buyback of franchise stores.

Further develop our culture of social responsibility with a global character

We believe that we have a responsibility to develop and sustain a corporate culture that contributes to the creation of sustainable value for the societies, citizens, employees, clients, stakeholders and communities in which we operate. Our social responsibility initiatives are a key component of our business strategy, and reflect our dedication to the well-being of those who make our business successful. As part of our commitment to social responsibility, we have adopted a framework of corporate governance, social action and corporate responsibility policies to put into practice our goal of being a positive contributor to the world around us and for those whom our business touches. We believe that this approach enables us to better implement our other strategies and capitalize on our business's strengths.

Corporate History

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, Iran, 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.

Regions in Which We Operate

Following the Yum! Alliance, we operate in the following regions:

- Iberia: Spain and Portugal;
- Latin America and the Caribbean: Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, and Venezuela; and
- Rest of the World.

Our Business in Iberia

We entered the Spanish market in 1988 and are currently the leading pizza delivery company in our home market by number of stores. As of December 31, 2018, we had 720 Telepizza stores in Spain, comprising 44.4% of our total stores, and including 113 own stores (*Tiendas propias*) and 607 franchises. Our stores in Spain are characterized by a relatively high-network density and we are present in substantially all Spanish cities with a population of more than 40,000 inhabitants. We entered the Portuguese market in 1992 and are currently the leading pizza delivery company by number of stores. As of December 31, 2018, we had 125 Telepizza stores in Portugal, comprising 7.7% of our total stores, and including 47 own stores and 78 franchises.

Our Business in Latin America and the Caribbean

We entered the Latin American market in 1992 and entered the Caribbean market in December 2018, following the consummation of our alliance with Yum! Brands. As of December 31, 2018, we had 321 Telepizza stores in Latin America and the Caribbean, excluding master franchises comprising 19.8% of our total stores, and including 185 own stores and 136 franchises. Pursuant to the terms of the Yum! Alliance, we will acquire exclusive master franchise rights in relation to the Pizza Hut system and we will operate new own and franchise Pizza Hut stores. We will continue to operate our existing Telepizza stores as we undertake the gradual conversion of our Telepizza stores to Pizza Hut stores.

Our Business in Rest of the World

As of December 31, 2018, our Rest of the World segment covered 185 Telepizza master franchises, comprising 11.4% of our total stores. Our operations in the Rest of the World segment are not subject to the terms of the Yum! Alliance and in these territories, our franchise stores will continue to operate under the terms of the agreements currently in force.

Customers

Under both the Telepizza and Pizza Hut brands, we address a wide customer base, spanning a range of ages, social classes and geographies. We divide our customers into five groups, each with separate segment characteristics and consumption drivers. We believe that families remain the core of our customer base and that our customers' experience is focused mainly around dinner and weekends, when delivery demand is higher. Our customer groups include:

- ***Families*** which demonstrate the strongest emotional attachment to certain products, and children often act as decision makers. Flavor, quality and service are important for this consumer group and demand is typically not price sensitive.

- ***Teens*** which typically consume our products in the company of family or friends. Group consumption for teens generally has a more aspirational importance, and price is essential in purchase decisions. Flavor and price are very relevant consumption drivers for teens, with service being merely relevant and quality being of lesser importance.

- ***Young dependents*** which are generally aged 18 to 24. Innovation is a key driver for this customer segment, and price is the determining factor in consumption decisions. Flavor and price are very relevant consumption drivers for the dependent young, with service and quality being of lesser importance.

- ***Young independents*** which are generally aged 25 to 34 and live alone or in couples. Innovation is an important factor for this group, as new tastes and experiences are valued. Flavor and service are very relevant consumption drivers for the independent young, with quality and price being of lesser importance.

- ***Adults*** which generally prioritize convenience over other factors in their consumption, with service speed and quality serving as the primary consumption drivers. Price is usually of lesser importance. Consumption peaks generally during lunch time and on workdays with adults.

Our Products

Under the Telepizza brand, we offer an unmatched product portfolio that combines a globally recognized product and a customized product offering tailored to the local tastes of the markets where we operate. Pizza products comprise the core of Telepizza's product portfolio, representing approximately 88% of our product offering. Our pizzas reflect our strong culture of innovation. We offer a wide range of tastes and flavors of pizza, which allows us to satisfy wide customer demand across ages and social classes. We also adapt our product offering to the culture and consumption patterns in the different countries where we operate. As of December 31, 2018, approximately 31.2% of our products were specifically tailored products to satisfy customer tastes in Spain. Examples include the pizzas "La Ibérica" in Spain, "La Chorrillana" in Chile, "La Peruviana" and "La Arequipeña" in Peru and the "Codfish Pizza" in Portugal. We believe our ability to adapt our products and ingredients to local tastes differentiates us from our competitors. While we continue to offer a variety of conventional pizzas, every year we also launch between four and six new pizzas per country. We operate two innovation labs in Spain and Latin America, and the process to launch a new product typically takes 37 to 50 weeks. We believe our innovative approach to our product offering enhances our brand awareness, fosters consumer loyalty and consumption frequency, and increases the average ticket price. In 2018, we launched in Spain, among others, the Tandem Gourmet Pizza, the Bacon Crispy Gourmet pizza and the Telepizza Sweet Caja Roja. These innovations comprised 15% of our total sales in Spain for the 2018 financial year.

In addition to Telepizza's core product offering, we offer complementary products which, for the 2018 financial year, represented approximately 12% of our product portfolio. We believe that our complementary products help to expand our total offering and contribute to an increase in the average ticket price, as the diversity in choice encourages group consumption, including avoiding any "veto" vote from a non-pizza consumer in a group. Our complementary product offering includes, among others, burgers, pasta, salads, sandwiches, "Spiro Dogs," kebabs and a wide variety of side dishes. Our drinks subsection offers soft drinks, water and beer, including Coca-Cola, Pepsi, Fanta, Nestea, Sprite, Aquarius, Bezoya, Cruzcampo and Sunny-D, among others. We also offer desserts, including traditional ice cream, ice cream bars and frozen yoghurt.

In our Pizza Hut own and operated stores, we offer an array of Pizza Hut products of which pizza comprises the core product offering. The pizza offering will be supplemented with complementary non-pizza products.

Across both our Telepizza stores and our Pizza Hut stores, our tight control over the supply of key ingredients, including dough from our dough factory, gives our products a reliable taste across all geographies. Under our Telepizza brand, 80% of our pizzas offered globally are based on our standardized dough mixture and we offer a diverse product portfolio, which includes four types of dough and six different types of sauces, in addition to four types of cheeses and a selection of more than 20 toppings.

Marketing

We seek to maintain Telepizza's strong brand image through the use of traditional advertising campaigns and promotions, complemented by effective social media engagement. We combine two types of marketing promotions in both our own and franchised stores: constant promotions are general promotions offered on a permanent basis (Crazy Tuesdays, Family Days, Triple) and seasonal promotions are carried out on particular dates or during particular seasons (Halloween, Mother's Day, St. Valentine's Day). We also adapt our pricing strategy to each target consumer. We vary our approach to promotions and pricing on the basis of the relevant distribution channels.

Telepizza maintains a strong social media presence in the QSR and retail food market. We are currently present on the principal social network platforms, including Facebook, Twitter and Instagram, with approximately 2.7 million followers globally across the different social network platforms. We believe our social media activity allows us to increase direct sales by offering exclusive offers and promotions to users of social networks.

In addition to marketing through social media platforms, we seek to promote our products through more traditional means of advertising and publicity. Our advertising and publicity expenses (*publicidad y propaganda*) in 2016, 2017 and 2018 were €17.2 million, €17.1 million and €17.8 million, respectively. We believe that we are highly effective in allocating our marketing resources and executing our promotional campaigns. In Spain, we were ranked number 12 in terms of top of mind advertising while we were ranked number 112 in terms of marketing investment in 2018.

Our marketing efforts are centrally organized by Telepizza, although franchisees have participated or led certain campaigns in the past. Master franchisees must receive our approval prior to carrying out any advertising practice or promotional activity and are required to send Telepizza the relevant designs, drafts, texts, images or soundbites before their use. We are not obliged to develop any kind of advertising material on behalf of our master franchisees, but we must, at the request of our master franchisees, provide them with materials which have already been developed if these materials are deemed appropriate for the territory.

In 2018, our marketing expenses represented 6.4% of our own outlet sales *(venta en tiendas al público)* and factory sales to franchisees *(venta de fábricas al por mayor)*. Similarly, subject to a few exceptions, franchisees are generally required to pay a fee of between 3% to 4% of their monthly net sales as a contribution to the general advertising costs of the franchise network. Franchisees may allocate additional resources to direct marketing initiatives while master franchisees are generally required to allocate 3% of their revenues (*ingresos*) for their local marketing initiatives. For some stores, a lower marketing fee and royalty applies until a certain amount of sales is reached.

Store Formats

Our portfolio includes a variety of store formats, which we tailor depending on, among others, our brand maturity in the relevant market, the preferences of local customers and the location of the store. Our main store formats are traditional stores, mini stores, shopping malls and in-store concessions.

Traditional stores, used for own, franchised and master franchised stores, offer an array of delivery, takeaway and eat-in options which vary depending on the size of the store. Mini stores, which are primarily franchised, also offer delivery, takeaway and eat-in options. Shopping malls, used for own, franchised and master franchised stores, offer an express eat-in service. In-store concessions with Pollo Campero, a QSR chain focused on chicken products, are always franchised and offer delivery, takeaway and eat-in options. See "—*Distribution Channels*."

As of December 31, 2018, under the Telepizza brand, 994, or 61%, of our stores globally (both own and franchised and master franchised stores) were traditional stores; 239, or 15%, of our stores were mini stores; 174, or 11%, of our stores were shopping malls; 145, or 9%, of our stores were in-store concessions with Pollo Campero; and 68, or 4%, of our stores were other store formats, which include smaller points-of-sale offered through our partners including stores in cinemas and boats, among others.

Our own stores require an average investment that varies in amount based on the size and format of the store, for instance, with smaller formats (corners) requiring significantly less investment than traditional stores. The variance in investment requirements is primarily due to the cost of acquiring machinery and making technical installations (including cold storage, table of ingredients, working tables and air conditioning), motorbikes, an oven, furniture and computer systems.

We believe that our multi-format strategy provides more points of contact with our customers and more moments of consumption as well as better adaptation to local market demands, in each case, maximizing sales potential and operational efficiency. Furthermore, store formats focused on delivery and takeaway diminish the importance of ensuring the prime location of the store. Where we do not have to pay a premium for site location, we are able to reduce rental costs.

Distribution Channels

Our operations can be divided into three primary distribution channels: delivery, takeaway and eat-in. The use of different distribution channels broadens our consumer base and increases catchment areas and moments of consumption.

In 2018, delivery, takeaway and eat-in accounted for 58.1%, 28.7% and 13.2% of our own Telepizza outlet sales *(venta en tiendas al público)*, respectively, and for 60.0%, 28.5% and 11.5% of our franchised Telepizza outlet sales *(venta en tiendas al público)* in Spain, respectively. In 2018, our home consumption distribution channels (which include delivery and takeaway) were associated with 86.8% of our own outlet sales *(venta en tiendas al público).*

Delivery

Delivery is our core distribution channel, with the highest average associated revenues when compared with the other channels. The delivery distribution channel is the chosen distribution channel for our loyal customer base and it presents an important competitive advantage. The key drivers of the delivery distribution channel are the quality of our service and our products, the consumer experience and convenience. Our target delivery time is thirty minutes worldwide. The efficiency of our delivery distribution channel in Spain, in particular, is enhanced by the fact that we own our own network of approximately 1,468 motorbikes, which improves safety and customer wait times. The delivery orders from our customers are made by telephone or via a digital channel. With online requests we are able maximize the benefits of the delivery channel. See "*—Digital Sales Strategy*" below. The target groups for our delivery distribution channel are families and young independents, for whom quality of products and services, experience and convenience are their key drivers.

Takeaway

The success of our takeaway distribution channel is dependent on a geographically broad network of stores. Our broad store network ensures a high level of proximity to customers. We have a presence in substantially all Spanish cities above 40,000 inhabitants. Appropriate pricing is also an important factor in the success of our takeaway distribution channel, as competitive pricing encourages group consumption. Our key promotions and campaigns in the takeaway distribution channel focus on offering more pizzas and complementary products to our customers at lower prices. The target group for our takeaway distribution channel is the young dependent who is focused on volume-driven offers with a lower price point.

Eat-In

Our eat-in distribution channel includes the operations of our traditional stores and our stores located in shopping malls. Our promotion strategy for this channel features aggressive pricing primarily directed towards group consumption. Our shopping mall stores are primarily located in Chile, where the eat-in distribution channel forms the basis of our presence in that country. Given the success of our mall stores in Chile, we are examining the possibility of opening new stores in shopping malls located in Spain using the Pizza Hut brand. The target group for our eat-in distribution channel is adults for whom price, speed of service and location are key drivers.

Digital Sales Strategy

Our digital platform is central to our core strategy, and we expect it will be increasingly important in the future as digital penetration continues its progression. Though young adults are often the early adopters of new digital technologies, digital ordering has gained general popularity as digital penetration and e-commerce continue to increase. We use a single global digital platform for our entire store network (including for own, franchised and master franchised stores) in all our markets. Additionally, as social media platforms continue to gain popularity, we have engaged a dedicated community manager to increase our presence and direct our social media activity through targeted social media campaigns and promotions.

As customers increasingly focus on the speediness of orders and the payment process, we now receive orders online through our web PC platform, our mobile-based platforms (including our global application available for IOS and Android) and via access to our website through our customers' mobile devices. In 2015, we launched the Click & Pizza application which allows our clients to submit an order and pay for it with one click. The Telepizza application is available in each of the countries in which we operate. We are constantly updating our application to make it faster and more user-friendly. For example, in 2017, we implemented several new features to this platform, including adding geolocation, real time tracking, and payment tokenization. As of December 31, 2018, 35% of our digital sales occurred through our app, compared to 24% in 2017. Customers may also place orders through our call center with such orders being processed digitally. As of December 2018, we saw a 34% increase in frequency of sales placed through our digital platform as compared to orders placed over the phone and, we also saw an increase in average customer expenditure of 40% in respect of orders placed through our digital delivery platform as compared to over the phone. The Telepizza digital sales penetration rate increased from 23.3% in January 2013 to 40.8% in December 2018, and in particular in 2018, the ratio of digital sales over total delivery sales for Spain, Portugal and Chile were 41%, 46% and 45%, respectively.

In addition, in 2018 we launched new digital initiatives to create a new approach to digital customers and foster customer loyalty, increase order frequency and strengthen long-term brand value in the digital environment. These initiatives include the capability of linking the Telepizza application to Amazon Alexa so customers can order our products through Alexa, and creating Telepicoin, our first stage of our digital loyalty program. Our digital strategy has resulted in an increase in digital sales of over 10% for the 2018 financial year compared to the 2017 financial year.

We believe our digital capabilities and platform present a number of tangible benefits, including higher order frequency, higher annual spend per customer, reduced labor costs in store and an increase in customer loyalty and brand awareness.

Our Stores under the Telepizza Brand

As of December 31, 2018, 23.8% of our stores globally were own stores, 64.8% of our stores were franchised stores and 11.4% were master franchised stores. Benefits of owning our own stores include, among others, the ability to develop a deep knowledge of the local markets and enhanced product quality and delivery control. Owning our own stores also provides us increased flexibility and capacity to test products and launch promotions.

Prior to opening a new store, we analyze and develop a business plan and set payback targets. We then select the store location, taking into account factors such as visibility, accessibility, potential for signage and ease of installation of food preparation equipment. After selecting the location of the store, we consider the design of the new store, apply for the required regulatory authorizations and develop an opening plan whereby we set out the target market and training programs and opening of the new store.

Once we are well-established in a certain market, we may choose to pursue the franchise model. Our franchise network allows us to expand our network of stores in areas where they would not be as profitable without the local knowledge and skill of the franchisee. In certain markets where the social environment or business culture differ significantly from that of our consolidated markets, we partner with a carefully chosen local partner under a master franchise agreement covering an entire market. While franchise agreements allow a franchisee the right to operate one Telepizza store, with a license granted on a store-by-store basis, master franchise agreements allow a master franchisee to control over 100% of the franchising activity in a specified territory, with the possibility of sub-franchising.

Franchises and Franchise Agreements

In countries and regions that are not subject to the Pizza Hut master franchise agreement, we have several strategies and processes to encourage the success of our franchises and to ensure maximization of their economics. For example, we have a dedicated management team that monitors and provides services to our franchisees. We also help our franchisees set up our IT information technology management software and we provide continuous training in order to ensure the consistency and quality of product offerings across our network. In certain instances where certain franchisees in our network have been financially distressed, we have also increased the relevant collection days.

Historically and following the completion of the Yum! Alliance, we have a low concentration of franchisees, which reduces the risk of losing key franchisees. As of December 31, 2018, in Angola, Iran (where we are in the process of terminating all operations), Malta, Russia and the United Kingdom, our franchisees operated an average number of 5, 9, 1, 15 and 3 franchises, respectively.

We follow a strict procedure for granting new store franchises. The process begins with the reception and analysis of an application. A specific division of the Group assesses the suitability of potential franchisees. The selection process involves both an interview process and the submission of information concerning the potential franchisee's experience and financial resources. In selecting potential franchisees, a significant point we consider is the areas and regions in which we consider there to be significant demand for a new store operation. Once the potential franchisee has obtained our final approval, we enter into the franchise agreement. The franchisee then follows the same process to open a new store under our supervision and with our collaboration. Our participation in the new store opening includes preparing a business plan, selecting a store location, designing the new store, obtaining the regulatory authorizations, requesting supplies, developing an opening plan and opening the new franchised store. Agreements between Telepizza and the franchisee typically contain a provision requiring the franchisee to open a store within 120 days of the date of execution of the franchise agreement.

We use standard form franchise agreements governed by the law of the country where the franchise operates. Franchise agreements typically provide for an "exclusivity" zone in which we may neither open own stores nor grant another franchise. "Exclusivity" zones do not operate like "tolerance" zones, which refers to the larger area where the franchisee can serve delivery orders but where we may have another franchisee or operate ourselves. Franchisees cannot serve delivery orders outside the tolerance zone. Our standard form franchise agreements stipulate that if a store has a turnover in excess of a designated amount within a defined period then the franchisee operating such store may be obliged at our request to open a new store within the assigned area.

Under our standard franchisee agreement, franchisees are often required to pay an opening fee of €20,000 on average, a 4% to 5% royalty over monthly gross sales (VAT excluded) and a marketing fee of between 3% and 4% over monthly gross sales (VAT excluded) as a contribution for the general advertising costs of our franchised network. Franchisees operating mini-stores only pay the monthly royalty when their monthly sales (plus VAT) exceed a certain minimum amount. Franchisees also generally devote additional resources to direct marketing initiatives. For the purposes of calculating the applicable royalties, and alliance fees, as applicable, the franchisees communicate through our IT systems their daily gross sales on a daily basis and a summary of the monthly gross sales. For certain stores, a lower marketing fee and royalty may apply until a predetermined volume of sales is reached.

Franchisees are obliged to use our proprietary management software by entering into a software license agreement with us. Upfront and annual fees are payable in respect of the use of the software. See "*—Information Technology*." We also offer our franchisees payroll services and in consideration receive additional fees.

Franchise agreements oblige franchisees to exclusively purchase their requirements for pizza dough, pizza topping ingredients and ancillary items from us or from suppliers approved by us. We negotiate with suppliers and establish the price at which franchisees purchase supplies from us. The cost of the supplies is billed to the franchisees on a monthly basis. Franchise agreements do not impose minimum supply orders on franchisees but they must maintain levels of stock set by us.

Franchisees are obliged to offer the full range of Telepizza products (including all the pizzas, beverages and other products). In terms of the pricing strategy for the sale of pizza and other products, the franchisee may freely decide the prices of the products taking into account our recommended indicative prices.

Properties for franchised stores are typically leased by us and sub-leased by our Group companies to franchisees. We sub-lease approximately 40.5% of our franchised stores globally. Franchisees bear the cost of refurbishing the stores according to the specifications of our standard store and to the instructions we provide. Under our standard sub-lease agreement, utilities are paid by the franchisee, as sub-lessor, together with certain minimum insurance coverage (against fire, flood and civil liability). The machinery and equipment of the franchised stores are owned by the franchisee.

The franchisees are responsible for recruiting the staff for their stores, which in the case of the traditional store format necessarily includes a store manager, two store assistants and, upon our request, a sales manager. A franchisee's employment of key personnel is conditional upon approval of our human resources team and the prospective employee's completion of the relevant training programs. The recruitment by the franchisees of other store personnel, including pizza makers, delivery persons, cleaners or leaflet distributors, does not require our approval.

We employ a team of regional supervisors who inspect all stores, including franchised stores, twice per month to ensure that the stores are in compliance with Telepizza's operating procedures. Furthermore, franchise agreements generally to require that the franchisee allow auditors designated by us to audit the accounts of a franchised store.

Franchise agreements specify terms ranging between ten and twelve years and are generally renewable through a new agreement for two additional five-year periods with a renewal fee. Upon the expiration of a franchise agreement, we have the option to buy back the franchise at our sole discretion. In the event the franchisee does not want to renew the franchise, it must offer us the option to buy back the franchise within twelve months prior to the expiration of the franchise agreement. In the event of underperformance of a specific franchisee, we may negotiate with the franchisee the buyback of that franchise. The price at which we buy back the franchise is negotiated on a case-by-case basis based on certain parameters such as the value of the store assets or the average annual store sales. Once we buy back the franchise, we normally operate it ourselves for a certain period and then grant it to a new franchisee. The buyback typically includes the transfer of the employees of the franchised store to the own store. In certain cases we also transfer operating own stores to franchisees for a store transfer fee.

Following the Yum! Alliance, our franchisee base has changed. While under the Telepizza brand, franchisees are generally smaller in Spain with fewer than 1.4 stores per franchisee on average, franchises under the Pizza Hut brand are typically larger with an average of approximately 50 stores per country. In addition, Pizza Hut franchisees tend to operate their stores under other QSR banners and, prior to the Yum! Alliance, these franchisees liaised directly with, and paid royalties to, Yum! Brands. Pursuant to the Yum! Alliance, we operate under a catchment area model whereby only one franchisee will control both Telepizza and Pizza Hut stores in a specific geographic market. We believe we have a healthy relationship with our Telepizza franchisee base, with no delinquency in royalty payments. Additionally, during the economic crisis in Spain, we did not have any franchisees file for bankruptcy, as we actively supported our franchisee base through limited royalty abatements. Since the consummation of the Yum! Alliance, the Telepizza Group has become the local point of contact for franchisees, particularly in Latin America as, through our established supply chain and delivery network, we offer potential partners valuable operational support.

In Latin America, we intend to increase our footprint through the strategic acquisition of franchisees and the conversion of Telepizza stores into Pizza Hut stores, with the cost of conversion being paid by the franchisees. We believe the conversion to Pizza Hut stores will lead to sales increases in the converted units due to Pizza Hut's greater global brand awareness. In Latin America in 2018, the Pizza Hut brand has a brand awareness of 95% and is ranked number 7, whereas the brand awareness of Telepizza is 66% and Telepizza is ranked 12. In Latin America in 2018, the attendance rate which represents the customers who know the brand and have made a purchase within the last 12 months was 32% for Pizza Hut and 50% for Pizza Hut, and Pizza Hut and Telepizza are ranked, in terms of attendance, 12th and 17th respectively. We also intend to expand our supply chain system and service our Pizza Hut stores in key markets in Latin America. Alternatively, we intend to assess opportunities to expand our footprint in Chile on the basis of the strength of both brands.

In Iberia, the Telepizza brand is prevalent in the market, while there are fewer than 30 Pizza Hut stores in Spain. Consequently, we are actively seeking strategic opportunities to manage our Telepizza franchisee portfolio to increase our catchment area. Now our franchisees are able to open Pizza Hut stores and delivery-only stores. We hope to gain further market share in Iberia by converting existing Telepizza stores into Pizza Hut stores. We believe the use of this dual-brand strategy will help us expand with limited reduction in chain sales and revenue due to the presence in the market of both brands.

Telepizza Master Franchises and Master Franchise Agreements

In certain markets, we enter into master franchise agreements with a master franchisee. The master franchise agreements grant the master franchisee control over the franchising activity in a specific territory, which can be either a country or a large region within a country. The master franchisee controls our brand in that specific market on an exclusive basis, and is able to open its own Telepizza stores or sub-franchise the brand. Master franchise models allow us to increase our brand awareness and geographic presence with high potential profitability and without significant investment risk.

We typically operate through master franchises in markets where the social environment or business culture differ significantly from the dynamics and culture in our consolidated markets. We currently have master franchise agreements in place in Angola, Bolivia, El Salvador, Guatemala and Malta and developments agreements in Russia and the UK.

We use a standard form master franchise agreement although terms vary between markets. For instance, certain agreements may provide for the possibility of sub-franchising, depending on negotiations with the master franchisee and local regulations. In principle, we do not have any obligations or responsibilities with respect to the sub-franchisees. However, in certain circumstances upon the expiration or termination of our master franchise agreements, we may subrogate in the position of our master franchisee vis-à-vis their sub-franchisees.

Under our standard franchisee agreement, franchisees are often required to pay an opening fee of €20,000 on average, a 4% to 5% royalty over monthly gross sales (VAT excluded) and a marketing fee of between 3% and 4% over monthly gross sales (VAT excluded) as a contribution for the general advertising costs of our franchised network. If the master franchisee has sub-franchised stores, the maximum royalty which they could charge to them is 6% on their monthly net sales. All royalty payments are paid to us by the master franchisees. In addition, master franchisees sometimes pay an initial master franchise fee, which varies considerably among countries depending on the size of the country, the development plan and market conditions. Fees and royalties are payable on a monthly basis, although royalties often are not paid for the first year provided that the franchisee fully complies with the opening plan. Master franchisees are committed to devote 3% of the monthly net sales of all of their stores for local direct marketing initiatives.

Generally, the master franchisee is obliged to acquire certain supplies that we consider to be essential for our business (dough, cheese, tomato sauce and barbecue sauce) directly from us or from suppliers determined by us, but they may contract with local suppliers for the rest of ingredients and products (subject to our approval). Master franchise agreements do not impose minimum supply orders on master franchisees. The master franchisee may also build and operate its own production facilities and develop its logistics network.

We determine the portfolio of product offerings provided by each master franchisee and any promotional activity is subject to our prior approval. We may recommend prices for the various products our master franchisee offers although the master franchisee is always able to decide the final price of the products.

Our master franchise agreements in Angola and Russia include an opening plan in the relevant territory and grant us rights of first refusal to acquire the master franchisee's business in certain cases (offer from a third party, termination or expiration of the agreement) and investment options.

The average life of master franchise agreements is ten years, renewable for an additional ten-year period at the request of the master franchisee, provided that they comply with their obligations. If upon its expiration the master franchise agreement is not renewed, we often will have the option to take over the position of the master franchisee in connection with the master franchised stores and we will enter into a franchise agreement for all stores operated by the sub franchisee. Under certain circumstances, upon expiration or termination of a master franchise agreement, we have the option to purchase the assets and rights of our master franchises. As of December 31, 2018, the average residual life of our master franchise agreements was seven years.

Supplies, Manufacturing and Distribution

Supplies

Our principal supplies can be divided into four categories: dough for pizza bases, pizza toppings, complementary products (such as beverages) and ancillary items (such as cardboard pizza delivery boxes and napkins). In 2016, 2017 and 2018, our merchandise and raw materials used (*consumos de mercaderías y materias primas*) amounted to €88.6 million, €93.3 million and €97.5 million respectively. Of our total gross purchases in Spain, cheese represents approximately 32%, meat-based products represent approximately 21%, packaging represents approximately 7%, the dough ingredients represent approximately 5% and sauces represent approximately 4%.

Our policy is to centralize dough manufacturing and the selection and purchase of pizza topping ingredients and complementary products for both our Telepizza and Pizza Hut own and franchised stores. Approximately 100% of procurement to our franchisees is done centrally. Our centralized purchasing policy allows us to ensure the quality and consistency of our products and provides us with additional purchasing power, as well as helps us to leverage our economies of scale, enhancing our ability to lower our cost of goods by obtaining volume discounts from suppliers.

The pizza dough we use and which we supply to our Telepizza and Pizza Hut stores is manufactured in our production facilities. Some of our master franchisees operate their own production facilities, which produce dough under our product specifications and control. The main ingredients of our pizza dough are flour, water, oil and yeast, which we obtain from different suppliers globally. The most important pizza topping for our product portfolio is cheese. Except in certain countries where we use local suppliers due to import duties or other strategic reasons, our cheese is supplied by our strategic supplier, Ornua. We have 6 suppliers of cheese and dairy products globally (three in Europe and four Latin America, one of which supplies us in both regions). Under the terms of the Ornua Supply Agreement entered into on August 18, 2014, Ornua supplies cheese, mozzarella, cream and other dairy products on an exclusive basis in Spain and Portugal. Supply orders are managed by our subsidiary Luxtor, S.A.U. and Ornua delivers the products to us in two delivery points located in Spain and Portugal. The Ornua Supply Agreement has a duration of twelve years (commencing in 2014), provides for minimum purchase amounts of cheese and other dairy products per year and sets forth variable prices which are reviewed quarterly depending on the fluctuations of raw materials (e.g., milk, casein and caseinate) and other factors.

The remainder of the pizza toppings (e.g., sauces, meat, poultry) and complementary products are produced by global or local suppliers, depending on the country. Each local supplier must comply with our product specifications and quality standards. In the case of meat-based products, Industrias Cárnicas Tello is our global supplier for EMEA. The terms of the supply are fixed every six months based on a standard, pre-agreed template laying down, among other items, the quantities, prices and rebates, the payment and delivery terms and the supply assessment. In Peru, Colombia and Ecuador, we contract with local suppliers to cover our meat needs. Master franchisees may contract with local suppliers, although they must be approved by us.

Various suppliers provide us with complementary products such as soft drinks, beer, water, juices and desserts. Our main suppliers of beverages are Coca-Cola in Spain and PepsiCo in other countries. On January 1, 2015, we signed an agreement with Coca-Cola Iberian Partners, S.A. for the supply, on a non-exclusive basis, of soft drinks such as Coca-Cola, Fanta, Sprite, Aquarius and Nestea in Spain. The agreement has an initial duration of five years and does not include an automatic right of renewal. Supplies are billed on the basis of the prices, discounts and updates contained in the agreement. We enter into local supply agreements with PepsiCo for the supply of certain beverage products.

We are not dependent on our suppliers and we have alternative supply arrangements and emergency plans in place should any of our independent contractors currently engaged by us be unable to provide the materials, supplies or service on the terms that we require. We also maintain strict control over the food supply chain to guarantee product safety, regulatory compliance and to assure the quality standards of our Group. For these purposes, we have supplier controls, production controls (raw materials analysis, production process control and final product control), selfchecking systems in stores and production facilities, food handling training systems, food safety system verification, including external and internal audits and product analyses. We are able to trace the distribution of the raw materials from our production facilities or suppliers, as the case may be, to our stores.

Through our supply chain, Telepizza earnings are driven by own and franchised stores. Own stores earn vertically integrated store margins since Telepizza owns the supply chain whereas franchised stores generate margins through royalty payments and supply chain (i.e. franchises buying raw materials from Telepizza).

Manufacturing and Distribution

Our business is characterized by a differentiated business model, with a vertically-integrated system made possible through our operation of production facilities and logistics centers. Following the consummation of the Yum! Alliance, we intend to expand our manufacturing and distribution network to cover not only the product and delivery requirements of our Telepizza own stores and franchises but also those of the Pizza Hut stores in our network.

We currently operate seven dough production facilities located in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador. Our production facility in Portugal is inactive and currently operates only as a logistics center but may be used as a production backup for the Spanish production facility. Our production facilities have enough free capacity to serve as a backup of the neighboring countries and to service any increased demand for production of our pizza dough following the consummation of the Yum! Alliance. We have excess manufacturing capacity of 8.5 million units, 5 million units, 2 million units and 10 million units in Chile, Colombia, Peru and Ecuador, respectively.

We manage 23 logistics centers located in Europe, Middle East, Africa, and Latin America (and outsource our logistics center in Poland), which are located next to our production facilities, and which allow us to centralize the distribution of dough and other supplies to our Telepizza and Pizza Hut own and franchised stores and to reduce inventory costs in stores.

Deliveries from the logistics centers to stores are generally contracted to integrated third-party logistical operators. In Spain, Omega Delivery, S.L. manages the transport of supplies and products from our logistic centers to our store network (both own and franchised stores), under a transport services agreement that runs until December 2024 and in Portugal Luis Simôes S.A. manages this process until June 2019. Transport prices under this agreement are based on a rate per kilogram transported which is annually updated depending on fuel prices and the consumer price index. The vehicles are owned by Omega Delivery, S.L. or subcontractors, but they are only permitted to display Telepizza advertising. The headquarters of Omega Delivery, S.L. are located at our production facility in Spain, which allows them to manage the logistic operations more directly and efficiently. In other geographies, we have in place similar transport agreements with local logistical operators. Since December 31, 2005, we have had seven logistical operators globally, one in each of the markets where we are present. Should any of the independent contractors currently engaged by us be unable to provide service on the terms that we require, alternative logistical arrangements are available.

Supply deliveries are made on demand by the various stores and typically take place two or three times a week. Beverages, salads and ice creams are delivered directly to the stores by the suppliers.

Our transport expenses (*transportes*) in 2016, 2017 and 2018 were €12.7 million, €13.8 million and €15.8 million, respectively.

Our master franchisees operate five production facilities globally in Guatemala, El Salvador, Russia, Angola and Bolivia, as well as their own logistics facilities. Our other master franchisees have engaged their own suppliers which have been approved by us.

Material Agreements

The Yum! Alliance

Our alliance with Yum! Brands, a result of the Group's effort to transform and accelerate Pizza Hut's international presence, became effective on December 30, 2018. Yum! Brands, a global leader in the QSR industry and the operator of KFC, Pizza Hut and Taco Bell, boasts a presence in approximately 140 countries. Pursuant the Yum! Alliance, we entered into a number of agreements with Pizza Hut to document the grant of exclusive master franchise rights to us by the Pizza Hut system in respect of the jurisdictions within the scope of the Yum! Alliance, including Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland. We entered into an umbrella agreement with Pizza Hut, which laid out the general terms of the Yum! Alliance, as well as master franchise agreements covering the jurisdictions within its scope. We also entered into agreements relating to certain Telepizza intellectual property, and other ancillary agreements. The following is a summary of the terms of the Yum! Alliance.

Under the Yum! Alliance, Telepizza acquired exclusive master franchise rights in relation to the Pizza Hut system, assuming the franchisor position in existing Pizza Hut franchise agreements, entitling it to open and operate new Pizza Hut stores (both equity and franchised) and managing the Telepizza and Pizza Hut chain in the relevant territories. In Latin America (excluding Brazil), the Caribbean and Switzerland, we will gradually convert, within prescribed time limits, our Telepizza stores to Pizza Hut stores and they will no longer operate under the Telepizza name. In addition to the conversion of such Telepizza stores, Yum! Brands granted us the right to manage and operate the Pizza Hut Brand in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland. In Spain and Portugal, as well as in Bolivia, El Salvador and Guatemala (although with an intention to divest or convert stores in such jurisdictions Bolivia, El Salvador and Guatemala), our Telepizza stores will continue to operate under the Telepizza name. The Yum! Alliance also grants Telepizza the right to manage the supply chain in countries subject to its scope and to be recognized as the authorized supplier to Pizza Hut (subject to meeting certain requirements). Although franchisees operating under the Pizza Hut brand are not required to choose Telepizza as their supplier, we offer our franchisees a convenient "one stop shop" experience whereby they further benefit from increased control of the supply operations and products used in their stores, leading to improvements in the dough manufacturing process and product homogeneity and increased food safety control. Additionally, franchisees operating under the Pizza Hut brand realize further benefits from our partnership in the form of frequent and efficient store deliveries as a result of our established supply chain and delivery network. We believe that our alliance with Yum! Brands will allow us to generate higher profitability and scale benefits as we expand the reach of our supply chain network and realize the benefits of our increased global purchasing power and economies of scale. In the territories not subject to the Yum! Alliance, the terms of the agreements currently in force will be observed until their termination (although we agreed to transfer or convert such stores to Pizza Hut).

Under the Yum! Alliance, we have committed to the opening of an additional 1,300 new stores by the end of 2028. In order to increase our operational margins and meet our expansion targets, we will also acquire certain operators of Pizza Hut stores and following such acquisitions, the stores will become own stores contributing their retail and industrial margin to Telepizza. We aim to maintain 10% of stores as own stores. As of the date of this Offering Memorandum, we have completed the acquisition in Ecuador.

Under the terms of the Yum! Alliance, Telepizza and Pizza Hut will receive monthly fees and other fees generated by the end of 2028 the Telepizza and Pizza Hut stores. Telepizza will pay to Pizza Hut an alliance fee and a royalty of 3.5% of sales from Pizza Hut equity and franchise stores and an alliance fee 3.5% of sales from Telepizza equity and franchised stores. For as long as the alliance fees collected from the franchisees amount to 6%, Telepizza will retain the remainder 2.5%. Telepizza will also be entitled to certain other economics in respect of initial, renewal or transfer fees. For the first 17 years of the agreement, a certain amount of the annual sales will be exempt from royalties pursuant to a royalty credit specifically, the first $250 million of chain sales will be exempt from royalty payment.

In connection with the Yum! Alliance, Pizza Hut and Telepizza incorporated JVCo, which will hold the ownership of Telepizza trademarks. Telepizza will retain the rights to use and enjoy the profits (such rights, the "usufruct") of the Telepizza trademarks (including, among others, the right to license and sub-license the Telepizza trademarks) while the bare ownership of such trademarks and other distinctive signs will be owned by JVCo with Pizza Hut able to exercise certain veto rights over actions of JVCo. Pizza Hut purchased a call option over the ownership of the Telepizza trademarks exercisable at a fair value directly determined within 18 months of (i) the occurrence of certain enforceability events or (ii) the third anniversary of the Yum! Alliance. Upon termination of the Yum! Alliance in respect of a given jurisdiction as a result of certain breaches of the Yum! Alliance by Telepizza, Pizza Hut could request the termination of the usufruct on the Telepizza trademarks and other distinctive signs in such jurisdiction. See "*Risk Factors—Risks Related to the Business—A material breach of our obligations under the Yum! Alliance in a given jurisdiction may result in the loss of our loss of our right to use Telepizza trademarks and distinctive signs in such jurisdiction*."

The initial duration of the master franchise agreements for Spain, Portugal and Chile will be 30 years, renewable for two additional ten-year terms. In other jurisdictions, the initial duration of the master franchise agreement will be ten years, renewable for a second ten-year term and third five-year term. We will be entitled to renew the master franchise agreements provided we comply with certain renewal conditions.

The Yum! Alliance in a given jurisdiction may be terminated by Yum! Brands in the case of Telepizza's breach of its obligations under the agreement in the relevant jurisdiction. Such obligations include, among others, payment obligations, compliance with certain food safety standards, compliance with applicable laws, failure to observe non-compete restrictions, infringement of intellectual property and lack of supervision and control of franchisees. The Yum! Alliance may be terminated by Telepizza upon the occurrence of certain events which include, among others, the failure by Yum! Brands to pay the relevant portion of the incentive fee owed to Telepizza, unreasonable revocation by Yum! Brands (or its affiliates) of authorization for Telepizza to become an approved supplier, a breach by Yum! Brands of the restrictions on the use and disposal of the Telepizza trademarks and breach of exclusivity of master franchise rights. Upon the termination of the Yum! Alliance in a given jurisdiction, all Pizza

Hut sub-franchisees in such jurisdictions will be transferred to Pizza Hut, Pizza Hut will resume the operation of Pizza Hut own stores and will be free to compete in the relevant territories and will have a call option on the purchase of Telepizza own stores (at a price set by an independent third party). Additionally, should the Yum! Alliance be terminated, the supply agreements will not be affected.

Information Technology

Our proprietary information technology software SAGA enables our business to closely monitor all of our operations. All of our Group operations, including our franchises and most of our master franchises (Angola, Bolivia and Panama) use our SAGA software. SAGA is an operations management system owned by Telepizza that offers full integration with customer relationship management (CRM) and back-office capabilities. SAGA enables stores with applications (store systems) and with the functionality of the commercial back-office (central systems) to operate in countries where we run our business.

SAGA is a two level system which manages both our operations at a country level and those of our local stores, with reporting, budget and sales monitoring capabilities. We use an onboard package approach, which shortens time-to-market, reduces implementation costs, and provides timely and effective business solutions for pizza delivery to our franchisees and master franchisees. Through our information technology infrastructure we have established a disaster recovery plan which involves running our mission-critical applications in two active data centers. In case of failure, our back office operations can easily recover the application in a secondary location. We provide assistance to help our franchisees and master franchisees integrate the SAGA system into their business infrastructure.

Our investments in information technology equipment for the years ended December 31, 2016, 2017 and 2018 were €3.8 million, €4.3 million and €5.2 million, respectively.

Human Resources

Employees

As of December 31, 2018, we had approximately 10,683 employees across all our Group subsidiaries, divisions and geographies, in our own stores, excluding franchises and master franchises. As franchisees and master franchisees are independent business owners, they and their employees are not included in our employee count.

The following table sets out the distribution of our full-time employees by geographic location as of December 31, 2016, 2017 and 2018:

	As of December 31,					
	2016	%	2017	%	2018	%
Spain	**2,575**	**42.%**	**2,170**	**39.%**	**1,844**	**36.%**
Rest of Europe	962[1]	16.%	1,107[2]	20.%	1,180[1]	23.%
Latin America	2,455[3]	40.%	2,221[3]	40.%	2,047[4]	40.%
Master Franchises and Rest of World	7	0.1%	13	0.2%	0	0.0%
Total Group	**5,998**	**100%**	**5,512**	**100%**	**5,071**	**100%**

[1] Poland and Portugal.

[2] Poland, Portugal and France.

[3] Chile, Colombia, Peru, Ecuador and Panama.

[4] Chile, Colombia, Peru and Ecuador.

We also employ both full-time and part-time employees. Most of the part-time employees of the Group are store assistants and pizza deliverers. The following table sets forth the number of full-time and part-time employees of the Group as of December 31, 2016, 2017 and 2018:

	As of December 31,		
	2016	2017	2018
Full-time	2,397	2,589	2,755
Part-time	6,202	6,869	7,928
Total	**8,599**	**9,458**	**10,683**

The employee figures contained in this section of the Offering Memorandum and those contained in the Financial Statements differ significantly, given that the figures contained in this section reflect the total number of employees while the Financial Statements reflect the full-time equivalent employees. While the total number of employees represents the headcount of all employees hired by any company of the Group, irrespective of the number of working hours of their contracts, the reference to full-time equivalent employees refers to the number of full-time employees that the Group would employ if all of its employees were employed under contracts requiring 40-hour work weeks. Accordingly, the number of full-time equivalent employees is calculated by multiplying the headcount of employees by their respective weekly working hours and dividing by 40 weekly hours.

Collective Bargaining Agreements

Our relations with our employees in Spain were regulated by the National Bargaining Agreement for Preparers of Cooked Products for Home Delivery *(Convenio Colectivo Estatal de Elaboradores de Productos Cocinados para su Venta a Domicilio*) (the "Collective Bargaining Agreement") entered into between the Spanish Cooked Products for Home Delivery Association (*Asociación Española de Comidas Preparadas para su Venta a Domicilio*) (PRODELIVERY), of which the Target and TPZ are members and the trade unions (*Unión General de Trabajadores and Comisiones Obreras*), on behalf of the employees. The Collective Bargaining Agreement took effect from January 1, 2012 and was automatically extended each year provided that no notice of termination is filed by either of the parties at least two months prior to its termination date. The Collective Bargaining Agreement applied to all of our employees in Spain (both permanent and temporary and full-time and part-time employees). The Collective Bargaining Agreement expired on December 31, 2018 and we are currently in the process of starting new negotiations.

In Portugal, our relationships with our employees are regulated under the collective bargaining agreement entered into between the Portuguese Hotels, Restaurants and Others Association (*Associaçao da Hoteleria, Restauraçao e Similares de Portugal* (AHRESP)) and the Services Workers Syndicates Federation (FETESE). In Chile, the workers of the production facility located there are covered by a collective bargaining agreement. As of the date of this Offering Memorandum, the collective bargaining agreements in Portugal and Chile are in force.

Our employee base does not demonstrate a significant level of trade union membership in Spain or in any of the countries where we have employees. We believe we have a good relationship with our employees, and have not experienced significant conflicts with our labor force or unions in the past.

Training Programs

As a matter of policy and strategy, we place significant emphasis on staff training, including with respect to training of the staff for franchisees and master franchisees. We believe appropriate training ensures the consistency of product and service standards and productivity.

The main objectives of our global training and development plan include:

- Promotion of client orientation and satisfaction in order to integrate the clients' expectations and needs in the design, development and manufacturing of our products, as well as in the customer service and sale processes, ensuring a higher client satisfaction;

- Increase and improve commercial management, making the role of the commercial supervisor more professional in each business unit, and strengthen our marketing strategies;

- Ensuring and improving quality of our products, work safety and health standards, in accordance with labor law and food industry regulations and to comply with the risk prevention plan in force;

- Promotion of the development of senior management skills; and

- Promotion of employee development of the employees and adaptation to the technical skills of their post.

Employee Benefits

In addition to the payment of salaries and commissions, the remuneration policies of our central services employees in Spain provide for a collective insurance policy for death or total disability during working hours. There are also life and accident insurance policies for certain of the senior managers.

We do not have, and do not intend at this time to establish or subsidize, a pension or savings plan for our employees other than in favor of the members of our board of directors and the senior management. We have a fleet of vehicles which are assigned to members of our senior management and other managers.

As of the date of this Offering Memorandum, there are no stock-based plans or any other arrangements for our employees in respect of our share capital other than in favor of the members of our board of directors and the senior management. See "*Management—Executive Members Compensation*."

Intellectual Property

Our most important trademarks under which we operate are "Telepizza," "Jeno's Pizza" in Colombia, "Apache Pizza" in Ireland and, following the Yum! Alliance, "Pizza Hut." The "Telepizza" name is registered or we have applied for its registration in 106 countries, including all the countries in which we operate. Our policy is to protect and defend our most important trademarks to the greatest extent possible as we believe that they have significant value and are important to our business. To this effect, the most significant trademarks of our Group are protected at domestic, EU and international level in a wide range of the international nomenclature classes.

In connection with the Yum! Alliance, Pizza Hut and Telepizza have incorporated JVCo which will hold the ownership of the Telepizza trademarks. We retain the rights to use and enjoy the profits of the Telepizza trademarks (including, among others, the right to license and sub-license the Telepizza trademarks). Pizza Hut has a call option over the ownership of the Telepizza trademarks exercisable within 18 months of the occurrence of certain enforceability events and the third anniversary of the MFA. See "*Risk Factors—Risks Related to the Business—A material breach of our obligations under the Yum! Alliance in a given jurisdiction may result in the loss of our loss of our right to use Telepizza trademarks and distinctive signs in such jurisdiction.*"

Subject to the terms of the MFA, we own all trademarks that are in use chain-wide. We license the use of our registered brands to franchisees through franchise and master franchise agreements.

As of the date of this Offering Memorandum, there are no proceedings or claims in connection with our brand or trademarks in the countries where we operate.

Insurance

We maintain the types and amounts of insurance coverage that we believe are consistent with customary industry practices in Spain according to internal insurance policies that are periodically reviewed by our Audit and Control Committee. We have contracted insurance policies that cover employee-related accidents and injuries, property and equipment damage, inventory damage and civil and criminal liability deriving from our activities. Pursuant to the terms of our standard franchise agreement, franchisees are also required to maintain at their expense minimum levels of insurance coverage against fire, floods and civil liability. The coverage provided by each of the insurance policies we have contracted is based on the terms and conditions included in each specific policy.

As of the date of this Offering Memorandum, we are not aware of any material issue that would invalidate our currently held insurance policies.

Properties and Leases

As of the date of this Offering Memorandum, we do not own most of our real estate properties. Substantially all of the premises we occupy, including our headquarters in Madrid, production facilities, logistics centers and stores, are leased.

The only production facility we own is the one located in Warsaw, Poland. The following table sets forth certain information relating to the lease of each production facility and to the lease of our headquarters in Madrid:

	Location	Area *(square meters)*	Annual lease expense in 2018 *(in € thousands)*	Expiry date of lease	Right of renewal
Spain	Daganzo de Arriba (Madrid)	34,716.35	1,303	May 18, 2027	Yes
Chile	Comuna de Macul (Santiago)	2,900	205	September 30, 2023	Yes
Portugal	Quinta do Anjo, Palmela (Setúbal District)	3,400	173	November 20, 2021	Yes
Colombia	Funza (Cundinamarca)	2,400	165	April 30, 2023	Yes
Peru	Satiago de Surco (Lima)	416	36	December 31, 2019	No
Ecuador	Guayaquil	80	21	July 31, 2019	Yes
Spain	San Sebastián de los Reyes (Madrid)	4,791	298	June 30, 2024	No

For the lease of our stores in Spain we generally pay a fixed rent which is revised annually according to the consumer price index. For the lease of stores in shopping malls, however, we pay both a fixed and a variable rent based on revenues. The lease agreements of most of our stores provide an average term of ten years, generally allowing us to terminate the lease early without penalty giving due notice. In the leases of stores in shopping malls, there is a compulsory lease period of five years (on average) where early termination is not permitted.

Properties for franchised stores are generally leased by us and sub-leased by our Group companies to franchisees. In Spain, these sub-lease agreements generally have the same term as the franchise agreement (ten years) and early termination is not permitted. Rents increase during the first years and are updated thereon annually according to the consumer price index. Also, under the terms of the sub-lease agreements we are entitled to pass on to our franchisees any increase in the rent of our lease agreements. In 2016, 2017 and 2018, the income related to sub-lease agreements (*ingresos por subarriendo*) to our franchisees were €6.7 million, €7.6 million and €9.1 million, respectively.

We do not have any guarantee or other obligations in favor of lessors or vendors in relation to properties which have been leased or purchased by franchisees.

In 2016, 2017 and 2018, the total expenses incurred relating to the operating leases (*arrendamientos operativos*) of the Group were €29.7 million, €30.0 million and €31.3 million, respectively. As of December 31, 2018, future payments under non-cancellable operating leases are shown in the following table:

(in € millions)	**As of December 31, 2018**
Less than one year (*menos de un año*)	18.5
One to five years (*más de un año y hasta cinco años*)	46.9
More than five years (*más de cinco años*)	20.6
Total	**86.0**

In addition, as of December 31, 2018, the future minimum payments under operating leases, considering the payments to be accrued based on the lease period set out in the lease contracts, irrespective of the fact that most of the store lease contracts can be cancelled subject to a short period of notice, are shown in the following table:

(in € millions)	**As of December 31, 2018**
Less than one year (*menos de un año*)	31.1
One to five years (*más de un año y hasta cinco años*)	96.4
More than five years (*más de cinco años*)	49.8
Total	**177.3**

As of December 31, 2018, we owned 1,468 motorbikes in Spain used for deliveries. The investment in our motorbike network in Spain in 2016, 2017 and 2018 was €0.5 million, €0.5 million and €0.4 million, respectively. Our franchisees are responsible for the purchase and maintenance of their own motorbikes used or deliveries.

The machinery and technical installations of our production facilities and of our own stores accounted for 7.5% of our total gross tangible assets as of December 31, 2018. Our franchisees and master franchisees own the machinery and equipment of their stores.

Legal Proceedings

We are involved from time to time in various governmental, administrative, legal and arbitration proceedings arising out of the ordinary course of our business. We assess these matters on a case-by-case basis as they arise. We are currently involved in a proceeding in Spain against us for breach of a sale and leaseback agreement resulting from the closing of some of the stores under the sale and leaseback agreement. The original claim was for an amount of €0.9 million for breach of contract and damages of €4.1 million. After an initial oral hearing, the claimant has increased this claim to an amount of €1.5 million for breach of contract and damages of €11.4 million. We believe that the risk to this claim is remote, as we continue to pay rent under the sale and leaseback agreement. We are also involved in proceedings with tax authorities in Portugal and Poland and, from time to time, in other jurisdictions. Provisions are established, as required, based on our assessment of our exposure. In 2018, we provisioned €3.9 million for litigation, claims and inspections primarily related to the tax inspection of a subsidiary, which will be taken to arbitration, and we believe our provisions to be suitable. We do not expect any governmental, administrative, legal or arbitration proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position, however, the outcome of legal proceedings can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

REGULATION

We are subject to extensive national and local laws and regulations relating to general matters in all the countries in which we operate, including, among others, food safety, environmental protection, zoning, labor laws, information security, consumer protection and retail business in general.

Our dough manufacturing activity and the distribution of our products in our stores are subject to national and regional laws, European regulations and guides relating to food safety which establish rules as to hygiene in the transport, storage and handling of foodstuffs and the obligation to seek registration in certain official registries. In Spain, we are subject, among others, to Regulation (EC) No 178/2002, of the European Parliament and of the Council, of January 28, laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety; Regulation (EC) No 852/2004, of the European Parliament and of the Council, of April 29, on the hygiene of foodstuffs; Regulation (EC) 853/2004, of the European Parliament and of the Council, of April 29, laying down specific hygiene rules for food of animal origin; Regulation (EU) 1169/2011, of the European Parliament and of the Council, of October 25, on the provisions of food information to consumers; Law 17/2011, of July 5, on food safety and nutrition (*Ley 17/2011, de 5 de julio, de Seguridad Alimentaria y Nutrición*); Royal Decree 3484/2000, of December 29, establishing health rules for the production, distribution and sale of prepared food (*Real Decreto 3484/2000, de 29 de diciembre, por el que se establecen las normas de higiene para la elaboración, distribución y comercio de comidas preparadas*) and Royal Decree 126/2015, of February 27, approving the general regulation relating to the information of food products for sale to consumers and the general public presented without packaging or labeling, those packaged and labeled at points-of-sale at the consumer's request, and those packaged or labeled by retailers (*Real Decreto 126/2015, de 27 de febrero, por el que se aprueba la norma general relativa a la información alimentaria de los alimentos que se presenten sin envasar para la venta al consumidor final y a las colectividades, de los envasados en los lugares de venta a petición del comprador, y de los envasados por los titulares del comercio al por menor*). In accordance with the provisions of Royal Decree 191/2011, of 18 February, regulating the General Registry of Food Businesses and Foodstuffs (*Real Decreto 191/2011, de 18 de febrero, sobre el Registro General Sanitario de Empresas Alimentarias y Alimentos*), Telepizza Sub is registered in the General Registry of Food Businesses and Foodstuffs (*Registro General Sanitario de Empresas Alimentarias y Alimentos*), which aims at controlling companies operating in the food sector. Additionally, certain of our employees are required to obtain a "food handling card" issued by the health and safety authorities of each autonomous community in which we operate.

Each of our production facilities, logistics centers and stores is subject to licensing and regulation by a number of governmental authorities and we are required to obtain the relevant licenses to meet certain national and local laws and regulations concerning the opening and operation of our facilities and stores, including waste disposal, pollution and protection of the environment. In particular, our Spanish production facility and logistics center are subject to environmental evaluation proceedings and to waste disposal obligations regulated in Act 21/2013, of December 9, on environmental evaluation (*Ley 21/2013, de 9 de diciembre, de evaluación ambiental*), Act 22/2011, of July 28, on waste and contaminated soil (*Ley 22/2011, de 28 de julio, de residuos y suelos contaminados*) and the consolidated text of the Water Act, passed by Royal Legislative Decree 1/2001, of July 20 (*Texto refundido de la Ley de Aguas, aprobado por el Real Decreto Legislativo 1/2001, de 20 de julio*).

The commercial activity of our stores and franchises is subject to national, regional and local regulations on retail trade and consumer protection. In particular, Act 7/1996, of January 15, on retail trade (*Ley 7/1996, de 15 de enero, de Ordenación del Comercio Minorista*) sets out the legal framework for the Spanish retail business in general and regulates, among other things, certain special sales or promotion activities. In terms of consumer protection in Spain, our activity is subject to the general Act for the Protection of Consumers and Users, approved by Royal Decree 1/2007, of November 16 (*Real Decreto Legislativo 1/2007, de 16 de noviembre, por el que se aprueba el texto refundido de la Ley General para la Defensa de los Consumidores y Usuarios*).

Our franchised and master franchised stores are subject to national, regional and local laws and regulations in the countries where we operate dealing with franchising that often are similar to those affecting our domestic stores. In Spain we are subject to Royal Decree 201/2010, of February 26 (*Real Decreto 201/2010, de 26 de febrero, por el que se regula el ejercicio de la actividad comercial en régimen de franquicia y la comunicación de datos al registro de franquiciadores*) and any other applicable regional and local regulations, which regulate the assignment of franchises and the operation and organization of franchisors' registry.

Our franchise agreements are also subject to national, regional and local antitrust laws and regulations. In Spain, we are subject to the Competition Act 15/2007 of July 3 (*Ley 154/2007, de 3 de julio, de Defensa de la Competencia*) and to Article 101 of the Treaty on the Functioning of the European Union, which prohibit agreements and concerted practices with an anticompetitive object or effect on the market. Commission Regulation (EU) No 330/2010 of April 20, 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices is also applicable to franchise agreements to the extent that they meet the criteria set forth in Articles 3, 4 and 5.

MANAGEMENT

Debtco

Debtco is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register with registration number B230579. Debtco's registered business address is 2, rue Edward Steichen, L-2540 Luxembourg.

The following table sets forth the names, ages and positions of the directors of Debtco as of the date of this Offering Memorandum. The directors of Debtco can be contacted at Debtco's registered business address.

Name	Age	Position
Kristin Hall	30	Director
Stefan Lambert	55	Director
Wolfgang Zettel	56	Director

Set forth below is a brief description of the experience of the individuals who serve as members of the board of directors of Debtco.

Kristin Hall. Ms. Hall was appointed as a member of Debtco's board of directors on December 6, 2018 and a member of the Issuer's board of directors on March 25, 2019. Ms. Hall is also a Principal in Europe at KKR, having joined the firm in 2017. Prior to joining KKR, Ms. Hall worked at BlueMountain, Warburg Pincus and Goldman Sachs, where she focused on consumer & healthcare investments. Ms. Hall holds a Bachelor of Science in Economics from the Wharton School of Business and a Bachelor of Arts in International Studies from the College of Arts & Sciences at the University of Pennsylvania. She also won the Marshall Scholarship. She earned her Master of Science in Development Economics from Oxford University and her Master of Science in Finance from the London School of Economics.

Stefan Lambert. Mr. Lambert was appointed as a member of Debtco's board of directors on December 6, 2018. Mr. Lambert is currently a Managing Partner and Co-Founder of Avega S.à r.l. Mr. Lambert currently serves on the boards of several holding companies, including Pfaudler Holding S.à r.l. Prior to joining Avega, Mr. Lambert worked at General Electric Fanuc S.A. and at an auditing firm in Luxembourg. Mr. Lambert holds a degree in Business Administration from Fachorberschute Trier in Germany and studied at Normandale College in the United States.

Wolfgang Zettel. Dr. Zettel was appointed as a member of Debtco's board of directors on December 6, 2018. Dr. Zettel is currently a Co-Founder of Avega S.à r.l. Dr. Zettel currently serves on the board of directors or board of managers of several holding companies, including Pfaudler, Inc. and Pfaudler Holding S.à r.l. Prior to joining Avega, Dr. Zettel served as a Financial Director in LuK GmbH and as a Financial Controller at Henkel KGaA, in charge of the Asia Pacific region. He holds a Master of Arts in business administration and a doctoral degree from the University of St. Gallen in Switzerland.

The Issuer

The Issuer is a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain, and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal*) A88351200. The Issuer's registered business address is Pradillo, 5, 28002 Madrid, Spain.

The following table sets forth the names, ages and positions of the directors of the Issuer as of the date of this Offering Memorandum. The directors of the Issuer can be contacted at the Issuer's registered business address.

Name	Age	Position
Antonio Santiago Pérez	48	Director
Jorge Herráez Crespo	43	Director
Kristin Hall	30	Director

Set forth below is a brief description of the experience of the individuals who serve as members of the board of directors of the Issuer to the extent not already described above.

Antonio Santiago Pérez. Mr. Santiago was appointed as a member of the Issuer's board of directors on March 25, 2019. Mr. Santiago is also a founding member of Latorre y Asociados Consultoría, S.L, where he works on liquidation plans and insolvency proceedings. Mr. Santiago currently serves on the boards of several other companies. Prior to joining Latorre y Asociados, he worked as CFO at Naviera Navicón, S.A. Mr. Santiago is a member of the Central College of Mercantile and Business Graduates. He holds a degree in Business Administration and Management from the Camilo José Cela University in Madrid.

Jorge Herráez Crespo. Mr. Herráez was appointed as a member of the Issuer's board of directors on March 25, 2019. Mr. Herráez also serves as the chief of the administrative department at Latorre & Associados Consultoría, S.L., where he joined in 2002.

Telepizza

Telepizza is a public limited company (*sociedad anónima*) incorporated under the laws of Spain and registered with the Commercial Registry of Madrid with registration number A84342229. Telepizza's registered business address is Avenida Isla Graciosa, 7, Parque Empresarial La Marina, 28703 San Sebastian De Los Reyes, Madrid, Spain. The directors of Telepizza can be contacted at Telepizza's registered business address.

Executive Management Team

The following table sets forth the names, ages and positions of the key members of the executive management team at Telepizza as of the date of this Offering Memorandum.

Name	Age	Position
Pablo Juantegui Azpilicueta..	57	Chairman and Chief Executive Officer
Javier van Engelen...	51	EVP, Finance, Legal, IT & PMO Global
Fernando Frauca Amorena..	52	CEO Latam & Global Marketing
Manuel Loring Diaz de Bustamante	46	CEO EMEA & Global Supply Chain
Mar Romero Galán	43	Chief Human Resource Officer
Miguel Justribó Ferrer	54	EVP Digital Transformation, Communication & CSR Global

Set forth below is a brief description of the experience of the individuals who serve as members of the executive management team at Telepizza to the extent not already described above.

Pablo Juantegui Azpilicueta. Mr. Juantegui was appointed Chief Executive Officer of Telepizza in November 2009 and Chairman of the board in March 2016. Prior to joining Telepizza, Mr. Juantegui worked as Managing Director of International Businesses for EMEA and Latin America at the Bupa Group from 2008 until

2009 and, prior to that, he served as Chief Executive Officer of the Sanitas Group, an affiliate of the Bupa Group, from 2004 until 2008. Prior to this appointment, Mr. Juantegui served as chief executive of Telefónica Publicidad e Información and Chief Executive Officer at González Byass, a Spanish sherry bodegas. Mr. Juantegui has also held several managerial positions at Coors Brewing, Mars, and IBM. Mr. Juantegui graduated from Colegio Universitario de Estudios Financieros (a center attached to the Universidad Complutense de Madrid) with a degree in Business Administration, and from IE Business School with a Master of Business Administration.

Javier van Engelen. Mr. van Engelen was appointed Chief Financial Officer of Telepizza in June 2018. Mr. van Engelen also serves on the board of Arquenautas, a digital fashion start-up, and of Szenzia, an open innovation platform start-up. Prior to joining Telepizza, Mr. van Engelen served as Chief Financial Officer of Jerónimo Martins, a Portuguese food distribution company, a position to which he was appointed in 2014. Prior to his tenure at Jerónimo Martins, Mr. van Engelen served as Chief Financial Officer of Triumph International, an undergarments manufacturer. Mr. van Engelen also served as Chief Financial Officer—Japan of AstraZeneca and from 1990 to 2006, Mr. van Engelen held several managerial positions at Procter & Gamble. Mr. van Engelen has served as a member of the board of various companies, including lingerie companies Journelle and Beldona. Mr. van Engelen graduated from Antwerp Management School in Belgium with a master's degree in Economics.

Fernando Frauca Amorena. Mr. Frauca was appointed CEO Latam & Global Marketing of Telepizza in 2019. He previously served as Chief Operating Officer Europe and Chief Marketing Officer of Telepizza. Prior to joining Telepizza, Mr. Frauca was a Managing Director at Quality Management & Training and served as Vice President—Joint Ventures of Terra Lycos, an affiliate of the Telefónica Group. From 1989 to 2001, Mr. Frauca was a sales director at Unilever. Mr. Frauca graduated from the University of Deusto in San Sebastián with a bachelor's degree in Economics and Business Administration.

Manuel Loring Diaz de Bustamante. Mr. Loring was appointed CEO EMEA & Global Supply Chain of Telepizza in 2019. Prior to this appointment, Mr. Loring served as Chief Production Officer of Telepizza and, prior to that and since 2007, Mr. Loring was Chief Supply Chain Officer of Telepizza. Prior to joining Telepizza, from 2001 to 2007 Mr. Loring served as Chief Operating Officer of Canela Foods, a Spanish catering services company, and prior to that, he was a sales manager at AOL Spain. Mr. Loring graduated from the Universidad Complutense de Madrid with a bachelor's degree in Economics and Business Administration.

Mar Romero Galán. Ms. Romero was appointed Chief Human Resources Officer of Telepizza in March 2016. Ms. Romero also serves as the director of customer experience at Coolturebox, a gift box and leisure company, which she founded. Prior to joining Telepizza, Ms. Romero was the Director of Human Resources from 2014 to 2016 at Grupo Bodybell, a former Spanish cosmetic retail company. Prior to joining Grupo Bodybell, Ms. Romero held various managerial positions at the human resources department of Burger King in the Mediterranean and EMEA divisions. Ms. Romero also gained managerial experience through her tenure and the managerial positions she held at Deloitte, Adecco, and Lee Hecht Harrison. Ms. Romero graduated from Universidad Autónoma de Madrid with a bachelor's degree in Marketing and from CEF with a master's degree in Human Resources Management.

Miguel Justribó Ferrer. Mr. Justribó was appointed Digital Transformation & Communication & CSR Global and prior to that as Director of Communications of Telepizza in January, 2019. Prior to this appointment and since 2018, Mr. Justribó served as VP Brand & Communications of Telepizza. From 2012 to 2018, Mr. Justribó served as a Partner at 26 de Enero S.L., which provided consulting services to Telepizza until 2018. Prior to joining Telepizza, from 2011 to 2014 Mr. Justribó served as Senior Vice President of Strategy at G2 Spain, and from 2008 to 2011 worked as Director of Communication at Euroforum. Prior to these appointments, Mr. Justribó worked in various managerial roles at GREY, Quince, and McCann Erickson. Mr. Justribó graduated from Universidad Alcalá de Henares with a degree in Law and from ESEM with a master's degree in Marketing.

Board of Directors

Telepizza is managed by a board of directors comprised of eight members. Set forth below are the names, ages and positions of the current members of the board of directors of Telepizza. We expect that the members of Telepizza's board of directors will change in the context of the Transactions. As of the date of this Offering Memorandum, the composition of Telepizza's board of directors upon completion of the Transactions has not yet been determined.

Name	Age	Position
Pablo Juantegui Azpilicueta	57	Chairman and Chief Executive Officer
Mark Brown	42	Director
Alejo Vidal-Quadras de Caralt	39	Director
John Derkach	62	Director
Juan Riva de Aldama	46	Director
Luis Daniel Sanz Suárez	66	Director
Esther Berrozpe Galindo	49	Director
Javier Gaspar Pardo de Andrade	62	Director and Secretary of the Board

Set forth below is a brief description of the experience of the individuals who serve as members of the board of directors of Telepizza to the extent not already described above.

Mark Brown. Mr. Brown was appointed as a director of the board of Telepizza in June 2017. Mr. Brown is also a Member and Co-Head of Special Situations in Europe at KKR, having joined the firm in 2013. Mr. Brown currently serves on the boards of Selecta, Hilding Anders, and Petainer. Prior to joining KKR, Mr. Brown was a managing director at GSO Capital Partners, where he was responsible for the day-to-day management of the rescue financing efforts across Europe. Previously, Mr. Brown was a vice president in Deutsche Bank's distressed products group, where he focused on European distressed corporate loans and special situations. Mr. Brown graduated from the University of Stellenbosch with a bachelor's degree and honors in Accountancy and is a qualified Chartered Accountant and Chartered Financial Analyst.

Alejo Vidal-Quadras de Caralt. Mr. Vidal-Quadras was appointed as a director of the board of Telepizza in March 2016. Mr. Vidal-Quadras serves as the Head of the KKR Madrid Office, and is responsible for developing and supporting KKR's investment platforms in Spain, including private equity, infrastructure and real estate. Mr. Vidal-Quadras currently serves on the board of directors at among others, Cementos Balboa and Papresa. Mr. Vidal-Quadras is also on the board of the Spanish Private Equity Association. Prior to joining KKR in 2014, Mr. Vidal-Quadras was head of the private equity firm 3i in Spain, having joined the firm in 2005. At 3i, Mr. Vidal-Quadras was responsible for investments in Spain and Portugal and represented 3i in several boards of its portfolio companies. Prior to 3i, Mr. Vidal-Quadras worked at Rothschild in Madrid providing M&A advisory services. Mr. Vidal-Quadras graduated from ESADE Business School in Barcelona with a bachelor's degree in Business Administration and a Master of Business Administration, and from the London School of Economics and HEC Paris with a CEMS Master in International Management.

John Derkach. Mr. Derkach was appointed as a director of the board of Telepizza in March 2016. Mr. Derkach currently serves as non-executive Chairman of Bistrot Pierre, a casual dining restaurant business. Prior to joining Telepizza, from 2015 to 2018, Mr. Derkach served as executive Chairman of EAT, a UK food to go company, and from 2012 to 2014, Mr. Derkach served as a member of the management board and Chief Executive Officer of Casual Dining Group (formerly, the Tragus Group), which operates several restaurants in the United Kingdom. Prior to Casual Dining Group, from 1994 to 2012, Mr. Derkach held several managerial positions at different divisions of

Whitbread, including managing director of Costa Coffee, Pizza Hut (UK) (currently a subsidiary of Yum!) and Beefeater, and marketing director of the Whitbread Beer Company (currently owned by InBev). Prior to Whitbread, Mr. Derkach worked as Vice President of PepsiCo in Spain and Portugal, and held various marketing and operations roles at Playtex and Procter & Gamble. Mr. Derkach graduated from the University of Cambridge with a Bachelor of Arts in History and from Harvard Business School's Advanced Management Program.

Juan Riva de Aldama. Mr. Riva was appointed director of the board of Telepizza in April 2016. Mr. Riva currently serves as the Chief Executive Officer of the Immune Coding Institute, a coding and programming institute in Madrid which he founded in 2018. Mr. Riva serves as president of Multiplataform Content, a digital services company which he founded in 2006, and as president of the Alzara Group. From 1997 to 2002, Mr. Riva worked as managing director of the New Media division of Telefónica, and as Managing Director of Business Development at Antena 3. Previously, Mr. Riva served as a member of the board of several media and entertainment companies, including ST Hilo, Mediapark, Movierecord, Rodven and BBVA Tickets. Before joining the media sector, Mr. Riva worked in the investment banking divisions at Credit Suisse and Bankers Trust in London and New York. Mr. Riva is also a partner of IK, which provided consulting services to Telepizza in 2018. Mr. Riva graduated from the European Business School with a Bachelor in Business Administration and EMP, from the Stanford Graduate School of Business and entrepreneurship program from Harvard Business School.

Luis Daniel Sanz Suárez. Mr. Sanz was appointed as a director of the board of Telepizza in April 2016. Previously, he worked at Dinosol Supermercados, first, as director of the board and financial director from 2005 to 2010, and later, as president from 2010 to 2012. Prior to his tenure at Dinosol Supermercados, Mr. Sanz worked as managing director for Planeta Corporación from 1999 to 2004. From 1988 to 1999, Mr. Sanz worked as financial director for the Instituto Nacional de Industria and, prior to that, from 1976 to 1988 in several positions at Empresa Nacional del Uranio, finally becoming financial director. Mr. Sanz has served as a director of the board of several companies, including Banco Exterior de España, Indra, Red Eléctrica, Diario La Razón, Aerolíneas Argentinas and Musini. Mr. Sanz graduated from the Escuela Técnica Superior de Ingenieros Industriales with a degree in Engineering and from IE Business School and the London Business School with a Master in Management.

Esther Berrozpe Galindo. Ms. Berrozpe was appointed as a director of the board of Telepizza in November 2018 with effect in April 2019. Prior to joining Telepizza, Ms. Berrozpe served as President Europe, Middle East & Africa and Executive Vice President of the Whirlpool Corporation since 2013. Ms. Berrozpe joined Whirlpool in 2000 and during her career at Whirlpool she held positions of increasing scope and responsibility starting in Spain as Marketing Director Iberia, then moving on to the EMEA HQ in Italy where she led the Brand team and the Cooking category. In 2008, she moved to the United States, where she was Senior Vice President Brands, Products and Business North America prior to returning to Europe in 2012 as Senior Vice President European Markets and Customer Service. Prior to joining Whirlpool, Esther held positions within the Wella Group in Spain, Sara Lee and Paglieri in Italy. Ms. Berrozpe graduated from the University of Deusto in San Sebastia´n with a degree in Economics and Business Administration and a degree in Marketing. Through the Erasmus program she completed the executive training in Economics and International Business at the University of Bergamo in Italy.

Javier Gaspar Pardo de Andrade. Mr. Pardo was appointed director and secretary of the board of Telepizza in March 2016. Mr. Pardo joined Telepizza in 1999 as secretary and member of the board of directors of Telepizza, and General Counsel of Telepizza. Mr. Pardo is currently a partner at the law firm VCGH Abogados, which he joined in 1979, and which provides legal services to Telepizza. Mr. Pardo graduated from the Universidad Complutense de Madrid with a degree in Law and a degree in Political Science and Sociology. Mr. Pardo is a member of the Madrid Bar Association.

Committees

Telepizza has established an audit and compliance committee and an appointment and remunerations committee.

Audit Committee

The composition, responsibilities and rules of the Audit Committee are regulated by Telepizza's Board of Directors Regulations. The president of the Audit Committee is appointed by the committee's independent members for a maximum term of four years. The Secretary of the Board of Directors acts as Secretary of the Committee. As of the date of this Offering Memorandum, the Audit Committee consists of Luis Daniel Sanz Suárez, Juan Riva de Aldama, Alejo Vidal-Quadras de Caralt and Javier Gaspar Pardo de Andrade.

The Audit Committee deals in particular with issues of accounting, risk management, compliance, auditor independence, the award of audit contracts, the main areas of focus for the audit and auditor fee arrangements. In addition, the Audit Committee discusses the annual and interim reports with the board of directors prior to their publication and has responsibilities over financial reporting, internal audit, and management oversight, among others.

Appointment and Remunerations Committee

The composition, responsibilities and rules of the Appointment and Remunerations Committee are regulated by Telepizza's Board of Directors Regulations. The president of the Appointment and Remunerations Committee is appointed by the committee's independent members. The Secretary of the Board of Directors acts as Secretary of the Committee. As of the date of this Offering Memorandum, the Appointment and Remunerations Committee consists of John Derkach, Juan Riva de Aldama, Esther Berrozpe Galindo, Mark Brown and Javier Gaspar Pardo de Andrade.

The Appointment and Remunerations Committee, among other things, evaluates the competency, knowledge and experience required for service on the Board of Directors, informs the Board of Directors of proposals for the appointment of directors and senior managers, the basic terms of their contracts, proposes to the Board of Directors the directors and general managers' remuneration policies, and monitors compliance with the rules of corporate governance and internal codes of conduct.

Board Practices

Telepizza is committed to fulfilling corporate governance requirements. We maintain internal guidelines and a code of conduct which are known to our employees thanks to internal trainings. In addition, we have an internal audit department which, under the supervision of the Audit and Compliance Committee, ensures the proper operation of our internal controls and information systems.

Management Equity Program

We intend to establish a management equity participation program on or after the completion of the Acquisition. The subscribing managers will be expected to enter into an equity participation agreement ("Equity Participation Agreement") governing their rights and obligations in connection with their investments in Lux Newco. Any such Equity Participation Agreement will be expected to contain customary provisions. See also "*Certain Relationships and Related Party Transactions—Management Equity Program.*"

Share-Based Payment Plans

On March 31, 2016, we approved a five-year incentive plan for management personnel of Telepizza (the "2016 Plan"). This plan consists of three cycles. The beneficiaries of the incentive plan could opt to receive a certain percentage of their gross annual fixed salary through the scheme. The third cycle of the 2016 Plan was cancelled in 2018 and replaced by the 2018 Plan (as defined below).

On May 24, 2018, we approved a three-year incentive plan, consisting of the delivery of shares of Telepizza provided that certain targets are met (the "2018 Plan"). This plan is aimed at the steering committee and certain management personnel and employees of Telepizza and its subsidiaries. The 2018 Plan consists of the delivery of shares in Telepizza provided a target increase in the price of such shares is achieved. During the 2018 Plan a reference amount shall be allocated to each beneficiary, determined based on their salary, which shall serve as a basis for awarding a certain number of restricted stock units ("RSUs"), which shall in turn be the benchmark to determine the final number of shares to be delivered to each beneficiary. The reference value used in determining the RSUs and whether the target increase in the share price has been achieved is calculated as described in the Financial Statements. No more than 3,435,946 shares may be delivered under the 2018 Plan, divided into a total of 1,717,973 shares for each three-year cycle. Should we undergo a change of control while the plan is in force, the 2018 Plan would be subject to early settlement. See also "*Certain Relationships and Related Party Transactions—Management Equity Program.*"

Executive Members Compensation

For the year ended December 31, 2018, the aggregate remuneration of our executive team (*retribuciones alta dirección*) amounted to €7.8 million.

Insurance for Directors and Officers

For the benefit of Telepizza's directors and officers, we have entered into a global Director and Officer (D&O) insurance policy with QBE. The policy covers our present, former and future directors and officers, general managers, authorized officers and senior staff. It applies globally and provides for an insured limit of €25 million per claim and per year. The D&O insurance covers financial losses resulting from liability of our directors and officers and we believe the limitations of our coverage are in line with industry practice.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The Target is a public limited company (*sociedad anónima*) incorporated under the laws of Spain. Following the completion of the Acquisition, we expect that Bidco will own at least 50% of the outstanding voting shares of the Target, plus one share (although we intend to acquire 100% of the Target's share capital). The remaining outstanding shares will be held by the minority shareholders who do not tender their shares pursuant to the Takeover Offer or Permanent Purchase Order.

Bidco is a private limited liability company (*sociedad limitada*) incorporated under the laws of Spain and a wholly owned subsidiary of the Debtco. The Issuer is a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain and a wholly owned subsidiary of Debtco.

Debtco is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, and is a wholly owned subsidiary of Lux Midco, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg. Lux Midco is a wholly owned subsidiary of Lux Holdco, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, which in turn is a wholly owned subsidiary of Tasty Aggregator, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg. Tasty Aggregator is a wholly owned subsidiary of Lux Newco, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg. On the Settlement Date and after giving effect to the Transactions, the Sponsor and the Co-Investors will indirectly hold all of the share capital of Lux Newco.

Bidco, the Issuer, Lux Newco, Tasty Aggregator, Lux Holdco, Lux Midco and Debtco were incorporated as holding companies for the purpose of the acquisition of the Target Group by entities controlled by the Sponsor and the Co-Investors, with KKR as the majority shareholder of Lux Newco.

KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 and led by Henry Kravis and George Roberts, KKR had $195 billion in assets under management as of December 31, 2018. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms.

Torreal, established in 1990, is the sole manager of the assets of the Abelló family, its sole shareholder, and is one of the largest private investment firms in Spain. Traditionally a benchmark investor in Spain, Torreal has begun to play an increasingly active role abroad. The firm is a general investor with an interest in companies with strong growth potential that occupy a position of leadership in their sector.

The Safra Group consists of privately owned banks under the Safra name and investment holdings around the world. As of December 31, 2018, Safra had total assets under management of over $249.0 billion and aggregate stockholders equity of approximately $18.9 billion. The Safra Group has banking interests in over 160 locations globally, including in Switzerland, Brazil, and New York. The Safra Group holds investments in multiple business sectors, including, among others, real estate and agribusiness. The Safra Group's real estate holdings consist of more than 200 premier commercial, residential, retail and farmland properties worldwide, such as New York City's 660.

Artá is a private equity firm based in Madrid, Spain, and controlled by Corporación Financiera Alba, S.A. Founded in 2008, Artá specializes in middle-market buyouts, public-to-private transactions, corporate spin-offs, and growth capital investments. Artá typically invests in Iberian companies across multiple sectors, with a focus on the industrial, energy, infrastructure, food manufacturer, technology, media advertising, fashion retailer, and consumer products sectors. As of December 31, 2018, Artá had approximately €800.0 million of assets under management.

Established in 2004, Altamar is the global private equity management company of the Altamar Capital Partners Group. The firm is based in Madrid but maintains offices in Barcelona, Santiago de Chile and New York. Altamar specializes in fund investments primarily in private equity, venture capital, real estate, infrastructure, absolute return and private debt.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with companies within the Group. These agreements mainly relate to intercompany loans and group recharges.

We believe that all transactions with subsidiaries are negotiated and executed on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

We will also engage in various financing transactions with our shareholders in connection with the Acquisition.

Management Equity Program

We intend to establish a management equity participation program on or after the completion of the Acquisition. The subscribing managers will be expected to enter into an equity participation agreement ("Equity Participation Agreement") governing their rights and obligations in connection with their investments in Lux Newco. Any such Equity Participation Agreement is expected to be entered into on customary terms.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Revolving Credit Facility Agreement

Overview and Structure

On the Escrow Release Date and as a result of the RCF Debt Pushdown, the Company and the Issuer will each become a borrower and a guarantor under the €45 million super senior revolving credit facility agreement (the "Revolving Credit Facility Agreement") dated December 20, 2018, as amended and restated on March 8, 2019 and as amended, restated or replaced from time to time thereafter with, among others, Wilmington Trust (London) Limited as facility agent, U.S. Bank Trustees Limited as security agent and the financial institutions named therein as arrangers and lenders.

Capitalized terms set forth and used in this section entitled "*Revolving Credit Facility Agreement*" have the same meanings as set forth in the Revolving Credit Facility Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

The facility made available under the Revolving Credit Facility Agreement (the "Revolving Credit Facility") may be utilized by any current or future borrower thereunder in euros, U.S. dollars and Sterling or any other currency which is readily available and freely convertible into euro, by the drawing of cash advances, the issuance of letters of credit, bank guarantees and/or the establishment of ancillary facilities. The Revolving Credit Facility may be used for (directly or indirectly) financing or refinancing the general corporate purposes and/or working capital requirements of the Group or the Target Group.

In addition, the Company may elect to request additional facilities, either as new facilities or additional tranches of the Revolving Credit Facility (each an "Additional Facility"), provided that the aggregate principal amount outstanding of all such Additional Facilities incurred during the life of the Revolving Credit Facility shall not exceed the greater of (a) €75 million and (b) 100% of Relevant EBITDA (as defined therein), in each case, in aggregate with any other indebtedness incurred by the Group pursuant to any Credit Facility (unless such indebtedness incurred is otherwise permitted under the terms of the Revolving Credit Facility). The Company and the lenders providing an Additional Facility may agree to certain terms applicable to such Additional Facility, including the margin, the termination date and the availability period (where relevant, subject to parameters as set out in the Revolving Credit Facility Agreement).

The Revolving Credit Facility may be utilized until the date falling one month prior to the termination date of the Revolving Credit Facility. The borrowers under the Revolving Credit Facility will be the Company and the Issuer.

Interest and Fees

Loans under the Revolving Credit Facility Agreement initially bear interest at a rate per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.25% per annum (which is subject to reduction in accordance with a ratchet linked to a consolidated senior secured leverage ratio). The margin applicable to an Additional Facility will be agreed between the Company and the lenders of that Additional Facility (subject to certain parameters set out in the Revolving Credit Facility Agreement).

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility until the end of the availability period for the Revolving Credit Facility at a rate of 30% of the margin applicable to the Revolving Credit Facility from time to time. The commitment fee is payable quarterly in arrears, on the last date of availability of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment thereunder. Default interest is calculated as an additional 1% on the overdue amount. The Company is also required to pay customary agency fees to the facility agent and the security agent in connection with the Revolving Credit Facility.

Repayments

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism applicable to amounts being drawn on the same date. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling 78 months after the Settlement Date. The termination date for a facility under an additional facility commitment is the date agreed between the Company and the relevant lenders. Amounts repaid by the borrowers in respect of loans made under the Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Mandatory Prepayment

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to minimum amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender under the Revolving Credit Facility Agreement upon a Change of Control (which is defined in a manner similar to the equivalent definition in the Indenture but does not include a portability feature).

Guarantees

The Company and the Issuer will provide senior guarantees of all amounts payable to the finance parties under the Revolving Credit Facility Agreement, in each case subject to the limitations on such guarantees as set out in the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement requires that (subject to agreed security principles and upon request in certain cases) each subsidiary of the Company incorporated in all jurisdictions forming part of the European Economic Area, the United Kingdom, the United States or Latin America (including Mexico) (or any state, territory, commonwealth or political sub-division thereof) (each a "Security Jurisdiction") that is or becomes a Material Subsidiary (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA) will be required to become a guarantor under the Revolving Credit Facility Agreement within the time period specified therein.

Furthermore, if on the last day of a financial year of the Company, the guarantors represent less than 80% of the consolidated EBITDA of the Company and its subsidiaries (subject to certain exceptions), within 120 days of delivery of the annual financial statements for that financial year, subject to agreed security principles additional restricted subsidiaries of the Company are required to become additional guarantors of the Revolving Credit Facility Agreement until the 80% coverage requirement is met (calculated as if such additional guarantors had been guarantors on such last day of the relevant financial year).

Security

The Revolving Credit Facility will be secured by the same Collateral as the Notes. In addition, any Material Subsidiary or other member of the Group which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over any shares held by it in a Material Subsidiary incorporated in a Security Jurisdiction in favor of the security agent under the Revolving Credit Facility.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status, binding obligations, non-conflict with other obligations, power and authority, validity, insolvency, no default and no misleading information.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the Indenture. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see "—*Financial Covenant*").

The Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Company may not, and shall procure that, until the total commitments under the Revolving Credit Facility are permanently reduced to €15.0 million, no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) or any Additional Notes issued at any time after the Issue Date.

The Revolving Credit Facility Agreement also requires certain members of the Group to observe certain affirmative covenants relating to maintenance of guarantor and security coverage and further assurances.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended and the margin on Loans under the Revolving Credit Facility Agreement will be reduced by 0.50% per annum upon (i) an achievement of a leverage ratio equal to or less than 3.00:1 or (ii) an achievement by the Company (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by at least two of Moody's Investor Services, Inc., Standard & Poor's Investors Ratings Services and Fitch Ratings Limited.

The Revolving Credit Facility contains an information covenant under which, among other things, the Company is required to deliver to the facility agent annual financial statements, quarterly financial statements and compliance certificates, provided that delivery of accounts and/or financial statements for any period which comply with the terms of the Indenture (or documentation governing any replacement, equivalent or similar financing from time to time) shall satisfy such requirements.

Financial Covenant

The Revolving Credit Facility Agreement will require the Company to comply with a Drawn Super Senior Leverage Ratio (defined as the ratio of consolidated drawn loans under the Revolving Credit Facility and any other funded indebtedness that ranks *pari passu* with such loans in respect of the distribution of Recoveries (as defined in the Intercreditor Agreement) less cash, cash equivalents and temporary cash investments held by the Group to the extent freely available for debt service to consolidated *pro forma* EBITDA for the twelve month period preceding the relevant quarterly testing date) and is tested quarterly on a rolling basis, subject to the Revolving Credit Facility being (excluding any utilizations by way of letters of credit (or bank guarantees), ancillary facilities and any flex or flex related fees or expenses) greater than 40% drawn on the relevant test date. The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Company is permitted to prevent or cure breaches of the Drawn Super Senior Leverage Ratio by applying all or any part of amounts received by the Company in cash pursuant to any new equity or permitted subordinated debt (such amount being a cure amount) as if Drawn Super Senior Facilities Debt had been reduced by such amount or as if Consolidated EBITDA had been increased by such amount (an "EBITDA Cure"). There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than two EBITDA Cures may be made during each financial year of the Company and no more than five equity cures in total may be taken into account during the term of the Revolving Credit Facility.

Events of Default

The Revolving Credit Facility Agreement contains events of default which are, with certain adjustments, the same as those applicable to the Notes and set forth in the section entitled "*Description of the Notes—Certain Covenants—Events of Default.*" In addition, the Revolving Credit Facility Agreement contains the following events of default (which are subject to certain materiality exceptions and cure periods):

- inaccuracy of a representation or statement when made;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the Revolving Credit Facility
- Agreement or any other finance documents entered into in connection with it;
- non-compliance by a member of the Group with a material obligation under the Intercreditor Agreement; and
- non-compliance by a member of the Group with a condition subsequent under the Revolving Credit Facility Agreement.

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it, is governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Revolving Credit Facility Agreement will be construed in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Company and the Issuer (together with any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor, the "Debtors") will become party to the Intercreditor Agreement originally dated December 20, 2018, as amended and restated on March 8, 2019 and as amended, restated or replaced from time to time thereafter, with, among others, Wilmington Trust (London) Limited as Super Senior Facility Agent and U.S. Bank Trustees Limited as Security Agent. The Trustee in respect of the Notes shall accede to the Intercreditor Agreement as a Senior Notes Trustee on the Issue Date.

The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the collateral providers, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined below) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Super Senior Facilities Agreement.

Capitalized terms set forth and used in this section entitled "*Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Definitions

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

"Agent Liabilities" means all present and future liabilities and obligations, actual and contingent, of the Company, any Debtor and/or Third Party Security Provider to any agent under the debt documents.

"Arranger Liabilities" means all present and future liabilities and obligations, actual and contingent, of the Company, any Debtor and/or Third Party Security Provider to any arranger under the debt documents. "Aval Issuing Bank" has the meaning given to that term in the Senior Bridge Facility Agreement.

"Creditors" means the Senior Creditors, the Second Lien Secured Creditors, the Senior Parent Creditors, the intra-Group lenders and the investors in the Group.

"Enforcement Action" means:

(a) in relation to any liabilities:

(i) the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);

(ii) the making of any declaration that any liabilities are payable on demand; (iii) the making of a demand in relation to a liability that is payable on demand;

(iii) the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;

(iv) the exercise of any right to require any member of the Group or a Third Party Security Provider to acquire any liability (including exercising any put or call option against any member of the Group or a Third Party Security Provider for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions previsions of the Super Senior Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Secured Debt Documents);

(v) the exercise of any right of set-off, account combination or payment netting against any member of the Group or any Third Party Security Provider in respect of any liabilities other than the exercise of any such right:

A as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

B as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

C as inter-hedging agreement netting by a Hedge Counterparty;

D as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

E which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

(vi) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group or any Third Party Security Provider to recover any liabilities;

(b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);

(d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group or any Third Party Security Provider which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group or any Third Party Security Provider which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such Third Party Security Provider's or member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) a Senior Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or

(iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or

(iv) to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or

(v) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

"First/Second Lien Discharge Date" means the later to occur of the Senior Discharge Date and the Second Lien Discharge Date.

"Group" means, from the Escrow Release Date, the Company, the Issuer and each of their Restricted Subsidiaries (as such term is defined in the Revolving Credit Facility Agreement) for the time being.

"Hedge Counterparty" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"Hedging Liabilities" means the liabilities owed by any Debtor to hedge counterparties in respect of certain hedging agreements.

"Majority Permitted Parent Financing Creditors" means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Permitted Senior Parent Creditor Representative is required to act in relation to the relevant matter.

"Majority Permitted Second Lien Financing Creditors" means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Permitted Second Lien Creditor Representative is required to act in relation to the relevant matter.

"Majority Permitted Senior Financing Creditors" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Permitted Senior Creditor Representative is required to act in relation to the relevant matter.

"Majority Second Lien Creditors" means, at any time, those Second Lien Secured Creditors whose Second Lien Secured Credit Participations at that time aggregate more than 50 per cent. of the Total Second Lien Secured Credit Participations at that time.

"Majority Second Lien Lenders" has the meaning given to the term "Majority Lenders" in the Second Lien Facility Agreement.

"Majority Senior Bridge Lenders" has the meaning given to the term "Majority Lenders" in the Senior Bridge Facility Agreement.

"Majority Super Senior Lenders" means, at any time, subject to certain provisions of the Revolving Credit Facility Agreement, a Super Senior Lender or Super Senior Lenders commitments under the Revolving Credit Facility Agreement that aggregate at least 50 per cent. of the total commitments under the Revolving Credit Facility (or, if the total commitments have been reduced to zero, aggregate at least 50 per cent. of the total commitments immediately prior to that reduction).

"Operating Facility" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Company in writing as a facility or financial accommodation to be treated as an "Operating Facility" for the purposes of the Intercreditor Agreement.

"Operating Facility Document" means, at the election of the Company, any document relating to or evidencing an Operating Facility.

"Operating Facility Lender" means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

"Operating Facility Liabilities" means the liabilities owed by any Debtor and any Third Party Security Provider to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

"Permitted Parent Financing Agreement" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"Permitted Parent Financing Creditors" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Permitted Senior Parent Creditor Representative).

"Permitted Parent Financing Debt" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as "Permitted Parent Financing

Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Parent Financing Documents” means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Company and the Permitted Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

“Permitted Parent Financing Liabilities” means all liabilities of any Debtor and any Third Party Security Provider to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

“Permitted Second Lien Financing Agreement” means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

“Permitted Second Lien Financing Creditors” means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Permitted Second Lien Creditor Representative).

“Permitted Second Lien Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as “Permitted Second Lien Financing Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Second Lien Financing Documents” means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted Second Lien Financing Debt and designated as such by the Company and the Permitted Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt.

“Permitted Second Lien Financing Liabilities” means all liabilities of any Debtor and any Third Party Security Provider to any Permitted Second Lien Financing Creditors under or in connection with the Permitted Second Lien Financing Documents.

“Permitted Senior Creditor Representative” means in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

“Permitted Senior Financing Agreement” means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

“Permitted Senior Financing Creditors” means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Permitted Senior Creditor Representative).

“Permitted Senior Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as “Permitted Senior Financing Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Senior Financing Documents” means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Company and the Permitted Senior Creditor Representative under that Permitted Senior Financing Debt.

"Permitted Senior Financing Liabilities" means all liabilities of any Debtor and any Third Party Security Provider to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"Permitted Senior Parent Creditor Representative" means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

"Primary Creditors" means the creditors in relation to the Senior Facilities, certain hedging obligations, the Senior Notes, the Senior Parent Notes, the Permitted Senior Financing Debt and the Permitted Parent Financing Debt, and each a "Primary Creditor."

"Second Lien Arranger Liabilities" means the liabilities owed by the Debtors and any Third Party Security Provider to any Arranger (under and as defined in the Second Lien Facility Agreement) under or in connection with the Second Lien Finance Documents.

"Second Lien Debt" means any indebtedness outstanding under any Second Lien Facility.

"Second Lien Discharge Date" means the date that the Second Lien Lender Liabilities and the Permitted Second Lien Financing Liabilities have been discharged.

"Second Lien Facility" has the meaning given to the term "Facility" in the Second Lien Facility Agreement. "Second Lien Facility Agreement" means, in relation to any Second Lien Debt, the second lien facility agreement or other equivalent document by which that Second Lien Debt is made available or, as the case may be, issued.

"Second Lien Lenders" means each Lender under and as defined in the Second Lien Facility Agreement. "Second Lien Lender Liabilities" means the liabilities owed by the Debtors and any Third Party Security Provider to the Second Lien Lenders under the Second Lien Finance Documents.

"Second Lien Liabilities" means the Second Lien Lender Liabilities and any Permitted Second Lien Financing Liabilities.

"Second Lien Secured Creditors" means the Second Lien Facility Finance Parties and/or the Permitted Second Lien Financing Creditors, as the context requires.

"Secured Debt Documents" means the hedging agreements regulated by the Intercreditor Agreement, the Operating Facility finance documents, the Senior Secured Debt Documents, the Senior Parent Notes Finance documents and/or the Permitted Parent Financing Documents.

"Secured Party" means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each of the creditor representatives of the relevant secured creditors, the arrangers under the Revolving Credit Facility Agreement, the Operating Facility Lenders, the Senior Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

"Senior Bridge Facility" means the Bridge Facility.

"Senior Bridge Facility Agreement" means the senior secured bridge facilities agreement dated December 20, 2018 as amended and/or amended and restated from time to time and made between the Company, the Senior Bridge Lenders, the Senior Bridge Agent and others.

"Senior Bridge Finance Documents" means the "Finance Documents" as defined in the Senior Bridge Facility Agreement.

"Senior Bridge Lenders" means the "Lenders" under and as defined in the Senior Bridge Facility Agreement and the Aval Issuing Bank.

"Senior Bridge Liabilities" means the liabilities owed by the Debtors and Third Party Security Providers to the Senior Bridge Lenders under the Senior Bridge Finance Documents.

"Senior Bridge/Notes Creditors" means, on and from the Issue Date, the Senior Notes Creditors.

"Senior Bridge/Notes/Permitted Financing Credit Participations" means the aggregate of all the Senior

Credit Participations at any time of the Senior Notes Creditors and the Permitted Senior Financing Creditors.

“Senior Creditors” means the Super Senior Creditors, the Senior Bridge/Notes Creditors and/or the Permitted Senior Financing Creditors.

“Senior Creditor Liabilities” means the Senior Liabilities, the Hedging Liabilities and the Operating Facility Liabilities.

“Senior Discharge Date” means the date that the Super Senior Lenders Liabilities, the Senior Bridge Liabilities, the Hedging Liabilities, the Senior Notes Liabilities and the Permitted Senior Financing Liabilities have been discharged.

“Senior Financing Agreement” means the Super Senior Facilities Agreement, the Senior Bridge Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement and/or any Permitted Senior Financing Agreement, as the context requires.

“Senior Liabilities” means the Super Senior Liabilities, the Senior Bridge Liabilities and any Permitted Senior Financing Liabilities.

“Senior Notes” means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Company in writing as indebtedness to be treated as “Senior Notes” for the purposes of the Intercreditor Agreement.

“Senior Noteholders” means the registered holders from time to time of the applicable Senior Notes.

“Senior Notes Creditors” means, on and from the first Senior Notes Issue Date, the Senior Noteholders and each Senior Notes Trustee.

“Senior Notes Trustee” means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

“Senior Parent Creditors” means, on and from the first Senior Parent Notes Issue Date, the Senior Parent Noteholders, the Senior Parent Notes Trustee and any Permitted Parent Financing Creditors.

“Senior Parent Debt Issuer” means, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group or holding company of the Company which is the issuer, or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt, provided that no member of the Group which is:

(a) for so long as any amount remains outstanding under the Senior Bridge Facility, the borrower of the Senior Bridge Facility;

(b) an issuer or, as the case may be, a borrower of any outstanding Senior Term Debt, outstanding Senior Notes, outstanding Second Lien Debt, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt; or

(c) a subsidiary of a member of the Group falling within (a) or (b) above (other than a subsidiary which is a financing vehicle), may be a Senior Parent Debt Issuer.

“Senior Parent Finance Parties” means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

“Senior Parent Liabilities” means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

“Senior Parent Notes” means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any Senior Parent Debt Issuer which are notified to the Security Agent by the Company in writing as indebtedness to be treated as “Senior Parent Notes” for the purposes of the Intercreditor Agreement.

“Senior Parent Notes Finance Documents” means, generally, the Senior Parent Notes, each indenture for Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document designated as such by the Company and the applicable Senior Parent Notes Trustee.

"Senior Parent Notes Liabilities" means, generally, the liabilities owed by any Debtor and any Third Party Security Provider to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

"Senior Parent Notes Trustee" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"Senior Parent Noteholders" means the holders of the Senior Parent Notes.

"Senior Secured Creditors" means the Senior Creditors, the Second Lien Lenders and/or the Permitted Second Lien Financing Creditors, as the context requires.

"Senior Secured Creditors Liabilities" means the Super Senior Creditor Liabilities and/or any Second Lien Liabilities, as the context requires.

"Senior Secured Debt Documents" means the Super Senior Facilities finance documents, the Senior Bridge/ Notes finance documents, the Permitted Senior Financing Documents, the Second Lien Finance Documents and the Permitted Second Lien Financing Documents (or any combination thereof, as the context requires).

"Super Senior Arranger Liabilities" means the Arranger Liabilities owed by the Debtors and Third Party Security Providers to any Arranger (under and as defined in the Super Senior Facilities Agreement) under or in connection with the Super Senior Facilities finance documents.

"Super Senior Facilities Agreement" means the Revolving Credit Facility Agreement.

"Super Senior Creditor Liabilities" means the Super Senior Lender Liabilities, the Hedging Liabilities and the Operating Facility Liabilities.

"Super Senior Creditors" means the Super Senior Lenders and the Hedge Counterparties.

"Super Senior Lender" means each of the lenders, clearing facility lenders, issuing banks and ancillary lenders under the Super Senior Facilities Agreement.

"Super Senior Lender Liabilities" means the liabilities owed by the Debtors and Third Party Security Provider to the Super Senior Lenders under the Super Senior Facilities finance documents.

"Third Party Security Provider" means any person that has provided transaction security over any or all of its assets but is not a Debtor and which is designated as a 'Third Party Security Provider' by the Company (in its discretion) by written notice to each Agent who is a party to the Intercreditor Agreement at such time.

Debt Refinancing

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Second Lien Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of Senior Notes and the establishment of a new or additional "super senior" credit facility (the "Priority Facility") or the establishment of new or additional Operating Facilities (each a "Debt Refinancing").

Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Company in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of any guarantee or security, subject to certain conditions. At the option of the Company, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements.

Under the terms of the Intercreditor Agreement each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Company, each other member of the Group and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Company, executing any document or agreement and/or giving instructions to any person).

In the event of any refinancing or replacement of all or any part of the Super Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Company shall be entitled to require that the definition of Instructing Group (as defined herein) is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Super Senior Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Company all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Credit Participations of the Super Senior Creditors and not Senior Bridge/Notes/Permitted Financing Credit Participations).

In the event that any Priority Facility becomes subject to the provisions of the Intercreditor Agreement, the Company shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or, as the case may be, Operating Facility Liabilities ranking ahead of the Senior Bridge/Notes liabilities, the Permitted Senior Financing liabilities, the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities) in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

Ranking of a Priority Facility

No liabilities or obligations in respect of any Priority Facility may rank in right and priority of payment ahead of the Super Senior Lender Liabilities (other than amounts of the type set out in paragraphs (i) and (ii) under the caption "—*Application of Proceeds*").

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Facility shall rank in right and priority of payment as determined by the Company.

Enforcement: Priority Facility

The right of the lenders or other creditors in respect of a Priority Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Facility (if any), in each case as at the date such Priority Facility is contractually committed by the relevant member(s) of the Group and as determined by the Company (with any such determination to be conclusive).

Option to Purchase

(a) The Senior Bridge/Notes Creditors and the Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Super Senior Lender Liabilities as set out under the caption "—*Restrictions Relating to Senior Secured Creditor Liabilities—Option to Purchase: Senior Bridge/Notes Creditors and Permitted Senior Financing Creditors*."

(b) The Senior Parent Notes Trustee and any Permitted Senior Parent Creditor Representative(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right as set out under the paragraph captioned "—*Permitted Senior Parent Enforcement—Option to Purchase: Senior Parent Creditors*."

Ranking and Priority

Priority of Debts

Subject to the provisions set out under the caption "—*Senior Parent Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) *first*, the Agent Liabilities, the Super Senior Arranger Liabilities, the Super Senior Lender Liabilities, the Senior Bridge/Notes liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Second Lien Lender Liabilities, the Permitted Second Lien Financing Liabilities, the Second Lien Arranger Liabilities, *pari passu* and without any preference amongst them; and

(b) second, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

The liabilities owed by any Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference amongst them.

Priority of Security

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

(a) *first*, the Agent Liabilities, the Super Senior Arranger Liabilities, the Super Senior Lender Liabilities, the Senior Bridge/Notes liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, *pari passu* and without any preference amongst them;

(b) *second*, the Second Lien Arranger Liabilities, the Second Lien Lender Liabilities and the Permitted Second Lien Financing Liabilities, *pari passu* and without any preference amongst them; and

(c) *third*, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

Senior Parent Liabilities and Security

The Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding sentence, the Senior Parent Notes Creditors and the Permitted Parent Financing Creditors agree that, until the First/Second Lien Discharge Date, they may not take any steps subject to the Security Documents in connection with any Enforcement Action, other than as expressly permitted by the Intercreditor Agreement.

For the avoidance of doubt, the restrictions set out in the preceding paragraph shall not impair the right of the Senior Parent Creditors and/or the Permitted Parent Financing Creditors to institute suit for the recovery of any payment due by a Senior Parent Debt Issuer in respect of the Senior Parent Liabilities and/or the Permitted Parent Financing Liabilities (in each case to the extent relating to liabilities in respect of Senior Parent Notes and/ or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower).

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the intra-Group liabilities and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors and the Third Party Security Providers to the Primary Creditors and the Operating Facility Lenders, but does not purport to rank any of those liabilities as between themselves.

Additional and/or Refinancing Debt

The Creditors and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The Creditors and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Company and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, but without limitation, each of the secured parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to or replacement of the Intercreditor Agreement and such other debt documents and/ or (subject to certain preconditions) release and retake of security required by the Company to reflect, enable and/or facilitate any such arrangements (including, as regards the ranking of any such arrangements).

If a Debtor incurs any new, additional or increased liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing, at the option of the Company, the relevant Debtor may (but subject to the relevant Debt Financing being elected to be secured in accordance with the applicable terms of the Intercreditor Agreement and subject to the agreed security principles) grant to the relevant Secured Parties in respect of all or any part of such Debt Financing additional security by executing additional security documents which will benefit from the order of priority and ranking set out in the Intercreditor Agreement.

Restrictions Relating to Senior Secured Creditor Liabilities

The Company, the Debtors and the Third Party Security Providers may make payments of the Senior Secured Creditor Liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors, the Operating Facility Lenders, the Company, the Debtors and the Third Party Security Providers may at any time amend or waive the terms of the finance documents in relation to the Super Senior Facilities (the "Super Senior Facilities Finance Documents"), the Senior Bridge/Notes, the Permitted Senior Financing Debt, the Second Lien Facility (the "Second Lien Facility Finance Documents"), the Permitted Second Lien Financing Documents and/or any Operating Facility in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Senior Secured Creditors

The Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

(a) any security from any member of the Group or from a Third Party Security Provider in respect of any of the Senior Secured Creditor Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain agreed security principles:

(i) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(ii) all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*"; and

(iii) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*."

(b) any guarantee, indemnity or other assurance against loss from any member of the Group or from a Third Party Security Provider regarding any of the Senior Secured Creditor Liabilities in addition to those in:

(i) the Super Senior Facilities Agreement, the Senior Bridge Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Document, the Second Lien Facility Agreement, any Permitted Second Lien Financing Document or any Operating Facility Document;

(ii) the Intercreditor Agreement; or

(iii) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to, or expressed to be given to, all the senior secured parties in respect of their senior secured liabilities, provided that (except for any guarantee, indemnity or other assurance against loss permitted to be given to any ancillary lender or issuing bank), to the extent legally possible, and subject to certain agreed security principles:

A the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and

B such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement.

(c) any security, guarantee, indemnity or other assurance against loss from any member of the Group or from a Third Party Security Provider in connection with:

(i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Lender Liabilities, Operating Facility Liabilities, Senior Bridge/ Notes liabilities, Permitted Senior Financing Liabilities and/or Second Lien Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

All amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*."

Any such Security may only be enforced in accordance with the terms of the Intercreditor Agreement which relate to security held by someone other than the Security Agent.

Any such guarantee, indemnity or assurance against loss is expressed to be subject to the terms of the Intercreditor Agreement.

Restriction on Enforcement: Relevant Senior Creditors

The Intercreditor Agreement provides that no Senior Lender, Operating Facility Lender, Senior Bridge/ Notes Creditor or Permitted Senior Financing Creditor (each a "Relevant Senior Creditor") may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "Insolvency Event") in relation to the Company or a Debtor, each Senior Creditor or Operating Facility Lender may, to the extent it is permitted to do so under the relevant Debt Documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event or process in relation to that Debtor for liabilities owing to it (but no Relevant Senior Creditor may direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Senior Bridge/Notes Creditors and Permitted Senior Financing Creditors

Senior Bridge/Notes Creditors holding at least a simple majority of the Senior Bridge/Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "Senior Acquiring Creditors") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent (with the first notice to prevail in the event that more than one set of Creditors serves such a notice), require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Super Senior Lender Liabilities and the Operating Facility Liabilities (a "Super Senior Liabilities Transfer") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Super Senior Facilities Agreement and the Operating Facility Documents;

(ii) any conditions relating to such a transfer contained in the Super Senior Facilities Agreement and the Operating Facility Documents are complied with, other than:

A any requirement to obtain the consent of, or consult with, a member of the Group or Third Party Security Provider in relation to such transfer, which consent or consultation shall not be required; and

B to the extent to which all the Senior Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) the Super Senior Facility Agent, on behalf of the Super Senior Lenders, is paid an amount equal to the aggregate of:

A any amounts provided as cash cover by the Senior Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);

B all of the Super Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Super Senior Facilities Agreement if the

Super Senior Facilities were being prepaid by the relevant Debtors on the date of that payment; and

C all costs and expenses (including legal fees) incurred by the Super Senior Facility Agent and/or the Super Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(iv) the Operating Facility Lenders are paid an amount equal to the aggregate of:

A all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

B all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(v) as a result of that transfer:

A the Super Senior Lenders have no further actual or contingent liability to a Debtor under the Super Senior Facilities Finance Documents; and

B the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Operating Facility Documents;

(vi) an indemnity is provided from each of the Senior Acquiring Creditors (other than any Senior Agent) or from another third party acceptable to all the Super Senior Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Super Senior Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Super Senior Lender or Operating Facility Lender in consequence of any sum received or recovered by any Super Senior Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Super Senior Lender or Operating Facility Lender for any reason;

(vii) the transfer is made without recourse to, or representation or warranty from, the Super Senior Lenders or the Operating Facility Lenders, except that each Super Senior Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(viii) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the paragraph captioned "*—Option to Purchase: Senior Parent Creditors*" or having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Acquiring Creditors may only require a Super Senior Liabilities Transfer if, at the same time, they require a transfer of the Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Acquiring Creditors), the Super Senior Facility Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "Instructing Group" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:

A (1) if the Aval Issuing Bank has directed the Senior Bridge Agent to direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Security

Documents pursuant to the relevant acceleration provisions of the Senior Bridge Facility Agreement and no loan is outstanding under the Senior Bridge Facility, the Senior Bridge Agent (acting on the instructions of the Aval Issuing Bank); or (2) otherwise, those Senior Instructing Group Creditors whose Senior Credit Participations at that time aggregate to more than 50% of the Total Senior Instructing Group Credit Participations at that time; or

B prior to the Super Senior Lender Discharge Date, the Majority Super Senior Creditors, in each case as applicable in accordance with the provisions set out under the caption "—*Consultation Period*"; or

(ii) in relation to any other matter:

A those Senior Instructing Group Creditors whose Senior Credit Participations at that time aggregate to more than 50% of the Total Senior Instructing Group Credit Participations at that time; and

B prior to the Super Senior Lender Discharge Date, the Majority Super Senior Creditors; and

(b) on or after the Senior Discharge Date but before the Second Lien Discharge Date, and subject always to the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors*," those Second Lien Secured Creditors whose Second Lien Secured Credit Participations at that time aggregate to more than 50 per cent. of the Total Second Lien Secured Credit Participations at that time; and

(c) on or after the First/Second Lien Discharge Date but before the Senior Parent Discharge Date, and subject always to the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In the foregoing definition of "Instructing Group":

"Majority Senior Parent Creditors" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 50% of the total aggregate amount of all Senior Parent Credit Participations at that time.

"Senior Instructing Group Creditors" means:

(a) prior to the Super Senior Lender Discharge Date, the Senior Creditors (other than the Super Senior Creditors); and

(b) on and after the Super Senior Lender Discharge Date, the Senior Creditors (other than the Super Senior Lenders).

"Second Lien Secured Credit Participation" means:

(a) in relation to a Second Lien Lender, its second lien commitments; and

(b) in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn and calculated in a manner consistent with the second lien commitments) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting).

"Senior Credit Participation" means:

(a) in relation to a Super Senior Creditor, its Super Senior Credit Participation in relation to the Super Senior Facilities Agreement and the hedging agreements only;

(b) in relation to:

(i) a Senior Bridge Lender, its senior bridge facility commitment (whether drawn or undrawn), provided that if the Aval Issuing Bank has directed the Senior Bridge Agent to direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Security Documents pursuant to pursuant to the relevant acceleration provisions of the Senior Bridge Facility Agreement, any commitment of a Senior Bridge Lender that is a Defaulting Lender (under and as defined in the Senior Bridge Facility Agreement) shall be disregarded for this purpose only; and

(ii) the Aval Issuing Bank, the outstanding liabilities owed to it under the Senior Bridge Facility Agreement;

(c) in relation to a Senior Noteholder, the principal amount of outstanding Senior Notes liabilities held by that Senior Noteholder; and

(d) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

"Senior Parent Credit Participation" means:

(a) in relation to a Senior Parent Noteholder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Noteholder; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the super senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

"Super Senior Lender Discharge Date" means the first date on which all Super Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Super Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Super Senior Facilities Finance Documents.

"Total Second Lien Secured Credit Participations" means the aggregate of all the Second Lien Secured Credit Participations at any time.

"Total Senior Instructing Group Credit Participations" means:

(a) prior to the Super Senior Lender Discharge Date, the aggregate of all the Senior Credit Participations at any time (excluding the Senior Credit Participations of the Super Senior Creditors); and

(b) on and after the Super Senior Lender Discharge Date, the aggregate of all the Senior Credit

Participations at any time (excluding the Senior Credit Participations of the Super Senior Lenders). "Total Senior Credit Participations" means the aggregate of all the Senior Credit Participations at any time.

Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Discharge Date, no Debtor or Third Party Security Provider shall (and the Company shall ensure that no member of the Group will) make any payment of, or exercise any set-off against, the Second Lien Liabilities at any time unless:

(a) that payment or set-off is permitted by the provisions set out below under the captions "*—Permitted Second Lien Liabilities Payments*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Second Lien Debt or the Permitted Second Lien Financing Debt as permitted by the Intercreditor Agreement; or

(b) the taking or receipt of that payment or exercise of that set-off is permitted by the provisions set out below under the caption "*—Permitted Second Lien Enforcement*."

Permitted Second Lien Liabilities Payments

Prior to the Senior Discharge Date, any member of the Group and any Third Party Security Provider may, directly or indirectly, make payments with respect to the Second Lien Liabilities at any time:

(a) if:

(i) the payment is of:

A any of the principal amount of the Second Lien Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Second Lien Liabilities (subject to certain conditions); or

B any other amount which is not an amount of principal or capitalized interest;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding;

(iii) no payment default under the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Documents (the "Senior Payment Default") has occurred and is continuing;

(b) if the Majority Senior Lenders, the Senior Notes Trustee and the Permitted Majority Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "Required Senior Consent") give prior consent to that payment being made;

(c) if the payment is of Second Lien Agent Liabilities;

(d) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(e) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Second Lien Debt Documents (including in relation to any reporting or listing requirements under such documents);

(f) if the Payment is funded directly or indirectly with Second Lien Debt, Permitted Second Lien Financing Debt, Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Second Lien Debt Document and/or Senior Parent Notes;

(g) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution or Available Shareholder Amounts; or

(h) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company.

On or after the Senior Discharge Date, the Debtors may make payments to the Second Lien Secured Creditors in respect of the Second Lien liabilities in accordance with the terms of the Second Lien Finance Documents, as applicable.

Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors

Until the Senior Discharge Date, except with the Required Senior Consent, no Debtor or Third Party Security Provider shall make (and the Company shall procure that no other member of the Group or Third Party Security Provider shall make), and no Second Lien Secured Creditor may receive from any other member of the Group, any Permitted Second Lien Payment (other than, for the avoidance of doubt, a roll-up or capitalization of any amount and Second Lien Agent Liabilities, and payments permitted under (b) to (f) under the caption "*—Permitted Second Lien Liabilities Payments*") if:

(a) a Senior Payment Default is continuing; or

(b) an insolvency event of default under the Senior Facilities Agreement, the Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a "Material Event of Default") is continuing, from the date which is one Business Day after the date on which any Senior Agent delivers a notice (a "Second Lien Payment Stop Notice") specifying the event or circumstance in relation to that Material Event of Default to the Company, the Security Agent and the Senior Parent Agents until the earliest of:

(i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(ii) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

(iii) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Company, the Security Agent and the Second Lien Agents cancelling the Second Lien Payment Stop Notice;

(v) the Senior Discharge Date; and

(vi) the date on which the Security Agent or a Second Lien Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless each of the Second Lien Agents waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 75 days after the date that Senior Agent received notice of that Material Event of Default.

The Senior Agents may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances. No Second Lien Payment Stop Notice may be served by an Agent in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under the Second Lien Debt Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined under a Second Lien Financing Agreement) as a consequence of that failure to make a payment in relation to the relevant Second Lien Debt Document; or (ii) the issue of a Second Lien Enforcement Notice (as defined below) on behalf of the Second Lien Secured Creditors.

Payment Obligations and Capitalization of Interest Continue

No Debtor or Third Party Security Provider shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Second Lien Debt Document by the operation of the provisions set out under each section above under the caption "—*Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Second Lien Debt Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Payment Stop—Second Lien Secured Creditors

If:

(i) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(ii) any Debtor then promptly pays to the Second Lien Secured Creditors an amount equal to any Payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Secured Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Enforcement by Second Lien Secured Creditors

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Second Lien Secured Creditor shall direct the Security Agent to enforce or otherwise require the enforcement of any security; and/or

(ii) no Second Lien Secured Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities, except as permitted under the provisions set out below under the caption "*—Permitted Second Lien Enforcement*" below, *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted Second Lien Enforcement

Subject to the provisions set out under the caption "—Enforcement on Behalf of Second Lien Secured Creditors," the restrictions set out under the caption "—Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors" above will not apply if:

(i) an Event of Default (as defined under a Second Lien Financing Agreement, a "Second Lien Event of Default") (the "Relevant Second Lien Default") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Agent;

(iii) a Second Lien Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Event of Default, the relevant Second Lien Agent may by notice (a "Second Lien Enforcement Notice") in writing notify the Senior Agents of the existence of such Second Lien Event of Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "Second Lien Standstill Start Date") the relevant Senior Agent serves a Second Lien Enforcement Notice on each of the Senior Agents in respect of such Second Lien Event of Default and ending on the earlier to occur of:

(i) the date falling 120 days after the Second Lien Standstill Start Date;

(ii) the date the Senior Secured Parties (other than the Second Lien Secured Creditors) take any Enforcement Action in relation to a particular Second Lien Borrower or Second Lien Guarantor, provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Second Lien Secured Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower or Second Lien Guarantor as the Enforcement Action taken by the Senior Secured Parties (other than the Second Lien Secured Creditors) against such Second Lien Borrower or Second Lien Guarantor and not against any other member of the Group;

(iii) the date of an Insolvency Event in relation to the relevant Second Lien Borrower or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Second Lien Standstill Period outstanding at the date such first-mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Super Senior Facility Agent (acting on the instructions of the Majority Super Senior Lenders), Senior Bridge Agent (acting on the instructions of the Majority Senior Bridge Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders) and any Permitted Senior Creditor Representative (acting on the instructions of the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding under any Second Lien Facility or on any Permitted Second Lien Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on that Second Lien Facility or on that Permitted Second Lien Financing Debt, as the case may be (provided that, unless the Super Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Super Senior Lenders and the Company, such final stated maturity does not fall on a date prior to the date falling 85 months after the Settlement Date).

Subsequent Second Lien Facility Defaults

The Second Lien Secured Creditors may take Enforcement Action under the provisions set out in caption "*—Permitted Second Lien Enforcement*" in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

Enforcement on Behalf of Second Lien Secured Creditors

If the Security Agent has notified the Second Lien Agents that it is enforcing Security created pursuant to any Security Document over shares of a Second Lien Borrower or a Second Lien Guarantor, no Second Lien Secured Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Second Lien Enforcement*" against that Second Lien Borrower or Second Lien Guarantor (or any Subsidiary of that Second Lien Borrower or Second Lien Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Second Lien Secured Creditors

Subject to the following paragraphs, any of the Second Lien Agent(s) (on behalf of the Second Lien Secured Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes Indenture or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than ten days' notice to the Security Agent, require the transfer to the Second Lien Secured Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Super Senior Lender Liabilities, the Senior Bridge/Notes Liabilities, any Permitted Senior Financing Liabilities and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Super Senior Facilities Agreement (in the case of the Super Senior Lender Liabilities), any Senior Bridge Facility Agreement and/or Notes Indenture(s) pursuant to which any Senior Bridge/Notes Liabilities remain outstanding (in the case of the Senior Bridge/Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities);

(ii) any conditions relating to such a transfer contained in the Super Senior Facilities Agreement (in the case of the Super Senior Lender Liabilities), any Senior Bridge Facility Agreement and/or Senior Notes Indenture(s) pursuant to which any Senior Bridge/Notes Liabilities remain outstanding (in the case of the Senior Bridge/Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Super Senior Facility Agent (on behalf of the Super Senior Lenders), the applicable Senior Bridge Agent and/or Senior Notes Trustee (on behalf of the relevant Senior Bridge/Notes Creditors), the applicable Permitted Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors) and the Operating Facility Lenders is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Super Senior Lenders, the Senior Bridge Lenders and/or Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Company or any other Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Second Lien Secured Creditor (other than any Second Lien Agent) (or from another third party acceptable to all the Super Senior Lenders, the Senior Bridge Lenders and/ or Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders) in a form reasonably satisfactory to each Super Senior Lender, Senior Bridge Lenders and/or Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any Super Senior Lender, Senior Bridge Lenders and/or Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Super Senior Lender, Senior Bridge Lenders and/or Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Super Senior Lenders, the Senior Bridge Lenders and/or Senior Notes Creditors, the Permitted Senior Financing Creditors or the Operating Facility Lenders, except that each Super Senior Lender, Senior Bridge Lenders and/or Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the terms of the Intercreditor Agreement, a Second Lien Agent (on behalf of all the Second Lien Secured Creditors) may only require a transfer of Senior Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Liabilities may be required to be made.

At the request of a Second Lien Agent (on behalf of all the Second Lien Secured Creditors), the Super Senior Facility Agent, any relevant Senior Bridge Agent and/or Senior Notes Trustee, any relevant Permitted Senior Creditor Representative and the Operating Facility Lenders shall notify the Second Lien Agents of the foregoing payable sums in connection with such transfer.

Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the First/Second Lien Discharge Date, no Senior Parent Debt Issuer or Third Party Security Provider shall (and the Company shall ensure that no member of the Group will):

(a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Parent Payments,*" "*—Permitted Senior Parent Enforcement*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(b) exercise any set-off against any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, except as permitted by the provisions set out under the caption "*—Permitted Senior Parent Payments*" below, the provisions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" below or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" below or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

(c) create or permit to subsist any security over any assets of any member of the Group or Third Party Security Provider or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group or Third Party Security Provider) for, or in respect of, any Senior Parent Notes liabilities or any Permitted Parent Financing Liabilities other than:

(i) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents;

(ii) at the option of the Company, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Notes and any Permitted Parent Financing Debt as set out in "*—Ranking and Priority—Priority of Security*)";

(iii) any security over any assets of any Senior Parent Debt Issuer (other than, any such assets over which a Senior Parent Debt Issuer has granted security);

(iv) any other security or guarantee provided by a member of the Group (the "Credit Support Provider") provided that, to the extent legally possible:

A the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

B all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*";

C any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*"; and

D such guarantee is expressed to be subject to the Intercreditor Agreement; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

A any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

B any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Lender Liabilities, Operating Facility Liabilities, Senior Bridge/Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Parent Payments

Prior to the First/Second Lien Discharge Date, any member of the Group or Third Party Security Provider may, directly or indirectly, make payments with respect to the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, "Permitted Senior Parent Payments"):

(a) if:

(i) the payment is of:

A any of the principal amount of the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Secured Financing Agreements; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or

B any other amount which is not an amount of principal or capitalized interest; (ii) no Senior Parent Payment Stop Notice (as defined below) is outstanding; and

(ii) no Senior Payment Default has occurred and is continuing;

(b) if the Required Senior Consent has been obtained;

(c) if consent has been obtained from the Majority Second Lien Lenders and the Majority Permitted Second Lien Financing Creditors or the Creditor Representative in respect of that Permitted Second Lien Financing Debt Senior Lenders (as applicable);

(d) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(e) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;

(f) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(g) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(h) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Senior Parent Notes;

(i) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution or Available Shareholder Amounts; or

(j) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company.

On or after the First/Second Lien Discharge Date, the Debtors may make payments to the Senior Parent Creditors in respect of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, in accordance with the Senior Parent Notes Indenture and the Permitted Parent Financing Documents, as applicable.

Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors

Until the Senior Discharge Date, except with the Required Senior Consent, and until the Second Lien Discharge Date, except with the Required Second Lien Consent, no Senior Parent Debt Issuer or Third Party Security Provider shall make (and the Company shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from any other members of the Group or Third Party Security Provider, any Permitted Senior Parent Payment (other than, for the avoidance of doubt, a roll-up or capitalization of any amount and certain amounts due to the Senior Parent Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred or pursuant to any Senior Parent Notes) if:

(a) a Senior Secured Payment Default is continuing; or

(b) an event of default under the Super Senior Facilities Agreement, the Senior Bridge Facility Agreement and/or Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a "Senior Secured Event of Default") (other than a Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which any of the Super Senior Facility Agent, the Senior Bridge Facility Agent and/or Senior Notes Trustee and any Permitted Senior Creditor Representative (together, the "Senior Agents") delivers a payment stop notice (a "Senior Parent Payment Stop Notice") specifying the event or circumstance in relation to that Senior Event of Default to the Company, the Security Agent, the Senior Bridge Facility Agent and/or the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

(i) the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;

(ii) in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Senior Parent Standstill Period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;

(iii) the date on which the relevant Senior Secured Event of Default has been remedied or waived in accordance with the Super Senior Facilities Agreement, the Senior Bridge Facility Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Company, the Security Agent, the Senior Parent Notes Trustee and the Senior Parent Creditor Representative cancelling the Senior Parent Payment Stop Notice;

(v) the First/Second Lien Discharge Date; and

(vi) the date on which the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative take Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice; and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Secured Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Secured Event of Default.

The Senior Agents may only serve one Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Secured Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior

Secured Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

Cure of Payment Stop—Senior Parent Creditors

If:

(i) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Secured Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Secured Payment Default ceases to be continuing; and

(ii) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Secured Payment Default, then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Parent Creditors, the relevant Senior Parent Debt Issuers and other Debtors may amend or waive the terms of the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Parent Creditors

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of, any security; and/or

(ii) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes finance documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Parent Enforcement*" below, *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted Senior Parent Enforcement

The restrictions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(i) an Event of Default (as defined in any Senior Parent Notes Finance Document and any Permitted Parent Financing Agreement, as applicable, each a "Senior Parent Event of Default") (the "Relevant Senior Parent Default") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (as the case may be);

(iii) a Senior Parent Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative, as the case may be, may by notice (a "Senior Parent Enforcement Notice") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

Senior Parent Standstill Period

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "Senior Parent Standstill Start Date") the relevant Senior Agent serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Senior Parent Event of Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Parent Standstill Start Date (the "Senior Parent Standstill Period");

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and/or any Permitted Parent Financing Debt (a "Senior Parent Guarantor"), provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and not against any other member of the Group or Third Party Security Provider;

(iii) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Parent Standstill Period outstanding at the date such first-mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Super Senior Facility Agent (acting on the instructions of the Majority Super Senior Lenders), the Second Lien Facility Agent (acting on the instructions of the Majority Second Lien Lenders), the Senior Bridge Facility Agent (acting on the instructions of the Majority Senior Bridge Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders), any Permitted Senior Creditor Representative (acting on the instructions of the Majority Permitted Senior Financing Creditors) and any Second Lien Creditor Representative (acting on the instructions of the Majority Permitted Second Lien Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding on any Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that (i) unless the Super Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Super Senior Lenders and the Company, such final stated maturity does not fall on a date prior to the date falling 85 months after the Settlement Date; and (ii) if any Second Lien Debt has been incurred, unless the Second Lien Lender Discharge Date has occurred or as otherwise agreed by the Majority Second Lien Lenders and the Company, such final stated maturity does not fall on a date prior to the date falling 85 months after the Settlement Date).

Subsequent Senior Parent Event of Default

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption "—*Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified the Senior Parent Agents that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor (or any subsidiary of that Senior Parent Guarantor) while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Parent Creditors

Subject to paragraphs (ii) and (iii) below any of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (on behalf of the Senior Parent Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than ten days' notice to the Security Agent, require the transfer to the Senior Parent Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Super Senior Facilities Agreement (in the case of the Super Senior Lender Liabilities), the Second Lien Facility Agreement (in the case of the Second Lien Lender Liabilities), any Senior Bridge Facility Agreement and/or Senior Notes Indenture(s) pursuant to which any Senior Bridge/Notes liabilities remain outstanding (in the case of the Senior Bridge/Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities), any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) (as applicable);

(ii) any conditions relating to such a transfer contained in the Super Senior Facilities Agreement (in the case of the Super Senior Lender Liabilities), the Second Lien Facility Agreement (in the case of the Second Lien Lender Liabilities), any Senior Bridge Facility Agreement and/or Senior Notes Indenture(s) pursuant to which any Senior Bridge/Notes liabilities remain outstanding (in the case of the Senior Bridge/Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities), any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Super Senior Facility Agent (on behalf of the Super Senior Lenders), the Senior Bridge Agent (on behalf of the Senior Bridge Lenders), the Senior Notes Trustee (on behalf of the relevant Senior Noteholders), the applicable Permitted Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors), the Operating Facility Lenders, the Second Lien Facility Agent (on behalf of the Second Lien Lenders) and the applicable Permitted Second Lien Creditor Representative (on behalf of the relevant Permitted Second Lien Financing Creditors) is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Super Senior Lenders, the Senior Bridge Lenders, the Second Lien Lenders, the Senior Noteholders, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Company or any other Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) (or from another third party acceptable to all the Super Senior Lenders, the Second Lien Lenders, the Senior Bridge Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Second Lien Lender, the Senior Bridge Lenders, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Super Senior Lender, Second Lien Lender, Senior Bridge

Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any Super Senior Lender, Senior Bridge Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Super Senior Lender, Senior Bridge Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Super Senior Lenders, the Second Lien Lenders, the Senior Bridge Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors or the Operating Facility Lenders, except that each Super Senior Lender, Second Lien Lender, Senior Bridge Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors), the Super Senior Facility Agent, the Senior Bridge Agent, the Senior Notes Trustee, any relevant Permitted Senior Creditor Representative, the Operating Facility Lenders, the Second Lien Facility Agent and any relevant Permitted Second Lien Creditor Representative shall notify the Senior Parent Notes Trustee and any Senior Parent Creditor Representative of the foregoing payable sums in connection with such transfer.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor or Third Party Security Provider, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group or Third Party Security Provider in respect of liabilities owed to that party shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption"—*Turnover*" below and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group or Third Party Security Provider to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of the Group's or Third Party Security Provider's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor and any Operating Facility Lender which benefited from that set-off shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption "—*Turnover*" below and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out under the caption "—*Application of Proceeds*" below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor (or, following an acceleration event which is continuing, any member of the Group), each Creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group or Third Party Security Provider;

(ii) demand, sue, prove and give receipt for any or all of that member of the Group's or Third Party Security Provider's liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of the Group's or Third Party Security Provider's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's or Third Party Security Provider's liabilities.

Each Creditor and Operating Facility Lender will (i) do all things that the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) reasonably requests in order to give effect to the matters referred to in this "*—Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor or Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require, although neither the Senior Notes Trustee nor the Senior Parent Notes Trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Operating Facility Lender receives or recovers from any member of the Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of a Senior Distress Event which is continuing, any Super Senior Lender Liabilities, Hedging Liabilities, Senior Bridge/Notes liabilities, Permitted Senior Financing liabilities or Operating Facility liabilities;

(ii) other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount:

A on account of, or in relation to, any of the liabilities after the occurrence of a distress event (including as a result of any litigation or proceedings against a member of the Group or Third Party Security Provider other than after the occurrence of an Insolvency Event in respect of that member of the Group or Third Party Security Provider); or

B by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event, other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "*—Application of Proceeds*";

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "*—Application of Proceeds*"; or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group or Third Party Security Provider which is not in accordance with the provisions set out under the caption "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group or Third Party Security Provider,

that Creditor or Operating Facility Lender will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise for the benefit of) the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out in the third paragraph of this section, the Majority Second Lien Creditors or (iii) if required as set out under the fourth paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date as described under the caption "*—Restrictions Relating to Senior Secured Creditor Liabilities*" above, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the First/Second Lien Discharge Date as described under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as described under the provisions under the caption "*—Permitted Second Lien Enforcement*" above.

Prior to the First/Second Lien Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the provisions under the caption "*—Permitted Senior Parent Enforcement*" above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent in the manner contemplated by the Intercreditor Agreement.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "*—Enforcement of Security—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as:

(a) an Instructing Group;

(b) prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "*—Enforcement of Security*" above, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors;

(c) prior to the First/Second Lien Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption "*—Enforcement of Security*" above, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each Creditor (other than the Senior Notes Trustee and the Senior Parent Notes Trustee) and each Operating Facility Lender shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group or, as the case may be, Third Party Security Provider, as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties, Third Party Security Providers and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that Creditor or Operating Facility Lender).

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Super Senior Lender Discharge Date, if:

(i) the Super Senior Creditors have not been fully repaid within six months of the end of the first Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Super Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a

Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) if:

(i) the security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any creditor representative of the Creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

A the Security Agent's ability to enforce any of the security; or

B the realization proceeds of any enforcement of the security, and, where this paragraph (d) applies:

- any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and
- the Security Agent shall act in accordance with the instructions first received.

(e) As soon as reasonably practicable following receipt of any instructions from an Instructing Group to enforce the security, refrain or cease from enforcing the security or, as the case may be, take any other Enforcement Action, the Security Agent shall provide a copy of such instructions to each Agent, Hedge Counterparty and Operating Facility Lender (unless it received those instructions from that person).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the secured parties, the Third Party Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the First/Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall, subject to the section entitled Distressed Disposals below, be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors or the Third Party Security Providers under general law.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Company) to promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

A a disposal not prohibited by the terms of the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement, the Second Lien Facility Agreement, any Permitted Second Lien Financing Agreement, any Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "Debt Financing Agreement") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

B any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(ii) any security (and/or any other claim relating to a debt document) over any document or other agreement requested in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor (or will cease to be a Debtor simultaneously with such release); and

(iv) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Company) promptly release (or procure the release of) that Debtor and its subsidiaries (and its and their assets) from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "*Non-Distressed Disposals*" section, the Company shall confirm in writing to the Security Agent that:

(i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor, Third Party Security Provider, or the Company but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Company (acting reasonably) shall require to give effect to any release or other matter described above.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Company in accordance with the terms of any of the Debt Financing Agreements (and provided that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors and Operating Facility Lenders shall (at the cost of the relevant Debtor, the relevant Additional Security Provider and/or the Company) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Security Documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorized to execute, and will promptly execute if requested by the Company, without the need for any further consent, sanction, authority or further confirmation from any Creditor or Operating Facility Lender, any such release or document on behalf of the Creditors and the Operating Facility Lenders). When making any request pursuant to this paragraph the Company shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and the requested action is not expressly prohibited by way of any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement or the Debt Financing Agreements (a "Permitted Transaction"). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Party) that it shall (at the request and cost of the relevant Debtor or the Company) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Company in order to complete, implement or facilitate a Permitted Transaction.

If any member of the Group is required or permitted under the Senior Secured Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Secured Liabilities then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Secured Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Company):

(i) release the security; and

(ii) release each investor, each Debtor, each Third Party Security Provider and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents, on the Final Discharge Date (or at any time following such date on the request of the Company).

Distressed Disposals

Generally, a "Distressed Disposal" is a disposal of an asset of a member of the Group or, in the case of a Third Party Security Provider, an asset which is subject to security which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group or Third Party Security Provider is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third Party Security Provider or the Company and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party, Third Party Security Provider or Debtor):

(i) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

A that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

B any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

C any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant Creditors, Third Party Security Providers, Operating Facility Lenders, Debtors and certain creditor representatives;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

A that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

B any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

C any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Third Party Security Providers, Operating Facility Lenders, Debtors and certain creditor representatives;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

A (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "Transferee") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities, provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

B (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant Creditors, Third Party Security Providers, Operating Facility Lenders and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

A agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

B (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds*" (to the extent that the asset disposed of constituted charged property), as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities transferred to the Company in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor or Third Party Security Provider) to execute such documents as are required to so transfer those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities.

Subject to the immediately following two paragraphs, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Second Lien Discharge Date a Distressed Disposal is being effected such that any Second Lien Liabilities will be released or disposed of, or any security securing the Second Lien Liabilities will be released, it is a further condition to the release that either:

(a) each Second Lien Agent has approved the release; or

(b) where shares or assets of a Second Lien Borrower or a Second Lien Guarantor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(ii) all claims of the Senior Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any) all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each of the Super Senior Facility Agent, the Senior Bridge Agent, any Senior Notes Trustee and any Permitted Senior Creditor Representative (acting reasonably and in good faith):

A determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released and discharged; and

B serves a written notice on the Security Agent confirming the same, the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

A pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

B where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the first date on which the discharge date for the Senior Parent Notes and any Permitted Parent Financing Debt has occurred, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

- the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of the Senior Parent Debt Issuer are sold:

A the proceeds of such sale or disposal are in cash (or substantially in cash);

B all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent (acting reasonably and in good faith):

(i) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(ii) serves a written notice on the Security Agent confirming the same,

(iii) the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

C such sale or disposal is made:

(i) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(ii) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

The Intercreditor Agreement provides that secured parties may only benefit from Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section. This shall not prevent a Senior Secured Creditor benefiting from such Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security interests.

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "Recoveries") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Super Senior Facility Agent (in respect of the amounts due to the Super Senior Facility Agent), the Senior Bridge Agent (in respect of amounts due to the Senior Bridge Agent), any Permitted Senior Creditor Representative (in respect of amounts due to the Permitted Senior Creditor Representative), any Permitted Senior Parent Creditor Representative (in respect of amounts due to the Permitted Senior Parent Creditor Representative), any Permitted Second Lien Agent (in respect of amounts due to the Permitted Second Lien Agent), any Second Lien Creditor Representative (in respect of amounts due to Second Lien Creditor Representative) or certain amounts due to the Senior Notes Trustee or amounts due to the Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a *pro rata* and *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in respect of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in payment to:

A the Super Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Super Senior Lenders;

B the Hedge Counterparties; and

C the Operating Facility Lenders; for application towards the discharge of:

(i) the Arranger Liabilities under or in connection with the Senior Facilities Finance Documents and the Super Senior Lender Liabilities (in accordance with the terms of the finance documents relating to the Super Senior Facilities);

(ii) the Hedging Liabilities (on a *pro rata* basis between the Hedging Liabilities of each Hedge Counterparty); and

(iii) the Operating Facility Liabilities (on a *pro rata* basis between the Operating Facility Liabilities of each Operating Facility Lender),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) to (III) above;

(iv) in payment to:

A the Super Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Super Senior Lenders;

B the Hedge Counterparties;

C the Operating Facility Liabilities (on a *pro rata* basis between the Operating Facility Liabilities of each Operating Facility Lender);

D the Senior Bridge Agent on its own behalf and on behalf of the arrangers under the Senior Bridge Facility Agreement and the Senior Bridge Lenders;

E the Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

F each Permitted Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and for application towards the discharge of:

(i) the liabilities of the Debtors owed to the arrangers under or in connection with the Revolving Credit Facility and the Super Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Revolving Credit Facility);

(ii) the Hedging Liabilities (on a *pro rata* basis between the Hedging Liabilities of each Hedge Counterparty); and

(iii) the Operating Facility Liabilities (on a *pro rata* basis between the Operating Facility Liabilities of each Operating Facility Lender);

(iv) the Arranger Liabilities under or in connection with the Senior Bridge Facility Agreement and the Senior Bridge Liabilities (in accordance with the terms of the Senior Bridge Finance Documents);

(v) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Indenture and other finance documents for the Senior Notes);

(vi) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a *pro rata* basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) to (VI) above;

(v) in payment to:

A the Second Lien Facility Agent on its own behalf and on behalf of the Second Lien Arrangers and the Second Lien Lenders; and

B each Permitted Second Lien Creditor Representative on its own behalf and on behalf of the Permitted Second Lien Financing Arrangers and the Permitted Second Lien Financing Creditors, for application towards the discharge of:

(i) the Second Lien Arranger Liabilities and the Second Lien Lender Liabilities (in accordance with the terms of the Second Lien Finance Documents); and

(ii) the Permitted Second Lien Financing Arranger Liabilities and the Permitted Second Lien Financing Liabilities (other than the Permitted Second Lien Financing Agent Liabilities) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a *pro rata* basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement), on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vi) in payment to:

A each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Noteholders; and

B each Permitted Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors, for application towards the discharge of:

(I) the Senior Parent Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes finance documents); and

(II) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a *pro rata* basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vii) if none of the Debtors or, as the case may be, Third Party Security Providers are under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(viii) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

Liabilities of the Senior Parent Debt Issuer

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(i) in accordance with paragraph (i) of the section captioned "*—Application of Proceeds—Order of Application";*

(ii) in accordance with paragraph (ii) of the section captioned "*—Application of Proceeds—Order of Application";*

(iii) in accordance with paragraphs (iv) to (vi) of the section captioned "*—Application of Proceeds—Order of Application,*" provided that payments will be made on a *pro rata* basis and *pari passu* between each of the payments referred to in paragraphs (iv) and (v) (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower);

(iv) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization of the Senior Secured Creditors

If, for any reason, any Senior Creditor Liabilities or Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Senior Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the relevant enforcement date bore to the aggregate exposures of all the relevant Senior Creditors and the Operating Facility Lenders at the enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in under the section "*—Application of Proceeds—Order of Application*"), the relevant Senior Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the relevant Senior Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the section "*—Application of Proceeds—Order of Application*").

Turnover of Enforcement Proceeds

If:

(a) the Security Agent or the relevant Agent is not entitled, for reasons of applicable law, to pay amounts received pursuant to the making of a demand under any guarantee, indemnity or other assurance against loss or the enforcement of the security to the Senior Secured Creditors and the Operating Facility Lenders but is entitled to distribute those amounts to Creditors (such Creditors, the "Receiving Creditors") who, in accordance with the terms of the Intercreditor Agreement, are subordinated in right and priority of payment to the Senior Secured Creditors and the Operating Facility Lenders; and

(b) the First/Second Lien Discharge Date has not yet occurred (nor would occur after taking into account such payments), then the Receiving Creditors shall make such payments to the Senior Secured Creditors and the Operating Facility Lenders as the Security Agent shall require to place the Senior Secured Creditors and the Operating Facility Lenders in the position they would have been in had such amounts been available for application against the Senior Liabilities and the Operating Facility Liabilities, provided this shall not apply to any receipt or recovery that has been distributed by:

(i) a Senior Notes Trustee to the Senior Noteholders in accordance with the Senior Notes Finance Documents;

(ii) a Senior Parent Notes Trustee to the Senior Parent Noteholders in accordance with the Senior Parent Notes Finance Documents;

(iii) a Permitted Senior Creditor Representative to the Permitted Senior Financing Creditors in accordance with the Permitted Senior Financing Documents;

(iv) a Permitted Second Lien Creditor Representative to the Permitted Second Lien Financing Creditors in accordance with the Permitted Second Lien Financing Documents; or

(v) a Permitted Senior Parent Creditor Representative to the Permitted Parent Financing Creditors in accordance with the Permitted Parent Financing Documents,

(vi) unless the Senior Notes Trustee, the Senior Parent Notes Trustee, the Permitted Senior Creditor Representative, the Second Lien Creditor Representative or the Permitted Senior Parent Creditor Representative (as applicable) had received at least two Business Days' prior written notice (in accordance with the Intercreditor Agreement) that an acceleration event or an insolvency event in relation to a Debtor or Third Party Security Provider had occurred or that the receipt or recovery falls within the provisions set out under the caption "*—Turnover*" prior to distribution of the relevant amount.

Group Pushdown

The Intercreditor Agreement, generally, provides that on, in contemplation of, or after, a public equity offering (an "IPO Event") of any member of the Group (other than (x) a subsidiary of a borrower or issuer which is restricted from being designated as such by the relevant Debt Financing Agreement and is not replaced prior to such a public equity offering with another Group entity or (y) a subsidiary of the Company) or any of its holding companies (the "IPO Entity"), at the Company's option:

(i) the Group shall comprise only the IPO Entity and its restricted subsidiaries from time to time (subject to the exclusions set out in the definition of Group);

(ii) the IPO Entity shall take on the Company's role under the Intercreditor Agreement;

(iii) none of the representations, warranties, undertakings or other provisions of the Intercreditor Agreement shall apply to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise);

(iv) no event, matter or circumstance relating to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term of the Intercreditor Agreement or a default or an event of default;

(v) each holding company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Intercreditor Agreement and the security documents (including any security granted by any such holding company); and

(vi) unless otherwise notified by the Company:

A each person which is party to the Intercreditor Agreement as an investor or Third Party Security Provider shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Company that person shall cease to be party to the Intercreditor Agreement as an investor or Third Party Security Provider and shall have no further rights or obligations under the Intercreditor Agreement as an investor or Third Party Security Provider); and

B there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an investor or Third Party Security Provider, such amendments being a "Group Pushdown."

In the event that any person is released from or does not become party to the Intercreditor Agreement as an investor or Third Party Security Provider as a consequence of the above paragraph, any term of any debt document which requires or assumes that any person be an investor or Third Party Security Provider or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

The Company must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the IPO Event to which it relates provided that (where requested by an Instructing Group) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Company to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(i) if the relevant amendment or waiver (the "Proposed Amendment") is prohibited by the Super Senior Facilities Agreement, the Super Senior Facility Agent (acting on the instructions of the requisite Super Senior Lenders in accordance with the applicable provisions of the Super Senior Facilities Agreement);

(ii) if the Proposed Amendment is prohibited by the terms of the Senior Bridge Facility Agreement, the Senior Bridge Agent (acting on the instructions of the requisite Senior Bridge Lenders in accordance with the applicable provisions of the Senior Bridge Facility Agreement);

(iii) if any Senior Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;

(iv) if any Second Lien Debt has been incurred and the Proposed Amendment is prohibited by the terms of the Second Lien Facility Agreement, the Second Lien Facility Agent (acting on the instructions of the requisite Second Lien Lenders in accordance with the terms of the Second Lien Facility Agreement);

(v) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Permitted Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(vi) if any Permitted Second Lien Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Second Lien Financing Agreement, the Permitted Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt (if applicable, acting on the instructions of the Majority Permitted Second Lien Financing Creditors);

(vii) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(viii) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Permitted Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(ix) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(x) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(xi) certain investors (as permitted under the Intercreditor Agreement); and

(xii) the Company.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*"), any incurrence of additional and/ or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*") or Non-Distressed Disposal (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Company and the Security Agent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Company.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Company consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "*—Required Consents.*"

Exceptions

Subject to the following paragraph of this "—*Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out under the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

DESCRIPTION OF THE NOTES

The following is a description of the €335.0 million in aggregate principal amount of 6¼% senior secured notes due 2026 (the "*Notes*") that will be issued by Tasty Bondco 1, S.A.U., a public limited liability company (*sociedad* anónima *unipersonal*) incorporated under the laws of Spain (the "*Issuer*"), and a wholly owned subsidiary of Tasty Debtco S.à r.l. ("*Debtco*"). For purposes of this "*Description of the Notes*," the "Issuer" refers to Tasty Bondco 1, S.A.U., and any successor obligor prior to the Post-Settlement Merger, in respect of the Notes, and not to any of its subsidiaries or to its parent companies, and, following the Post-Settlement Merger, to a newly-formed public limited liability company (*sociedad anónima*) incorporated under the laws of Spain that becomes the immediate parent company of Tele Pizza, S.A.U. ("*TPZ*"), or any successor to such company (the "*Company*"), subsequent thereto.

The Issuer will issue the Notes under an indenture (the "*Indenture*") to be dated as of the Issue Date among, *inter alios*, the Issuer and U.S. Bank Trustees Limited, as trustee (the "*Trustee*"). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See "*Notice to Investors*." The terms of the Notes include those stated in the Indenture. The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The Notes are subject to all the provisions of the Indenture, and Holders of the Notes are referred to the Indenture for a statement thereof.

The gross proceeds of the Notes will be used, following release of such proceeds from escrow on the Escrow Release Date (as defined below) to the Issuer (or its designee) as described below, initially to make a loan (the "*Pre-*Merger *Proceeds Loan*") to the Company, which shall (i) distribute an amount to the Target, which Telepizza Group, S.A. (the "*Target*" and together with its subsidiaries as of the Settlement Date (as defined in the Offering Memorandum), the "*Target Group*") will use (x) to repay all amounts outstanding under the Existing Senior Facilities of the Target Group and (y) to make a distribution to its shareholders such that Debtco will receive funds sufficient (together with cash on hand at Debtco) to repay amounts outstanding under Facility B1 (or other funds utilized for such purpose) and the Revolving Credit Facility; and (ii) to pay the costs, fees and expenses incurred in connection with the Offering. Debtco will use the proceeds it receives from such distribution, together with cash on hand at Debtco, to repay all amounts outstanding under Facility B1 (as defined in the Offering Memorandum) under the Bridge Facility Agreement (as defined in the Offering Memorandum) or such other funds used, including accrued and unpaid interest thereon, and repay all amounts outstanding under the Revolving Credit Facility, including accrued and unpaid interest thereon (together, the "*Refinancing*"), as set forth in this Offering Memorandum under the caption "*Use of Proceeds.*" The proceeds from Facility B1 under the Bridge Facility Agreement or other funds, together with drawings under the Revolving Credit Facility and the Equity Contribution will be used on the Settlement Date to finance the indirect acquisition by the Initial Investors of shares of the common stock of the Target.

Pending the satisfaction of certain other conditions as described under the caption "*Escrow of Proceeds; Special Mandatory Redemption*," the Initial Purchasers (as defined in this Offering Memorandum) will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of the Notes sold on the Issue Date into a euro-denominated escrow account (the "*Escrow Account*") pursuant to the terms of an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date, among the Issuer, the Trustee and Citibank N.A., London Branch, in such capacity, the escrow agent (the "*Escrow Agent*"). If the conditions to the release of the Escrowed Property (as defined below), as more fully described below under the caption "*Escrow of Proceeds; Special Mandatory Redemption*," have not been satisfied on or prior to the Business Day immediately following the Escrow Longstop Date (as defined below), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the issue price of the Notes plus accrued and unpaid interest from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below) and Additional Amounts, if any. See "*Escrow of Proceeds; Special Mandatory Redemption*." Upon satisfaction of the conditions set forth in the Escrow Agreement and release of the Escrowed Property from the Escrow Account (each as defined below), the proceeds from the offering of the Notes sold on the Issue Date will be used by the Issuer to make one or more intercompany loans to the Company, as further described below under the caption "*The Pre-Merger Proceeds Loan*." See "*Use of Proceeds*" and "*The Transactions*."

Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target, any of its Subsidiaries or any other entity.

After the Control Date (as defined under "*Certain Definitions*") and prior to the Escrow Release Date (as defined below), we intend that (i) the Issuer will become a direct Subsidiary of the Target, (ii) the Company will be incorporated or acquired by the Target and become a direct Subsidiary of the Target and (iii) the Company will become the direct Holding Company of TPZ and the Holding Company of each member of the Target Group (other than the Target and the Issuer). On the date upon which the proceeds from the Offering are released from the Escrow Account to the Issuer (or its designee) upon the satisfaction of the conditions described in the Escrow Agreement (the "*Escrow Release Date*"), the Company will enter into a supplemental indenture to become a party to the Indenture and guarantee the Notes on a senior secured basis. Within 120 days from the Escrow Release Date, certain material subsidiaries of the Company that will grant a guarantee of the Revolving Credit Facility, including TPZ (the "*Post-Escrow Release Date Guarantors*"), will, subject to the Agreed Security Principles, enter into one or more supplemental indentures to become a party to the Indenture and guarantee the Notes on a senior secured basis. We intend to merge the Issuer with the Company pursuant to the Post-Settlement Merger (as defined herein). Concurrently with the Post-Settlement Merger, the Notes Guarantee of the Company will be released and the Company will assume the obligations of the Issuer under the Notes, the Indenture and the Intercreditor Agreement (as defined under "*Description of Other Indebtedness—Intercreditor Agreement*").

Subject to the Agreed Security Principles and certain perfection requirements, on the Escrow Release Date, the Notes and the Notes Guarantees will be secured on a first-ranking basis by the Escrow Release Date Collateral (as defined below). Subject to the Agreed Security Principles and certain perfection requirements, immediately following the repayment of all amounts outstanding under the Target Senior Facility Debt, the Notes and the Notes Guarantees will be secured on a first-ranking basis by the TPZ Collateral (as defined below). Subject to the Agreed Security Principles and certain perfection requirements, within 120 days from the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, the Notes and the Notes Guarantees will be secured on a first-ranking basis by the Post-Escrow Release Date Collateral (as defined below). See "*Security*." The Escrow Release Date Collateral, the TPZ Collateral and the Post-Escrow Release Date Collateral, and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, are collectively referred to herein as the Collateral.

Prior to the Control Date, the Issuer and Debtco will not be able to cause the Target Group to comply with the covenants described in this "*Description of the Notes*" or other agreements under the Indenture, although on and following the Settlement Date, Debtco and its subsidiaries, including the Target Group, may be subject to the terms and restrictive covenants of the Bridge Facility Agreement. In addition, prior to the Escrow Release Date, no company, including the Target Group, will be a Restricted Subsidiary under the Indenture. As such, we cannot assure you that prior to the Control Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants or other agreements been applicable to such entities as of the Issue Date, and any such non-compliance will not constitute a default or Event of Default under the Indenture. See "*Risk Factors—Risks Related to the Transactions—Debtco does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until the Control Date*."

The following is a summary of the material provisions of the Indenture and the Security Documents (as defined below) and refers to the Intercreditor Agreement. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture, the Security Documents and the Intercreditor Agreement, respectively. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture, the Security Documents and the Intercreditor Agreement in their entirety. You can find the definitions of certain terms used in this description under "*Certain Definitions*."

Brief Description of the Notes and the Guarantees

The Notes

The Notes will:

- be senior obligations of the Issuer, secured as set forth under "Security";

- rank *pari passu* in right of payment with all of the Issuer's existing and future debt that is not subordinated in right of payment to the Notes (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the Holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving

- Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture);

- 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;

- be effectively subordinated to any existing and future indebtedness or obligation of the Issuer and its subsidiaries (including obligations to trade creditors) that is secured by property or assets that do not constitute Collateral, to the extent of the value of the property or assets securing such obligation or indebtedness;

- be structurally subordinated to any existing or future indebtedness of subsidiaries of the Issuer (and, after the Escrow Release Date but prior to the completion of the Post-Settlement Merger, the Company) (including obligations to trade creditors) that do not guarantee the Notes;

- be, subject to the Agreed Security Principles, (i) guaranteed by the Company on the Escrow Release Date; and (ii) guaranteed by the Post-Escrow Release Date Guarantors within 120 days from the Escrow Release Date, in each case on a senior secured basis;

- mature on May 15, 2026; and

- be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes (as defined below). See "Book-Entry; Delivery and Form."

Under the terms of the Intercreditor Agreement, the Holders of the Notes will receive proceeds from the enforcement of the Collateral on a *pari passu* basis with all indebtedness that is not subordinated in right of payment to the Notes, except that the Intercreditor Agreement will provide that on an enforcement of the Collateral and certain distressed disposals, the Holders of the Notes will receive proceeds from such enforcement only after (i) the Revolving Credit Facility, (ii) certain Hedging Obligations and (iii) other Indebtedness permitted to be incurred and secured on a super senior priority basis under the Indenture have been repaid in full. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Certain Definitions—Permitted Collateral Liens.*"

The Notes Guarantees

The Notes will, subject to the Agreed Security Principles, be guaranteed (i) on the Escrow Release Date by the Company; and (ii) within 120 days from the Escrow Release Date, by the Post-Escrow Release Date Guarantors, in each case, on a senior secured basis. In addition, if required by the covenant described under "— *Certain Covenants—Additional Guarantees*," certain other Restricted Subsidiaries may provide a Guarantee (as defined below) in the future. Once granted, each Notes Guarantee of each of the Guarantors will:

- be a senior obligation of that Guarantor, secured as set forth under "Security";

- rank *pari passu* in right of payment with all of that Guarantor's existing and future indebtedness that is not subordinated in right of payment to its Notes Guarantee (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the Holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture);

- rank senior in right of payment to all of that Guarantor's future indebtedness that is subordinated in right of payment to its Notes Guarantee;

- rank effectively senior to any existing and future unsecured indebtedness of that Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes Guarantees;

- be effectively subordinated to any existing and future indebtedness of that Guarantor (including obligations to trade creditors) that is secured by property or assets that do not constitute Collateral, to the extent of the value of the property and assets securing such obligations or indebtedness; and

- be structurally subordinated to any existing and future indebtedness or other obligations of that

- Guarantor's subsidiaries (including obligations to trade creditors) that do not guarantee the Notes. See "*The Notes Guarantees.*"

Under the terms of the Intercreditor Agreement, the Holders of the Notes will receive proceeds from the enforcement of the Collateral on a *pari passu* basis with all indebtedness subject thereto that is not subordinated in right of payment to the Notes, except that the Intercreditor Agreement will provide that on an enforcement of the Collateral and certain distressed disposals, the Holders of the Notes will receive proceeds from such enforcement only after (i) the Revolving Credit Facility, (ii) certain Hedging Obligations, if any, and (iii) other indebtedness permitted to be incurred and secured on a super senior priority basis under the Indenture have been repaid in full. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Certain Definitions— Permitted Collateral Liens.*"

Principal and Maturity

The Issuer will issue €335.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on May 15, 2026. The Notes will be issued in global form in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

If the due date for any payment in respect of any Notes is not a Business Day or a business day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day (or business day at such place, as the case may be), and will not be entitled to any further interest or other payment as a result of any such delay.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream.

Interest

Interest on the Notes

Interest on the Notes will accrue at the rate of 6.25% per annum and will be payable, in cash, semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2020. Interest on the Notes will be payable to the holder of record of such Notes on the Business Day immediately preceding the related interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

Prior to the Post-Settlement Merger Date, the Issuer will depend on payments from the Company under the Pre-Merger Proceeds Loan, and after the Post-Settlement Merger Date, the Issuer will depend on the ability of the Target Group to make distributions to the Issuer, which will be subject to important limitations and restrictions. See "*Risk Factors—Risks Related to the Notes—The Issuer has no revenue-generating operations of its own and will depend on cash from the operating companies of the Target Group to be able to make payments on the Notes*."

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*Certain Covenants—Limitation on Indebtedness*" and "*Certain Covenants—Limitation on Liens*," the Issuer will be permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate (as defined below) supplied to the Trustee ("*Additional Notes*"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes may be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes may bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest may be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes may be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes may be issued and redeemed;

(8) the status of registration with the SEC of such Additional Notes or the applicable exemption from such registration pursuant to which such Additional Notes may be offered or sold; and

(9) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "Notes" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the initial Notes, and shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date as well any such Additional Notes. If the Additional Notes are not fungible (for U.S. federal income tax purposes) with the Notes originally issued, such Additional Notes will be issued with a separate ISIN code or common code or other identifying number, as applicable, from the Notes originally issued.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable through one or more Paying Agents by wire transfer of immediately available funds to Euroclear or Clearstream, which will credit the account specified by the Holder (being Euroclear and Clearstream or their nominee).

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents (as defined below) maintained for such purposes. In addition, interest on any Definitive Registered Notes may be paid at the option of the Issuer by bank transfer to the Holder thereof as shown on the register for the Definitive Registered Notes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes*" below.

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes for so long as the Notes are held in registered form. The initial Paying Agent will be Elavon Financial Services DAC.

The Issuer will also maintain (i) one or more registrars (each, a "*Registrar*") and (ii) a transfer agent (the "*Transfer* Agent"). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC. The Paying Agent, the Registrar and the Transfer Agent, as applicable, will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

Upon written notice to the Trustee, the Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Transfer and Exchange

The Notes will initially be issued in the form of one or more registered notes in global form without interest coupons, as follows:

Each series of the Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act who are "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act, as amended) will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*").

The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.

Each series of the Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").

The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any Book-Entry Interests in the 144A Global Notes that is transferred as described in the immediately preceding paragraph will, upon transfer, cease to be a Book-Entry Interest in the 144A Global Note from which it was transferred and will become a Book-Entry Interest in the Regulation S Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement among, *inter alios*, the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first priority basis in favor of the Trustee for benefit of the Holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "*Escrow Charge*"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "*Escrow Release*"), the Escrow Agent and the Trustee shall have received from the Issuer on or prior to December 31, 2019 (the "*Escrow Longstop Date*"), an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall be able to rely conclusively without further investigation, to the effect that all of the following conditions have been met or will be satisfied on or prior to the Business Day immediately following the Escrow Longstop Date:

- the Escrowed Property will be applied in substantially the same manner as described in this Offering Memorandum;
- the Settlement Date will have occurred on the terms set forth in the tender offer approved on March 28, 2019 (as the same may be amended, supplemented or modified from time to time), and on substantially the same terms as described in this Offering Memorandum, except for any changes, waivers or other

modifications that will not, individually or when taken as a whole, have a material adverse effect on the Holders of the Notes;

- Tasty Bidco, S.L.U. will own, directly or indirectly, at least 50% of the voting shares of the Target, plus one share;
- the Company will have been incorporated or acquired and will have become a direct Subsidiary of the Target;
- the Company will have become the direct Holding Company of TPZ and the Holding Company of each member of the Target Group (other than the Target and the Issuer);
- the Issuer will have become a direct Subsidiary of the Target (the "Issuer Pushdown"); and
- as of the delivery date of such Officer's Certificate, there is no Default or Event of Default with respect to the Issuer under clauses (5) or (9) of the first paragraph under the caption titled "Events of Default" below.

The Escrow Release shall occur promptly following receipt of such Officer's Certificate. Upon the Escrow Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Settlement Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer notifies the Trustee and the Escrow Agent that in its reasonable judgment the ownership by Bidco of at least 50% of the voting shares of the Target, plus one share, will not be completed by the Escrow Longstop Date, (c) Debtco ceases to directly or indirectly beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer, (d) the Takeover Offer terminates other than through consummation on the Settlement Date or (e) a Default or Event of Default arises with respect to the Issuer under clause (5) of the first paragraph under the caption titled "*Events of Default*" on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). As of the date of the Offering Memorandum, we do not yet know whether the Takeover Offer will be successful. See "*Risk Factors—Risk Factors Related to the Transactions—The Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer may redeem the Notes at 100% of the issue price, plus accrued and unpaid interest.*"

Written notice of the Special Mandatory Redemption will be delivered by the Issuer no later than three Business Days following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and the Escrow Agreement and the Indenture will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay, on behalf of the Issuer, to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Debtco will be required to fund the Issuer with an amount sufficient to cover the difference between the Special Mandatory Redemption Price and the amount of the Escrowed Property, including accrued interest and Additional Amounts (if any) due with respect to the Notes from the Issue Date to the Special Mandatory Redemption Date, as well as any negative interest on the Escrow Account, pursuant to an equity commitment letter addressed to the Issuer from Debtco (the "*Escrow Equity Commitment*").

The Holders will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer's sole right to enforcement under the Escrow Equity Commitment. See "*Risk Factors—Risk Factors Related to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on an equity investment from Debtco.*"

Receipt by the Trustee from the Issuer of either an Officer's Certificate for the Escrow Release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of any Special Mandatory Redemption, the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg

Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, the Issuer will not have any Subsidiaries, and prior to the Escrow Release Date there will not be any Restricted Subsidiaries under the Indenture. On and following the Escrow Release Date, the Company and any Subsidiaries of the Company (and on and following the Post-Settlement Merger Date, any Subsidiaries of the Issuer) that are not Unrestricted Subsidiaries will be Restricted Subsidiaries. Following the Escrow Release Date, in the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive or affirmative covenants in the Indenture.

The Notes Guarantees

On the Issue Date, the obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will not be guaranteed. Subject to the Agreed Security Principles and the occurrence of the Settlement Date, (i) on the Escrow Release Date, the Company, will guarantee the Notes (the "*Escrow Release Date Guarantee*"); and (ii) within 120 days from the Escrow Release Date, the Post-Escrow Release Date Guarantors, jointly and severally, will guarantee the Notes (the "*Post-Escrow Release Date Guarantees*" and together with the Escrow Release Date Guarantee, the "*Notes Guarantees*") in each case, on a senior secured basis. The Guarantors will grant the Guarantees and will also, subject to the Agreed Security Principles, guarantee the Revolving Credit Facility Agreement on a senior secured basis (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the Holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future indebtedness permitted to be incurred and secured under the Indenture).

In addition, as described below under "*Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that in the future guarantees the Revolving Credit Facility Agreement, any other Credit Facility that is Incurred under clause (1) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or Public Debt in each case of the Issuer or a Guarantor, shall, subject in each case to the Agreed Security Principles, also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, justified corporate interest (where applicable), fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters. See "—*Security—Summary of Agreed Security Principles*."

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. For example, the Notes Guarantee provided by TelePizza Portugal - Comércio de Produtos Alimentares, S.A., our Portuguese subsidiary, will be capped at €5.0 million. However, we cannot provide any assurances that holders of the Notes will be able to recover even this amount under such Notes Guarantee. See "*Risk Factors—Risks Related to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*." For the year ended December 31, 2018, TelePizza Portugal - Comércio de Produtos Alimentares, S.A. accounted for 10.3% of the Target Group's Underlying EBITDA.

The Guarantee of a Guarantor will terminate and be released upon:

- a sale, exchange, transfer or other disposition (including by way of consolidation, merger or amalgamation) of ownership interests in the relevant Guarantor (directly or through a Holding Company of such Guarantor) such that the Guarantor does not remain a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if such sale, exchange, transfer or other disposition does not violate the Indenture;

- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or satisfaction and discharge of the Notes, as provided in "Defeasance" and "Satisfaction and Discharge";
- as described in the third paragraph of the covenant described below under "Certain Covenants—Additional Guarantees";
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement (as defined below);
- as described under "Amendments and Waivers";
- with respect to any Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by "Certain Covenants—Merger and Consolidation—Subsidiary Guarantors" and the Indenture;
- with respect to any Guarantor, in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by the Issuer or a Guarantor; or
- upon payment in full of principal and interest and all other obligations on the Notes.

The Pre-Merger Proceeds Loan

On or about the Escrow Release Date, the Issuer will lend the proceeds of the offering of Notes issued on the Issue Date to the Company pursuant to one or more proceeds loans (the "*Pre-Merger Proceeds Loan*") lent under one or more proceeds loan agreements (the "*Pre-Merger Proceeds Loan Agreements*").

The Pre-Merger Proceeds Loan will be denominated in euro in a total aggregate principal amount substantially equivalent to the net proceeds of the Notes received by the Issuer on the Escrow Release Date. The Pre-Merger Proceeds Loan Agreements will provide that, prior to the Post-Settlement Merger Date, the Company will pay the Issuer interest and principal in an amount sufficient to pay amounts due under the Notes as well as any Additional Amounts due thereunder on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture. The Pre-Merger Proceeds Loan will be repaid on the date on which the Notes are repaid, prepaid, redeemed, repurchased or defeased, and the Company may at any time prepay the Pre-Merger Proceeds Loan (and shall on demand do so in connection with any proposed repayment, prepayment, redemption, repurchase or defeasance of the Notes).

The Pre-Merger Proceeds Loan will be assigned by way of security to the Security Agent for the benefit of the Holders and other secured parties. Following the Post-Settlement Merger Date, such assignment of security shall fall away.

Security

The Collateral

On the Issue Date, the Notes will be secured on a first-priority basis by security interests over the Escrowed Property deposited in the Escrow Account. The Escrowed Property that is deposited in the Escrow Account will not be charged to secure any obligations other than the Issuer's obligations under the Notes and the Indenture. Upon the definitive release of the Escrowed Property, the first-priority security interests over the Escrowed Property will be released.

On the Escrow Release Date, subject to the operation of the Agreed Security Principles, certain perfection requirements and Permitted Collateral Liens, liens and security interests on an equal and ratable first-priority basis will be granted pursuant to the Security Documents on:

- a Spanish law share pledge over the shares in the Issuer;
- a Spanish law share pledge over the shares in the Company;
- a Spanish law bank account pledge of the material bank accounts of the Issuer;
- a Spanish law bank account pledge over the material bank accounts of the Company;

- a Spanish law pledge over the credit rights or payables owed to the Issuer by the Company pursuant to the Pre-Merger Proceeds Loan;

- a Spanish law receivables pledge agreement in respect of all shareholder loans borrowed from the Target by the Company (if any); and

- a Spanish law receivables pledge agreement in respect of all shareholder loans borrowed from the Target by the Issuer (if any) (together, the "*Escrow Release Date Collateral*").

Immediately following the repayment of all amounts outstanding under the Target Senior Facility Debt and the release of the related guarantees and security interests securing the Target Senior Facility Debt, subject to the operation of the Agreed Security Principles, certain perfection requirements and Permitted Collateral Liens, liens and security interests on an equal and ratable first-priority basis will be granted pursuant to the Security Documents on:

- a Spanish law share pledge over the shares in TPZ; and

- a Spanish law governed receivables pledge agreement in respect of all shareholder loans borrowed from the Issuer (if any) (together, the "TPZ Collateral").

Within 120 days of the Escrow Release Date, and substantially simultaneously with the obligations under the Revolving Credit Facility, subject to the operation of the Agreed Security Principles, certain perfection requirements and Permitted Collateral Liens, liens and security interests on an equal and ratable first-priority basis will be granted pursuant to the Security Documents on:

- the shares held in each Post-Escrow Release Date Guarantor (together, the "*Post-Escrow Release Date Collateral*").

We intend to merge the Issuer with the Company in the Post-Settlement Merger. Following the Post-Settlement Merger, the Company will assume the obligations of the Issuer under the Notes. Concurrently with the Post-Settlement Merger, the security interest in the shares of the Issuer, the material bank accounts of the Issuer and the Issuer's rights under the Pre-Merger Proceeds Loan will be released. To the extent applicable, certain security interests granted in favor of the Notes will be re-granted or re-confirmed (to the extent necessary) in accordance with the covenant described under "*Certain Covenants—Impairment of Security Interest*" following the Post-Settlement Merger.

We cannot assure you that we will be able to complete the Post-Settlement Merger. See "*Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post-Settlement Merger within the anticipated time frame, or at all.*"

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, certain perfection requirements and Permitted Collateral Liens, each subsidiary of the Issuer (or, prior to the Post-Settlement Merger, the Company) that accedes to the Revolving Credit Facility Agreement as a guarantor thereof after the Issue Date and grants security in connection with such accession shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted in favor of the Notes over the assets that will secure the Revolving Credit Facility. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Notes and holders of the other secured obligations that are secured by the Collateral. Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantees and the Indenture would also constitute "Collateral." All Collateral shall be subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens.

Summary of Agreed Security Principles

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected), in accordance with the Agreed Security Principles, including:

- if providing such security would be prohibited by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, "earnings stripping," "controlled foreign corporation," "thin capitalization" rules, tax restrictions, retention of title claims and similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after the use of reasonable endeavors to overcome such obstacle;

- if the cost of providing security is not proportionate to the benefit accruing to the holders of the Notes;

- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if certain security may be provided by the relevant Guarantor granting a promise to pledge coupled with an irrevocable power of attorney as opposed to a definitive legal mortgage or pledge over the relevant asset;
- if it is expressly acknowledged that it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets;
- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Company, the Issuer or any of their Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such Subsidiary) on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the indenture and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this principle;
- if the aggregate of notarial costs and all registration and like taxes relating to the provision of security exceeds an agreed amount;
- if the assets are, or the relevant member of the group is, located outside the security jurisdictions, which are all jurisdictions forming part of the European Economic Area, the United Kingdom, the United States and Latin America (including Mexico);
- in the case of security from or over, or over assets of, any joint venture or similar arrangement, any minority interest or any entity (other than the Company) that is not wholly-owned; and
- in the case of assets subject to security in favor of a third party.

The Collateral will also secure the liabilities under the Revolving Credit Facility Agreement, any Operating Facilities (as defined under "*Description of Other Indebtedness—Intercreditor Agreement—Definitions*"), hedging agreements and any Additional Notes; *provided* that lenders under the Revolving Credit Facility Agreement, such Operating Facilities and counterparties to hedging agreements will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement, Operating Facilities and any hedging obligations permitted to be incurred under the covenant "*Certain Covenants—Limitation on Indebtedness*" and permitted to be secured on the Collateral on a super priority basis (see "*Certain Definitions— Permitted Collateral Liens*") will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over any Collateral. Subject to certain conditions, including compliance with the covenant described under "*Certain Covenants—Impairment of Security Interest*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations under the Revolving Credit Facility Agreement, Operating Facilities and certain hedging obligations that are secured have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests.*"

Administration of Security and Enforcement of Liens

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. In addition, in certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the

Intercreditor Agreement provides for the creation of a parallel debt which will form part of the secured obligation. The parallel debt construct has not been tested under law or before courts in certain of these jurisdictions. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of a Guarantor's obligation under its Notes Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes—The insolvency laws of Spain and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

Subject to the terms of the Security Documents, the Issuer, the Guarantors and any other Collateral provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Revolving Credit Facility Agreement and any Hedging Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all. See "*Risk Factors—Risks Related to the Notes—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances*."

In addition, the Intercreditor Agreement and the Security Documents place limitations on the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);

- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and

- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Revolving Credit Facility Agreement and other future indebtedness (b) the counterparties under certain hedging arrangements and (c) the Trustee and the holders of the Notes under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes, the Revolving Credit Facility Agreement and such hedging arrangements will receive proceeds of enforcement of security over the Collateral equally and ratably on a first priority basis, *provided* that obligations under the Revolving Credit Facility Agreement, certain other future indebtedness permitted to be incurred and secured under the Indenture on a super priority basis and certain Hedging Obligations will be repaid prior to the Notes with the proceeds of any enforcement of the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee and the holders of the Notes under the Indenture or may have a competing claim not subject to the Intercreditor Agreement. See "*—Release of Liens*," "*Certain Covenants—Impairment of Security Interest*" and "*Certain Definitions—Permitted Collateral Liens*."

Release of Liens

The Security Agent will take any action necessary and reasonably required by, and at the cost of, the Issuer to effectuate any release of Collateral required by a Security Document in accordance with the provisions of the Indenture, the Intercreditor Agreement and/or any Additional Intercreditor Agreement:

(1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or satisfaction and discharge or defeasance thereof in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) in connection with any sale or other disposition of Collateral, directly or indirectly, to (a) any Person other than the Issuer or any Restricted Subsidiary (but excluding any transaction subject to "*Certain Covenants—Merger and Consolidation*") if such sale or other disposition does not violate the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited by the Indenture or (b) the Issuer or any Restricted Subsidiary in a manner consistent with the Intercreditor Agreement;

(4) as described under "*Amendments and Waivers*";

(5) automatically without any action by the Trustee, as described in the second paragraph of the covenant described below under "*Certain Covenants—Limitation on Liens*";

(6) as otherwise provided in the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*Certain Covenants—Merger and Consolidation*";

(8) with respect to assets held by or the Capital Stock of any Restricted Subsidiary, in connection with a solvent liquidation of such Restricted Subsidiary, pursuant to which substantially all of the assets of such Restricted Subsidiary remain owned by the Issuer or a Guarantor;

(9) if on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing;

(10) in the case of the security interests in the shares of the Issuer and the Issuer's receivables under the Pre-Merger Proceeds Loan, upon the Post-Settlement Merger, as described under "*Security*"; and

(11) as otherwise permitted in accordance with the Indenture, including under the covenant described under "Certain Covenants—Impairment of Security Interest."

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the holders of the Notes. The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and an Opinion of Counsel, each certifying which circumstances give rise to the release of Collateral and that such release complies with the Indenture.

The Issuer, the Restricted Subsidiaries and any other Collateral provider may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, including, without limitation, (i) selling, pledging or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, pledging, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

In the event of a conflict between the Indenture, the Security Documents, the Intercreditor Agreement and/or any Additional Intercreditor Agreement, the Intercreditor Agreement or such Additional Intercreditor Agreement (as the case may be) will prevail. See "Description of Other Indebtedness—Intercreditor Agreement."

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Issuer or any Restricted Subsidiary that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Issuer, enter into with the Issuer, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives), one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the holders of the Notes as compared to the Intercreditor Agreement) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, that such transaction would comply with the covenant described herein under "*Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that, at the written direction of the Issuer and without the consent of holders of the Notes, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Issuer or the Restricted Subsidiaries that are subject to any such Intercreditor Agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision to implement any Permitted Collateral Liens or to implement a pushdown in relation to an IPO Event in accordance with the terms of the Indenture or (6) make any other change to any such agreement that does not adversely affect the holders of Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Holder's behalf.

IPO Pushdown

(1) On, in contemplation of, or following an IPO Event, the Issuer shall be entitled to require (by written notice to the Trustee and the Security Agent (a "*Pushdown Notice*")) that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant Pushdown Notice) on the basis that: (i) references to the Issuer and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Subsidiaries which are Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity (or the Issuer, if so elected); (iii) each reference in the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the "Issuer" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise, and *provided further* that nothing in this paragraph (1), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Issuer, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the indenture or a Default or an Event of Default); (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity

shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and any security granted by any such Holding Company; (vii) unless otherwise notified by the Issuer: (A) each person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an "Investor" shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement (or any Additional Intercreditor Agreement) (and from the date specified by the Issuer that person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor); and (B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor; and (viii) in the event that any person is released from or does not become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor as a consequence of this paragraph (1), any term of the indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any person be an Investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply. A Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(2) The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents required by the Issuer and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by paragraph (1) above; *provided* that such amendment, replacement or other document or instrument does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or Security Agent (as applicable), does not affect the rights, duties, liabilities, indemnities or immunities of the Trustee or the Security Agent (as applicable) under such amendment, replacement or other document or instrument. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders (without any consent by the Holders) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of and at the cost of the Issuer).

(3) For the purpose of this covenant, the "IPO Pushdown Entity" shall be any Restricted Subsidiary notified to the Trustee by the Issuer in writing as the person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event, *provided* that (i) the IPO Pushdown Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such Restricted Subsidiary) and (ii) the Issuer may not designate a Subsidiary of TPZ as the IPO Pushdown Entity.

(4) If the Issuer delivers a Pushdown Notice to the Trustee and Security Agent pursuant to paragraph (1) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee and Security Agent. In the event that any Pushdown Notice is revoked in accordance with this paragraph (4): (i) the provisions of sub-paragraphs (1)(i) to (1)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (1) above in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Issuer or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Security Document in respect of that security; and (iii) if any person party to the Intercreditor Agreement as an "Investor" has been released from the Intercreditor Agreement pursuant to sub-paragraph (1)(vii) above in reliance on that Pushdown Notice, that person shall as soon as reasonably practicable accede to the Intercreditor Agreement as an Investor.

For the avoidance of doubt: (A) nothing in this paragraph (4) shall prohibit or otherwise restrict the Issuer from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) or a Default or an Event of Default (whether by reason of any action or step taken by any person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Optional Redemption

Except as set forth herein and under "*Redemption for Taxation Reasons*," the Notes are not redeemable at the option of the Issuer.

At any time prior to May 15, 2022, the Issuer may redeem the Notes at its option, upon not less than ten nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes, plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time prior to May 15, 2022, the Issuer may, in each calendar year following the Issue Date, redeem at its option, upon not less than ten nor more than 60 days' prior notice, up to 10% of the aggregate principal amount of the Notes (calculated after giving effect to the issuance of any Additional Notes) at a redemption price equal to 103% of the principal amount redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time and from time to time on or after May 15, 2022, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than ten nor more than 60 days' prior notice, at a redemption price equal to the percentage of the aggregate principal amount of the Notes so redeemed set forth below plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but excluding, the applicable redemption date if redeemed during the periods beginning on May 15 of the years indicated below:

Year	Percentage
2022	103.12500%
2023	101.56250%
2024 and thereafter	100.00000%

At any time and from time to time prior to May 15, 2022, the Issuer may, at its option, on any one or more occasions redeem Notes issued under the Indenture with the Net Cash Proceeds received by the Issuer from any Equity Offering, upon not less than ten nor more than 60 days' prior notice, at a redemption price equal to 106.250% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including any Additional Notes), as the case may be, *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and

(2) not less than 50% of the original principal amount of the Notes (including any Additional Notes) issued under the Indenture remains outstanding after each such redemption.

Notice of any redemption upon any Equity Offering may be given prior to the completion of any such Equity Offering.

General

Notice of redemption will be provided as set forth under "*Selection and Notice*" below. Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, but not limited to, an Equity Offering, an Incurrence of Indebtedness, a Change of Control or any other transaction). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Notwithstanding the foregoing, in connection with any tender offer for the Notes, including a Change of Control Offer (as defined below) or Asset Disposition Offer (as defined below), if Holders of Notes 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 upon not less than ten nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, 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 (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

If and for so long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of any such notice to the Holders of the relevant Notes and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee, the Paying Agent and the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. None of the Trustee, the Paying Agent, the Transfer Agent or the Registrar will be liable to any person for any selections made by it in accordance with this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail at least ten days but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on Notes or portions of them called for redemption on the applicable redemption date.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of redemption in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Redemption for Taxation Reasons

The Issuer may redeem at its discretion the Notes of a series in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer or a Guarantor determine in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), the Issuer or Guarantors are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts with respect to the Notes, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or Guarantors (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the

case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of a Successor Issuer (as defined below) or the predecessor of a successor of a Guarantor. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Guarantors, or a successor to either, where applicable, will deliver to the Trustee and the Paying Agent (a) an Officer's Certificate stating that the Issuer or Guarantors, or a successor to either, where applicable, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of a tax counsel of recognized standing and reasonably acceptable to the Trustee (such acceptance not to be unreasonably withheld) to the effect that the Issuer or Guarantors, or a successor to either, where applicable, has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee and the Paying Agent will be able to rely absolutely and without further inquiry on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which such successor makes any payment on the Notes or any Guarantees, and any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by the Issuer or a Guarantor (a "*Payor*") on the Notes or the Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note or Guarantee is made by the Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which the Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required from any payments made by a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each Holder after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received by each Holder in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment, or the exercise or enforcement of rights under such Note or Notes Guarantee;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement

relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes imposed or withheld by reason of the failure of the Paying Agent to provide in a timely manner to the Payor a duly executed and completed Payment Statement (as defined in the Offering Memorandum), pursuant to Law 10/2014 and Royal Decree 1065/2007, and any implementing or amending legislation or regulation;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or any Guarantee;

(5) any estate, inheritance, gift, value added, sales, excise, transfer, personal property or similar Taxes, assessment or other governmental charge;

(6) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code (or an amended or successor version that is substantially comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantially comparable), any regulations or agreements thereunder, official interpretations thereof, or any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States relating thereto;

(7) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to, or otherwise accepting payment from, another paying agent; or

(8) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee (with a copy to the Paying Agent). Such copies shall be made available to the Holders upon request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture, the Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay to the Holders any present or future stamp, court or documentary Taxes, or any other property or similar taxes, charges or levies, that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in connection with a transfer or exchange of the Notes), excluding any such Taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Issuer agrees to indemnify the Holders for any such Taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

The Indenture will provide that if a Change of Control Triggering Event occurs, unless (i) a third party makes a change of control offer as described herein or (ii) the Issuer has previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Notes as described under "*Optional Redemption*," the Issuer will make an offer to purchase all of the Notes (equal to €100,000 in principal amount or in integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less in principal amount may only be purchased in whole and not in part) pursuant to the offer described below (the "*Change of Control Offer*") at a purchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of repurchase. Within 60 days following any Change of Control Triggering Event, the Issuer will deliver or cause to be delivered a notice of such Change of Control Offer electronically in accordance with the applicable procedures of Euroclear and Clearstream or by first-class mail, with a copy to the Trustee, to each Holder of Notes at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than ten days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice, except in the case of a conditional Change of Control Offer made in advance of a Change of Control Triggering Event as described below.

To the extent that the provisions of any securities laws, rules or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by compliance therewith. The Issuer may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will mail a notice of the Change of Control Offer to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to a Change of Control Offer in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The occurrence of events which would constitute a Change of Control or a Change of Control Triggering Event may require prepayment and cancellation or other consequences in respect of the Revolving Credit Facility Agreement. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions on, or entail consequences arising from, certain events which would constitute a Change of Control or a Change of Control Triggering Event or require such Indebtedness to be repurchased or repaid upon a Change of Control or a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control or the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer.

The Issuer's ability to pay cash to the Holders of Notes following the occurrence of a Change of Control Triggering Event may be limited by its then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases. The Change of Control Triggering Event purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control Triggering Event purchase feature is a result of negotiations between the Initial Purchasers and us.

Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under "*Certain Covenants—Limitation on Indebtedness"* and *"Certain Covenants—Limitation on Liens*." Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described under "*Optional Redemption*," unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event.

The definition of "*Change of Control*" includes a disposition of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and the decision whether to make an offer to repurchase the Notes as described above will in such circumstance be made in the good faith judgment of the Issuer.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that the Issuer and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness), if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof):

(i) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would have been no greater than 4.50 to 1.00; or

(ii) to the extent that the Indebtedness is not Senior Secured Indebtedness:

A the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00;

or

B if the Indebtedness is secured on the Collateral, the Consolidated Total Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would have been no greater than 5.50 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), in a maximum aggregate principal amount of Indebtedness at any time outstanding not exceeding: (i) the greater of (a) €75.0 million and (b) 100% of Consolidated EBITDA; plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a)Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; and/or

(b)without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however,* that (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes) and any Guarantees thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) of the Issuer or any Restricted Subsidiary outstanding on the Issue Date, and any Guarantee thereof after giving pro forma effect to the Transactions and the application of the proceeds therefrom (as described under "*Use of Proceeds*" in this Offering Memorandum), (c) Refinancing Indebtedness (including with respect to the Notes and any Guarantee thereof) Incurred in respect of any Indebtedness described in this clause (4) (other

than the Target Senior Facility Debt) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary and/or (ii) of the Issuer or any Restricted Subsidiary Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary in an aggregate amount not exceeding (a) the greater of (x) €11.25 million and (y) 15% of Consolidated EBITDA, plus (b) unlimited additional Indebtedness to the extent that after giving effect to any such acquisition or other transaction and without giving effect to any Indebtedness Incurred or issued pursuant to sub-clause (a) above: (I) to the extent that such Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater or (II) to the extent that the Indebtedness is not Senior Secured Indebtedness (a) if the Indebtedness is secured on the Collateral, the Consolidated Total Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater; or (b) the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries would not be lower, in each case, than it was immediately prior to giving effect to such acquisition or transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or any Restricted Subsidiary and not for speculative purposes;

(7) Indebtedness (a) represented by Capitalized Lease Obligations, mortgage financings or Purchase Money Obligations; other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets; and/or other financings, Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (7)(a), does not exceed the greater of (A) €15.0 million and (B) 20% of Consolidated EBITDA; or (b) arising out of Sale and Leaseback Transactions in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (7)(b), does not exceed the greater of (x) €22.5 million and (y) 30% of Consolidated EBITDA;

(8) Indebtedness in respect of (a) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, customer guarantees, performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) letters of credit, bankers' acceptances, warehouse receipts, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; (d) overdraft protections, credit or debit card, purchase card, electronic funds transfer, cash pooling or netting or setting off arrangements or similar arrangements, including the finance thereof, in the ordinary course of business or consistent with past practice; and/or (e) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Holding Company, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-

cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10) (a)Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within ten Business Days of Incurrence;

(b)Indebtedness in connection with customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c)Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries;

(d)Indebtedness incurred in connection with bankers acceptances, discounted bills of exchange, the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis; and/or

(e)Indebtedness in respect of reverse factoring in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (10)(e), does not exceed the greater of (x) €15 million and (y) 20% of Consolidated EBITDA;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, does not exceed the greater of (x) €22.5 million and (y) 30% of Consolidated EBITDA;

(12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer (and, prior to the Post-Settlement Merger, the Company) from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Issuer (and, prior to the Post-Settlement Merger, the Company), in each case, subsequent to the Issue Date; *provided* that: (a) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (10)(a), (13) and (14) of the second paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer or any Restricted Subsidiary incur Indebtedness in reliance thereon and (b) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment using such Net Cash Proceeds under the first paragraph or clauses (1), (10)(a), (13) or (14) of the second paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness under daylight borrowing facilities incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(14) Indebtedness consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities not exceeding the greater of €11.25 million and 15% of Consolidated EBITDA outstanding at one time;

(15) Indebtedness Incurred pursuant to factoring financings, securitizations, receivables financings or similar arrangements, in each case, that are either: (a) under a facility committed and in effect as of the Issue Date; (b) not recourse to the Issuer and the Restricted Subsidiaries other than a Receivables Subsidiary (except for Standard Securitization Undertakings); or (c) not in excess of the greater of (x) €15.0 million and (y) 20% of Consolidated EBITDA at any time outstanding;

(16) any obligation, or guaranty of any obligation, of the Issuer or any Restricted Subsidiary to reimburse or indemnify a Person extending credit to customers of the Issuer or a Restricted Subsidiary Incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the Person extending such credit; and

(17) Indebtedness to a customer that finances the acquisition of any equipment necessary to perform services for such customer; *provided* that (a) the repayment of such Indebtedness is calculated based on the volume of revenue generated by such equipment or via a discount paid or if payment is effected by way of a reduced cost for such services provided to such customer and (b) such Indebtedness does not bear cash interest or provide for scheduled amortization.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to, this covenant:

(1) in the event that all or any portion of Indebtedness, Disqualified Stock or Preferred Stock meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) and will only be required to include the amount and type of such Indebtedness in one of the clauses of the first paragraph or the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(2) with respect to any Indebtedness incurred pursuant to a clause limited by reference to a fixed euro amount in the second paragraph of this covenant, if at any time that the Issuer would be entitled to have Incurred any then outstanding item of Indebtedness pursuant to the first paragraph of this covenant, such item of Indebtedness shall be automatically reclassified into an item of Indebtedness Incurred pursuant to the first paragraph of this covenant;

(3) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility or other revolving credit line, re-borrowings of amounts previously repaid pursuant to a “cash sweep” or “clean down” provision or any provisions that provide that Indebtedness is deemed to be repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;

(4) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium (including tender premiums) and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(5) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(6) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first paragraph above or clause (1), (8), (10), (11) or (14) of the second paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(7) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(8) the amount of Indebtedness shall be calculated as described under the definition of “Indebtedness”;

(9) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (25) of the definition of “Permitted Liens” (each a “Debt Commitment”), the Incurrence or issuance thereof for all purposes under the Indenture, including without limitation for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Leverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Leverage Ratio, as applicable, or usage of the baskets and permissions set out in the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers’ acceptances thereunder) (each an “Applicable Calculation”) will, at the Issuer’s option, be determined on either: (a) the date that: (i) such Debt Commitment is entered into or established or the date that any binding commitment for such Debt Commitment is obtained; or (ii) any acquisition agreement or other binding commitment to make an acquisition to be funded in whole or in part from the proceeds of such Debt Commitment is entered into, in each case irrespective of any Applicable Calculation on the date such amount is borrowed or issued pursuant to any such Debt Commitment and provided that any such Debt Commitment permitted pursuant to an

Applicable Calculation determined pursuant to this clause (a) shall constitute a "Reserved Indebtedness Amount" and shall be deemed to be Incurred and outstanding for the purpose of making any other Applicable Calculation; or (b) the date such amount is borrowed or issued pursuant to any such Debt Commitment, and in each case, the Issuer may revoke such determination at any time and from time to time;

(10) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA at the time of Incurrence, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, and giving effect to the manner of measurement described in clause (4) of this paragraph; and

(11) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility, *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced after giving effect to the manner of measurement described in clause (4) of the third paragraph of this covenant; (b) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. Subject to the immediately preceding paragraph, the principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary), except:

(a) dividends or distributions payable in Capital Stock of the Issuer or, prior to the Post-Settlement Merger, the Company (in either case, other than Disqualified Stock) or in Subordinated Shareholder Funding;

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any Restricted Subsidiary (other than the Company prior to the Post-Settlement Merger) making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis, measured by value); and

(c) dividends or distributions paid to any Parent Holding Company in respect of Indebtedness of such Parent Holding Company which is guaranteed by the Issuer or a Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or a Restricted Subsidiary (provided that (x) any net proceeds from such Indebtedness are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received by the Issuer or any Restricted Subsidiary (a "Parent Debt Contribution"); (y) any net proceeds described in clause (x) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) of the second half of this paragraph and shall not be Excluded Contributions; and (z) in the case that any net proceeds described in subclause (x) above are contributed to the Issuer or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent Holding Company to fund interest payments in respect of Indebtedness of such Parent Holding Company);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Holding Company held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer or, prior to the Post-Settlement Merger, the Company (in either case, other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than: (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—Limitation on Indebtedness");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person, (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in this paragraph are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "—Limitation on Indebtedness" covenant immediately after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) permitted below by clauses 5(a), 5(b), (10) and (17) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer or the Target are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit); *plus*

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or, prior to the Post-Settlement Merger, the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or, prior to the Post-Settlement Merger, the Company subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock or Subordinated Shareholder Funding to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6)(c) of the next succeeding paragraph and (z) Excluded Contributions and Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any Restricted Subsidiary resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv);

(v) the amount of the cash and the fair market value of property or assets or of marketable securities received by the Issuer or any Restricted Subsidiary in connection with:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate (other than a Restricted Subsidiary) to the Issuer or a Restricted Subsidiary;

provided, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v) and such amount under this clause (v) shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); and (vi) €10.0 million.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding ("*Treasury Capital Stock*") or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of, Subordinated Shareholder Funding or Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares or Parent Debt Contributions) ("Refunding Capital Stock") or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the

Issuer; provided that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated Shareholder Funding or Capital Stock or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (14) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Holding Company) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock or Indebtedness of the Issuer and/or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted under "—*Limitation on Sales of Assets and Subsidiary Stock*" below, but only if (and to the extent required) the Issuer shall have first complied with the terms described under "—Limitation on Sales of Assets and Subsidiary Stock" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock;

(b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i) a Change of Control (or other similar event described therein as a "change of control") or (ii) an Asset Disposition (or other similar event described therein as an "asset disposition" or "asset sale"), but only if (and to the extent required) the Issuer shall have first complied with the terms described under "Change of Control" or "—Limitation on Sales of Assets and Subsidiary Stock," as applicable, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition);

(5) (a) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant, (b) the redemption, repurchase or retirement of Subordinated Indebtedness, Disqualified Stock or Preferred Stock within 60 days after the date a redemption notice is delivered in respect thereof if, at the date of any such redemption notice, such payment would have complied with the provisions of the Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice, and (c) any payments associated with the Transactions;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent Holding Company and loans, advances, dividends or distributions by the Issuer or any Restricted Subsidiary to any Parent Holding Company to permit any Parent Holding Company to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors; provided that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €3.0 million plus (b) €2.0 million multiplied by the number of calendar years that have commenced since the Issue Date plus (c) the Net Cash Proceeds received by the Issuer or any Restricted Subsidiary since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital

Stock or Subordinated Shareholder Funding to a Parent Holding Company) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock of any Parent Holding Company, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the preceding paragraph;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—Limitation on Indebtedness" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent Holding Company or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Holding Company to pay any Parent Holding Company Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (7), (11), (12) and (14) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Holding Company to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Holding Company following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer (including, for the avoidance of doubt, any IPO Pushdown Entity that has succeeded the Issuer) from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; provided that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be equal to or less than 4.00 to 1.00 and provided, further that if such Public Offering was of Capital Stock of a Parent Holding Company, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Holding Company; or (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; provided that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be equal to or less than 4.50 to 1.00; provided, further that if such Public Offering was of Capital Stock of a Parent Holding Company, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Holding Company;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €11.25 million or, if greater, 15% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Holding Company to make payments, to holders of Capital Stock of the Issuer or, prior to the Post-Settlement Merger, the Company, or any Parent Holding Company in lieu of the issuance of fractional shares of such Capital Stock, provided, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) the declaration and payment of dividends to (i) holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) any Parent Holding Company or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Holding Company issued after the Issue Date; provided, that

the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent Holding Company or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(16) distributions or payments of any Receivables Fees, sales contributions and other transfers of Receivables Assets and purchase of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing or Receivables Facility;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment; provided that the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries on a pro forma basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 3.50 to 1.00;

(18) the redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Restricted Subsidiary so long as, immediately after giving pro forma effect to the payment, redemption, defeasance, repurchase, exchange or other acquisition or retirement, and the Incurrence of any Indebtedness the proceeds of which are used to make such payment, redemption, defeasance, repurchase, exchange or other acquisition or retirement, the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.00 to 1.00;

(19) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment; and

(20) Restricted Payments to a Parent Holding Company to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Issuer; provided that (a) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (b) such Parent Holding Company shall, promptly following the closing thereof, cause (i) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (ii) the merger or amalgamation of the Person formed or acquired into the Issuer or one of the Restricted Subsidiaries (to the extent not prohibited by the covenant "Merger and Consolidation") to consummate such Investment, (c) such Parent Holding Company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture, (d) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the preceding paragraph, clauses (1), (3) or (6)(c) above or be deemed to be an Excluded Contribution and (e) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (13) hereof) or pursuant to the definition of "Permitted Investments" (other than pursuant to clause (13) thereof).

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (20) above, and/or is permitted pursuant to the first two paragraphs of this covenant and/or constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if, subject to the Agreed Security Principles, the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured except that a Lien to secure Indebtedness incurred pursuant to clauses (1) or (6) under the second paragraph of "*Limitation on Indebtedness*" may be secured in priority (including as to the application of proceeds from an enforcement in respect of any Collateral) to the Notes and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes, the Guarantees and the Indenture pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and/or (ii) otherwise as set forth under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and/or under the relevant Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer;

(B) make any loans or advances to the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Issuer,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility Agreement), the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or on any applicable date on which any Permitted Collateral Lien securing the Notes is granted;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; provided that, for the purposes of this clause (2), if another Person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this

clause (3); provided that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Indebtedness" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility Agreement and the Intercreditor Agreement, together with the Security Documents associated therewith as in effect on the Issue Date, or those contained in any Additional Intercreditor Agreement or (ii) in comparable financings (as determined in good faith by the Issuer) or where either (x) the Issuer determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (y) such encumbrance or restriction applies only during the continuance of a default relating to such agreement or instrument;

(12) any encumbrance or restriction existing by reason of any Lien permitted under "—Limitation on Liens"; or

(13) restrictions effected in connection with a Qualified Receivables Financing or a Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing or such Receivables Facility.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at

least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise (provided that the Issuer and the Restricted Subsidiaries are released from such liabilities), other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:

(a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) ("*Non-Guarantor Debt*") or Indebtedness under the Revolving Credit Facility Agreement (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided* that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness including, but not limited to, the Revolving Credit Facility) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; provided that the Issuer shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer either (A) reduces the aggregate principal amount of the Notes on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (ii) by, at its option, (x) redeeming Notes as provided under "Optional Redemption" and/ or (y) purchasing Notes through open market purchases or in privately negotiated transactions at market prices (which may be below par) and/or (B) makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (ii) (which offer shall be deemed to be an Asset Disposition Offer for purposes hereof); (iii) to purchase Notes through open market purchases or in privately negotiated transactions at market prices (which may be below par); (iv) to make (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer (which offer shall be deemed to be an Asset Disposition Offer for purposes hereof) or (v) to redeem any series of Notes as described under "*Optional Redemption*"; or

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; provided that any such investment in Additional Assets made pursuant to a definitive binding agreement or a commitment that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or

(c) to make a capital expenditure within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; provided that any such capital expenditure made pursuant to a definitive binding agreement or a commitment that is executed or approved within such time will satisfy this requirement, so long as such capital expenditure is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing;

provided further that, (1) pending the final application of any such Net Available Cash in accordance with clause (a) through (d) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture, and (2) the Issuer (or any Restricted Subsidiary, as the case may be) may elect to invest in Additional Assets prior to receiving the Net Available

Cash attributable to any given Asset Disposition (*provided* that such investment shall be made no earlier than the earliest of notice to the Trustee of the relevant Asset Disposition, execution of a Definitive Agreement for the relevant Asset Disposition or consummation of the relevant Asset Disposition) and deem the amount so invested to be applied pursuant to and in accordance with clause (b) above with respect to such Asset Disposition.

Notwithstanding the foregoing, to the extent that a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions and fiduciary and statutory duties of the relevant directors) or would result in material adverse Tax consequences to the Issuer or any of the Restricted Subsidiaries, in each case, as determined by the Issuer in its sole discretion, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

Any Net Available Cash from Asset Dispositions that is required to be and is not applied or invested or committed to be applied or invested as provided for in the preceding paragraph will be deemed to constitute "Excess Proceeds" under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Issuer elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds the greater of (i) €11.25 million and (ii) 15% of Consolidated EBITDA, and has not been committed in accordance with clause (3)(b) of the first paragraph of this covenant, the Issuer will be required to make an offer (an "*Asset Disposition Offer*") to all Holders of Notes issued under the Indenture and, to the extent the Issuer elects, to the holders of any other outstanding Pari Passu Indebtedness, or to the holder of any outstanding Non-Guarantor Debt, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness or Non-Guarantor Debt to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, in the case of any Pari Passu Indebtedness or Non-Guarantor Debt, at an offer price of no more than 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness or Non-Guarantor Debt, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness or Non-Guarantor Debt, as applicable, and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness and/or Non-Guarantor Debt so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness and/or Non-Guarantor Debt surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness and/or Non-Guarantor Debt to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness and/or Non-Guarantor Debt. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer or a Restricted Subsidiary upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than five Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness and/or Non-Guarantor Debt required to be purchased pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness and/or Non-Guarantor Debt validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness and/or Non-Guarantor Debt or portions of Notes and such Pari Passu Indebtedness and/or Non-Guarantor Debt so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee (or its authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Issuer or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (x) €15.0 million and (y) 20% of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "*Affiliate Transaction*") involving aggregate value in excess of the greater of (x) €5.0 million and (y) 6.75% of Consolidated EBITDA, unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments," any Permitted Payment (other than pursuant to clause (9)(b) of the second paragraph of the covenant described under "—Limitation on Restricted Payments") or any Permitted Investment (other than Permitted Investments described in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Holding Company restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent Holding Company (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Issuer or any Restricted Subsidiary under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or Subordinated Shareholder Funding; provided that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination or (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed, in each twelve month period that has commenced since the Issue Date, beginning on the Issue Date, the greater of €1.5 million and 2% of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination; and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) any transaction effected as part of a Qualified Receivables Financing or a Receivables Facility;

(14) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted under "—Limitation on Sales of Assets and Subsidiary Stock" or entered into with any Business Successor, in each case, that the Issuer determines in good faith is either fair to the Issuer or otherwise on customary terms for such type of arrangements in connection with similar transactions; and

(15) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (1) of the preceding paragraph.

Reports

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 150 days after the end of the first fiscal year of the Issuer ending after the Issue Date, and within 120 days after the end of each of the Issuer's fiscal years thereafter, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most two recent fiscal years, including customary footnotes to such financial statements and the report of the independent auditors on the financial statements, provided that in respect of any period commencing prior to the Post-Settlement Merger Date, the audited consolidated financial statements of the Target shall be provided in place of the audited consolidated financial statements of the Issuer; (b) unaudited pro forma income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies, with a similar scope to that included in this Offering Memorandum; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 90 days after the end of the first fiscal quarter of the Issuer ending after the Issue Date and within 60 days after the end of each of the Issuer's fiscal quarters thereafter, all quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed statements of income and cash flow of the Issuer for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Issuer, together with condensed footnote disclosure, provided that in respect of any period commencing prior to the Post- Settlement Merger Date, the unaudited consolidated financial statements of the Target shall be provided in place of the unaudited consolidated financial statements of the Issuer; (b) unaudited pro forma income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Issuer, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any Restricted Subsidiary announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect); *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for in this covenant, no report need include separate financial statements for any Subsidiaries of the Issuer. The filing of an Annual Report on Form 20-F within the time period specified in clause (1) will satisfy such provision so long as such report is also provided to the Trustee. At the Issuer's election it may also comply with the provisions of this covenant by including financial statements of a Parent Holding Company of the Issuer, the Company or TPZ or those of the Target (as applicable) in lieu of those for the Issuer and as if references to the Issuer above were to such Parent Holding Company or the Target; *provided* that, if the financial statements of such a Parent Holding Company or the Target (as applicable) are included in such report, a reasonably detailed description of material differences between the financial statements of such Parent Holding Company or the Target (as applicable) and the Issuer shall be included in such respect for any period commencing after the Post-Settlement Merger. During any period in which the Capital Stock of the Issuer, the Target or a Parent Holding Company, the Company or TPZ is listed on a recognized stock exchange, the requirements of this covenant shall be considered to have been fulfilled for all purposes if the Issuer, the Target or such Parent Holding Company (as applicable) complies with the reporting requirements of such stock exchange.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's pro forma adjusted EBITDA as of and for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted

Subsidiaries or (ii) standalone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph or the second paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports or statement to the Holders and, upon request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent that the rules of the Luxembourg Stock Exchange so require.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes, and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

Merger and Consolidation

The Issuer or The Company

Neither the Issuer nor the Company will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person (other than in connection with the Post-Settlement Merger), unless:

(1) either the Issuer or the Company is the surviving entity or the resulting, surviving or transferee Person (the "Successor Issuer" in the case of such a transaction involving the Issuer or the "Successor Company" in the case of such a transaction involving the Company) will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any state or commonwealth of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) or the Successor Company (if not the Company), as the case may be, will expressly assume (in each case subject to any limitations contemplated by the Agreed Security Principles) (a) by supplemental indenture, executed and delivered to the Trustee, in a form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture or of the Company under its Guarantee, as the case may be, and (b) all obligations of the Issuer under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or Successor Company or any Subsidiary of the Successor Issuer or Successor Company, as applicable, as a result of such transaction as having been Incurred by the Successor Issuer or the Successor Company, as applicable, or such Subsidiary of the Successor Issuer or Successor Company, as applicable, at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Issuer or the Company or the Successor Company, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" or (b) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; or (c) the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Successor Issuer, or the Company or the Successor Company, as applicable, shall have delivered to the Trustee an Officer's Certificate and Opinion of Counsel to the effect that such consolidation, merger or transfer complies with the Indenture.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For the purpose of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or, prior to the Post-Settlement Merger Date, the Company, which properties and assets, if held by the Issuer or the Company, as applicable, instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or the Company, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or the Company, as applicable.

The Successor Issuer or the Successor Company, as the case may be, will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Company, as the case may be, under the Indenture, but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph and clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Issuer and the Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

Subsidiary Guarantors

No Guarantor that is a Subsidiary of the Issuer or, prior to the Post-Settlement Merger, the Company (a "*Subsidiary Guarantor*") may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Subsidiary Guarantor, unless:

(A) the other Person is the Issuer or the Company or any Restricted Subsidiary that is a Guarantor (or becomes a Guarantor concurrently with the transaction); or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case subject to any limitations contemplated by the Agreed

Security Principles) all of the obligations of the Guarantor under its Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

(C) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(D) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer, the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (B) and the provisions described above under "*—Merger and Consolidation—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Transactions. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Post-Settlement Merger

The Issuer will use commercially reasonable efforts to procure that:

(1) the Company is incorporated or acquired and becomes a direct Subsidiary of the Target;

(2) the Company becomes the direct Holding Company of TPZ and the Holding Company of each member of the Target Group (other than the Target and the Issuer);

(3) the Issuer becomes a direct Subsidiary of the Target;

(4) the Post-Settlement Merger is consummated on or prior to the date that is the Business Day immediately following the six month anniversary of the Escrow Release Date; and

(5) after the Post-Settlement Merger, the Company becomes a party to the Indenture, the Security Documents and the Intercreditor Agreement as the Successor Issuer.

The Indenture will provide that each Holder, by accepting a Note, will be deemed to agree, for the purposes of Section 44 of the Spanish Companies' Structural Modifications Act (*Ley 3/2009, de 3 de abril, sobre modifications estructurales de las sociedades mercantiles*), and on the basis that the terms of the Indenture will be binding contractual terms for each Holder that has accepted a Note, to the consummation of the Post- Settlement Merger and the assumption by the Company of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and any relevant Security Documents, in accordance with the terms of the Indenture, upon completion of the Post-Settlement Merger.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Indebtedness,*" "*—Limitation on Restricted Payments,*" "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries,*" "*—Limitation on Sales of Assets and Subsidiary Stock,*" "*—Limitation on Affiliate Transactions,*" *"—Limitation on the Activities, Assets and Material Liabilities of Topco Following the Escrow Release Date*" "*—Additional Guarantees*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer or the Company*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not be of any effect with regard to actions of the Issuer properly taken during the continuance of a Suspension Event and no default will be deemed to have occurred solely by reason of a Restricted Payment made during the continuance of a Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of a Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." The Issuer shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

Limited Condition Acquisition, Change of Control and Irrevocable Repayment

In connection with any action being taken in connection with a Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the Definitive Agreements for such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment is entered into after giving pro forma effect to the applicable Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment. *For* the avoidance of doubt, if the Issuer has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the Definitive Agreement for the applicable Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment was entered into and prior to the consummation of such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of the Fixed Charge Coverage Ratio, Consolidated Leverage Ratio, Consolidated Total Secured Leverage Ratio or the Consolidated Senior Secured Leverage Ratio; and, in the case of a Change of Control or Change of Control Triggering Event, determining the applicable calculation date for the Consolidated Leverage Ratio; or

(2) testing baskets set forth in the Indenture, in each case, at the option of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment, an "LCA Election"), the date of determination of whether any such action is permitted hereunder, may be deemed to be the date the Definitive Agreement for such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment is entered into (the "*LCA Test Date*"). If, after giving pro forma effect to the Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent four consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Issuer are available, the Issuer could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Issuer has made an LCA Election, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, the designation of an Unrestricted Subsidiary or the determination of whether or not a Change of Control Triggering Event has occurred, on or following the relevant LCA Test Date and prior to the Change of Control or earlier of the date on which such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment is consummated or the Definitive Agreement for such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated. If the Issuer has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in Consolidated EBITDA of the Issuer or the Person subject to such Limited Condition Acquisition, Change of Control (or Change of Control Triggering Event) or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations.

Additional Guarantees

The Issuer will not cause or permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to Guarantee any Indebtedness under the Revolving Credit Facility Agreement (or any other Credit Facility that is Incurred under clause (1) of the second paragraph of the covenant described under "—*Limitation on* Indebtedness"), any Public Debt and any refinancing thereof, in whole or in part, unless, in each case, but subject to the Agreed Security Principles, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Future Guarantees granted pursuant to this provision shall be released as set forth under "*The Notes Guarantees.*" A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Issuer to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each such additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles. The validity and enforceability of the Guarantees and the security interests with respect to the Collateral and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral"* and *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to (and it shall be a default in respect of the Issuer if Topco shall), take or knowingly or negligently omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral, shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to (and it shall be a default in respect of the Issuer if Topco shall), grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "—*Limitation on Liens*"; *provided* that the Issuer, any Restricted Subsidiary and Topco may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "—*Limitation on Liens*," including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; (iv) undertake a Permitted Reorganization or Permitted Tax Restructuring or (v) make any other change thereto that does not adversely affect the Holders in any material respect; *provided* that (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the Indenture), no Security Document may be amended, extended, renewed, restated or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Issuer delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same asset), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting any such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Issuer, the Restricted Subsidiaries and/or Topco comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Limitation on the Activities, Assets and Material Liabilities of Topco Following the Escrow Release Date

Following the occurrence of the Escrow Release Date, it shall be a default in respect of the Issuer if Topco engages in any business or undertakes any other activity, owns any material asset or incurs any material liabilities other than:

(1) the ownership of Capital Stock of the Issuer and (prior to the Post-Settlement Merger) the Company and the ownership of Capital Stock of any finance subsidiary issuer of Indebtedness (provided that such finance subsidiary shall not trade, carry on any business, own any assets or incur any liabilities other than those which Topco is permitted under this covenant);

(2) making an investment in the Issuer or (prior to the Post-Settlement Merger) the Company in the form of Subordinated Shareholder Funding, loans of Indebtedness to the Issuer or (prior to the Post-Settlement Merger) the Company or purchases of Capital Stock of the Issuer or (prior to the Post-Settlement Merger) the Company or otherwise contributed to the equity of the Issuer or (prior to the Post-Settlement Merger) the Company;

(3) (a) the provision of services substantially similar to those provided to the Target Group prior to Escrow Release Date and the provision of other headquarters services, administrative services (including treasury services and cash-pooling arrangements and group financial functions), legal, accounting, marketing, procurement and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets and the incurrence of liabilities necessary to provide such services (including incurring and paying professional fees and administration costs, indemnities, overhead costs or taxes); (b) the ownership of assets and the existence of and performance under liabilities and obligations existing as of the Escrow Release Date; and (c) the exercise of rights and performance of obligations under agreements to which it is a party existing as of the Escrow Release Date and future iterations or agreements substituted therefor (including substitutions of substitutions);

(4) (a) Incurring Indebtedness, Guarantees of Indebtedness and subordinated shareholder funding (including, in each case, activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness or subordinated shareholder funding, and entering into underwriting, purchase, placement, subscription or other agreements related thereto, to the extent such activities are otherwise permissible under the Indenture and the Notes); and (b) the granting of Liens permitted under the covenant set forth under "Limitation on Liens";

(5) the exercise of rights and performance of obligations arising under the Security Documents to which Topco is a party and the Intercreditor Agreement and any Additional Intercreditor Agreement and any agreement pursuant to which Refinancing Indebtedness in relation to such Indebtedness is Incurred by the Issuer or a Restricted Subsidiary and other ancillary documents or instruments related thereto, including liabilities under any "parallel debt" obligations or any security document in respect of Permitted Liens or Permitted Collateral Liens, or any Liens Incurred in accordance with the covenant set forth under "Limitation on Liens";

(6) the ownership of (a) cash and Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (b) other property, in each case to the extent contributed substantially concurrently to a Holding Company of Topco to the extent such contribution is not prohibited by the terms of the Indenture and (c) assets owned by it on the Escrow Release Date;

(7) paying dividends, making distributions and other payments, including the servicing, purchase, redemption or retirement of subordinated shareholder funding, to shareholders;

(8) directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries' corporate existence;

(9) pursuant to or in connection with the Transactions and the Post-Settlement Merger;

(10) (a) the listing of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary or Holding Company of Topco or another IPO Entity, and the issuance, offering and sale of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary or Holding Company of Topco or another IPO Entity (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (b) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument, to the extent permitted or not prohibited by the Indenture, the Notes or the Intercreditor Agreement or any Additional Intercreditor Agreement, or to contribute the same to the common equity of the Issuer or a Restricted Subsidiary; any purchase, repurchase, redemption, or the performance of the terms and conditions of, and the exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not prohibited by the Indenture, the Notes or the Intercreditor Agreement or any Additional Intercreditor Agreement; and (c) the de-listing of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary or Holding Company of Topco or another IPO Entity;

(11) conducting activities directly related or reasonably incidental to any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by any IPO Entity;

(12) making investments in any Indebtedness;

(13) any liabilities or obligations in connection with any employee or participation scheme, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of Topco, any Subsidiary of Topco or any Holding Company of Topco (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose);

(14) the sale, conveyance, transfer, lease or disposition (a) of its Capital Stock or other equity interests; (b) of all or substantially all of its assets; (c) any resulting release and retaking of any security interest with respect to the Collateral in connection therewith that complies with the covenant set forth under "Impairment of Security Interest," in each case, to the extent such activities described in this clause (14) are otherwise permitted or not prohibited by the Indenture, the Notes or the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(15) other activities not specifically enumerated above that are ancillary or related to those listed above or which are *de minimis* in nature.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in any payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of the Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any other agreement or obligation contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

(a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"), and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €30.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30.0 million (exclusive of any amounts covered by indemnities provided by a solvent insurance company or that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the receipt of notice as described in the next succeeding paragraph after such judgment becomes final and due, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "judgment default provision");

(7) any security interest under the Security Documents on any Collateral having a fair market value in excess of €30.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 60 days (the "security default provisions");

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for ten days (the "*guarantee provisions*"); and

(9) failure by the Issuer to consummate a Special Mandatory Redemption on the Special Mandatory Redemption Date as described above under "*Escrow of Proceeds*; *Special Mandatory Redemption*."

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes notify the Issuer of the default and, with respect to clauses (3), (4) and (6), the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any, on any Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Notes) and rescind any such acceleration with respect to such Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the "*Initial Default*") occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—*Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured, and any declaration of acceleration of the Notes resulting therefrom shall be automatically annulled, upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee has received, indemnity and/or security and/or cost and fee cover satisfactory to the Trustee against any loss, liability, fees or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity and/or cost and fee cover satisfactory to it against any loss, liability, fees or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity and/or cost and fee cover; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security and/or cost and fee cover satisfactory to it against all losses, liabilities, fees and expenses caused or incurred by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (or in the case of the first fiscal year of the Issuer ending after the Issue Date, within 150 days of the end thereof), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or compensated to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity, security and/or cost or fee cover to it, and it will be for Holders to take action directly.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); provided that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% (or, in the case of clause (9) below, 75%) of the then outstanding aggregate principal amount of Notes affected, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "Optional Redemption" or "Redemption for Taxation Reasons";

(5) make any such Note payable in currency other than that stated in such Note;

(6) impair the contractual right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amount, if any, on or with respect to such Holder's Notes on or after the due dates thereof;

(7) make any change in the provision of the Indenture described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption

from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all security interests granted for the benefit of the Holders in the Collateral (taken as a whole) other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture; provided that, for the avoidance of doubt and without prejudice to the covenant described under the heading "Certain Covenants—Impairment of Security Interest," the release of less than all or substantially all security interests granted for the benefit of the Holders in the Collateral (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes);

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(10) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, the covenants described under "*Certain Covenants*" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, mistake, defect, error or inconsistency, conform any provision to this "Description of the Notes," or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);

(4) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(5) make any change that would provide additional rights or benefits to the Trustee or the Holders or make any change (including changing the ISIN or other identifying number on any Notes) that does not adversely affect the rights of the Trustee or any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes permitted under the Indenture;

(7) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "Certain Covenants—Limitation on Indebtedness" and "Certain Covenants—Additional Guarantees," to add Notes Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; provided that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "Certain Covenants— Impairment of Security Interest" is complied with;

(10) facilitate any transaction that complies with the covenants described under the headings "Certain Covenants—Merger and Consolidation" and "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" relating to mergers, consolidations and sales of assets; or

(11) as provided in "*Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*."

In formulating its decisions on such matters, the Trustee shall be entitled to receive and rely on such evidence as it deems appropriate including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. The Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

Acts by Holders

A Note does not cease to be outstanding because the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) holds the Note; *provided* that in determining whether the holders of the requisite majority of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) shall be disregarded and deemed not to be outstanding if a responsible officer of the Trustee has received written notice of such ownership at least two Business Days prior to the date of such determination. Prior to the receipt of such notice, the Trustee shall be entitled to assume that none of the Notes are owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or in, each case, any successor thereof). For the avoidance of doubt, provision of such notice shall not be an obligation of the Issuer.

Defeasance

The Issuer at any time may terminate all its and each Guarantor's obligations under any series of the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation—The Issuer or The Company*" and clause (A), (B) and (C) of the covenant described under "*Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "Change of Control" and default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the applicable series of Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to any series of the Notes, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and

(2) of the covenant described under "*Certain Covenants—Merger and Consolidation—The Issue or the Company*" and clauses (A), (B), (C) of the covenant described under "*Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5), (6) (with respect only to Significant Subsidiaries (other than the Issuer)), (7), (8) or (9) under "Events of Default" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the applicable series of Euro Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that Holders, in their capacity as Holders, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the applicable series of Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes and rights of the Trustee, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose), money in Euros or European Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an

Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested in writing by the Issuer, the Trustee and Paying Agent (which request may be included in the applicable notice of redemption pursuant to the above referenced Officer's Certificate) may distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided, however*, that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a global note deposited with a depositary for a clearing system, any payment to the beneficial holders of such Notes holding interests as a participant of such clearing system shall be subject to the then applicable procedures of such clearing system.

No Personal Liability of Directors, Officers, Employees, Incorporators and Shareholders

No director, officer, employee, incorporator or shareholder of, the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of, the Issuer or any of its Subsidiaries under the Note

Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protections and indemnification.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and any agent under the Indenture will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture. Each of the Trustee and the Security Agent shall be entitled to rely solely and conclusively on any Officer's Certificate and Opinion of Counsel in formulating its opinion or in taking or not taking any action (including, without limitation, release of a Notes Guarantee or Collateral) under the Indenture, and may rely on such Officer's Certificate and Opinion of Counsel without need for investigation or verification.

Notices

All notices to Holders of Notes will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Luxembourg Stock Exchange and if and for so long as the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of any notice with respect to the Notes and, if the rules of the Luxembourg Stock Exchange so require, will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests. Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or if, in the opinion of the Issuer such publication is not practicable, an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given via Euroclear or Clearstream, it will be deemed to have been duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, or Additional Amounts, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF thereof. The settlement of the Notes is not conditioned on obtaining this listing or admission.

Currency Indemnity and Calculation of Euro-denominated Restrictions

Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder, any paying agent or by the Trustee, in respect of any sum expressed to be due to it in euro from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient, any paying agent or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient, any paying agent or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note, any paying agent or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder, any paying agent or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Enforceability of Judgments

Since, as of the Issue Date, substantially all the assets of the Issuer and the Target Group are held by Subsidiaries located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, the governing law of the Indenture and the Notes may be amended with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England. The Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary, *provided* that Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) above, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) above, on the date of consummation of such acquisition of assets and, with respect to clause (3) above, on the date of the relevant merger, consolidation or other combination.

"*Additional* Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition,

"control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed* Security *Principles*" means the Agreed Security Principles as set out in an annex to the Revolving Credit Facility Agreement as in effect on the Issue Date, as applied, *mutatis mutandis*, with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note, the greater of:

(A) 1% of the principal amount of such Note; and

(B) with respect to any Notes the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the redemption price of such Note at May 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*Optional Redemption*" (excluding accrued but unpaid interest)), *plus* (ii) all required interest payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the applicable Bund Rate at such redemption date *plus* 50 basis points; *less*

(b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. Calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Registrar or the Transfer Agent.

"*Asset Disposition*" means:

(a) the voluntary, direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, whether in a single transaction or a series of related transactions, of property or other assets (including by way of a Sale and Leaseback Transaction) of the Issuer or any Restricted Subsidiary (in each case other than Capital Stock of the Issuer or, prior to the Post- Settlement Merger, the Company) (each referred to in this definition as a "disposition"), including any disposition by means of a merger, consolidation or similar transaction; or

(b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or directors' qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions.

Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business or consistent with past practice or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;

(4) a disposition of obsolete, surplus, uneconomic, damaged or worn-out property, equipment or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Issuer and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Issuer and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Issuer or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Issuer or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);

(5) transactions permitted under "Certain Covenants—Merger and Consolidation" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than the greater of (x) €11.25 million and (y) 15% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "Certain Covenants—Limitation on Restricted Payments" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph and the third paragraph under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock," asset sales, the proceeds of which are used to make such Restricted Payments, Permitted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the conveyance, sale, transfer, licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;

(14) any issuance or sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person;

(18) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to a financing transaction (including Sale and Leaseback Transactions), asset securitizations and other similar financings permitted by the Indenture;

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or Receivables Facility or any factoring transaction or in the ordinary course of business or consistent with past practice;

(20) dispositions of property to the extent (i) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased; (ii) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or (iii) allowable under Section 1031 of the U.S. Internal Revenue Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(21) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;

(22) dispositions in connection with the strategic alliance and transactions with Yum! Brands, Inc. (including any call option thereunder) in place or committed on the Issue Date;

(23) dispositions required pursuant to the granting of any franchise in the ordinary course of business or consistent with past practice; and

(24) the unwinding of any Cash Management Facilities or Hedging Obligations.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "*Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under "*Certain Covenants—Limitation on Restricted Payments*."

"*Associate*" means any Person engaged in a Similar Business of which the Issuer and/or the Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function, *provided* that whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Issuer.

"*Bund Rate*" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to May 15, 2022; *provided, however*, that if the period from the redemption date to the date set forth above is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the applicable date set forth above is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; *provided, further*, that if such yield would otherwise be less than zero, it shall be assumed to be zero.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Spain, Luxembourg, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

"*Business Successor*" means (i) any former Subsidiary of the Issuer and (ii) any Person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Issuer (that results in such Subsidiary ceasing to be a Subsidiary of the Issuer), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Issuer.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as of the Issue Date *provided* that: (a) no obligation which would have been classified as an operating lease under IFRS prior to the implementation of IFRS 16 (Leases) or any equivalent (including under GAAP) or successor thereto shall constitute Capitalized Lease Obligations, (b) the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and (c) the Stated Maturity of any such obligation will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities or other direct obligations, issued or directly and fully Guaranteed or insured by the United States of America, Canadian, Japanese, Australian, Swiss, Norwegian or United Kingdom governments, the European Union or any member state of the European Union on the Issue Date or, in each case, any political subdivision, agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(3) repurchase obligations for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United States of America (or any state or commonwealth thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date, or, in each case, any political subdivision, agency or instrumentality thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing

comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of twelve months or less from the date of acquisition;

(7) bills of exchange issued in the United States of America (or any state or commonwealth thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date, or, in each case, any political subdivision, agency or instrumentality thereof, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market, enhanced high yield fund or other investment funds which invests 90% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Target and its Subsidiaries on the Issue Date.

"*Cash Management Facilities*" means any facility made available for working capital and/or general corporate purposes of the Issuer and/or the Restricted Subsidiaries, including any of the following (or any combination of the following): (a) an overdraft, check clearing, automatic payment, daylight or other current account facility; (b) a guarantee, bonding or documentary or stand by letter of credit facility; (c) a short term loan facility; (d) a derivatives facility; (e) a foreign exchange facility; and (f) any other facility or accommodation as may be required or desirable in connection with the business of the Group in the ordinary course of business or consistent with past practice.

"*Change of* Control" means:

(1) the Issuer becomes aware that (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or has become the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent Holding Company;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole to a Person, other than the Issuer (including, for the avoidance of doubt, any successor thereto pursuant to the provisions described under "*Certain Covenants—Merger and Consolidation—The Issuer or The Company*") or a Restricted Subsidiary or one or more Permitted Holders; or

(3) at any time prior to the Issuer Pushdown, Debtco ceases to own, directly or indirectly, or at any time after the Issuer Pushdown but prior to the Post-Settlement Merger, the Target ceases to own, directly or indirectly, in aggregate in either case, 100% of the total issued share capital (excluding qualifying management and director shares and subject to shares required by law to be owned by third parties) of the Issuer.

Notwithstanding the preceding clauses (1) and (2) or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Issuer beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another person as a result of its ownership of Voting Stock or other securities of such other Person's Parent Holding Company (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock of such Parent Holding Company and *provided*, *further*, that for purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock of the Issuer is directly or indirectly owned by a Parent Holding Company of which the Issuer is a Subsidiary, all references to the Issuer shall be deemed to refer to its ultimate Parent Holding Company of which the Issuer is a Subsidiary (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

"*Change of Control Triggering Event*" means the occurrence of a Change of Control, unless pro forma for the Change of Control, the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries is no greater than (x) 4.50 to 1.00 if the calculation date is prior to the first anniversary of the Escrow Release Date or (y) 4.00 to 1.00 if the calculation date is on or after first anniversary of the Escrow Release Date; *provided*, however, that following the first Change of Control Triggering Event in respect of which no Change of Control Offer has been made or waived, the definition of Change of Control Triggering Event shall thereafter mean a Change of Control.

"*Clearstream*" means Clearstream Banking S.A., as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"*Consolidated EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; *plus*

(b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities, plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (t) through (v) below), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Credit Facility, any other Credit Facility and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Revolving Credit Facility, any Receivables Facilities, any other Credit Facility, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing; *plus*

(f) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*

(g) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period), *provided* that to the extent any such non-cash charge, write-down or item represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid; *plus*

(h) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under "*Certain Covenants—Limitation on Affiliate Transactions*"; *plus*

(i) the amount of "run rate" cost savings (including cost savings with respect to salary, benefit and other direct savings resulting from work force reductions and facility, benefit and insurance savings), operating expense or loss reductions, restructuring charges and expenses, other operating improvements and initiatives and synergies that are projected by the Issuer (in good faith) to be realized as a result of actions taken or expected to be taken after the date of any acquisition, disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative (including, for the avoidance of doubt, the Transactions and the strategic alliance and transactions with Yum! Brands Inc.), as applicable (calculated on a pro forma basis as though such cost savings, operating expense or loss reductions, restructuring charges and expenses, other operating improvements and initiatives and synergies had been realized on the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided* that (i) such actions are expected to result in cost savings, operating expense or loss reductions, restructuring charges and expenses, other operating improvements and initiatives or synergies, and (ii) no cost savings, operating expense or loss reductions, restructuring charges and expenses, other operating improvements and initiatives or synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for such period (which adjustments, without double counting, may be incremental to pro forma adjustments made pursuant to the definition of "*Fixed Charge Coverage Ratio*"); *plus*

(j) the amount of loss or discount on sale of Receivables Assets and related assets to a Receivables Subsidiary in connection with a Qualified Receivables Financing or a Receivables Facility; *plus*

(k) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under "*Certain Covenants—Limitation on Restricted Payments*"; *plus*

(l) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*

(m) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*

(n) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; *plus*

(o) net realized losses from Hedging Obligations or embedded derivatives; *plus*

(p) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*

(q) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*

(r) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*

(s) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*

(t) the amount of expenses relating to payments made to option holders of the Issuer or any Parent Holding Companies in connection with, or as a result of, any distribution being made to equity holders of such Person or its Parent Holding Companies, which payments are being made to compensate such option holders as though they were equity holders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; *plus*

(u) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; *plus*

(v) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

Unless indicated otherwise, Consolidated EBITDA is the Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such four quarter period and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes), trade taxes and franchise taxes of any of the Issuer and the Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, without duplication, the difference between:

(1) (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and the Restricted Subsidiaries, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(a) interest expense attributable to Capitalized Lease Obligations; (b) amortization of debt discount, debt issuance cost and premium; (c) non-cash interest expense;

(d) commissions, discounts and other fees and charges owed with respect to financings not included in clause (b) above;

(e) costs associated with Hedging Obligations;

(f) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer;

(g) the Consolidated Interest Expense that was capitalized during such period; and

(h) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person;

(2) in each case, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); *less*

(3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

Notwithstanding the foregoing, for the purposes of calculating Consolidated Net Income in clause 5(c) of the first paragraph under "*Certain Covenants—Limitation on Restricted Payments*," the definition of Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to Receivables Financings, (iii) any payments on any operating leases, including without limitation any payments on any lease concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iv) any foreign currency gains or losses, (v) any pension liability cost and (vi) any interest, costs and charges contained in paragraphs (b), (d), (e) or (f) of this definition.

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Indebtedness; to (y) Consolidated EBITDA, *provided* that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than clause (5)(ii)(b) of the second paragraph under the covenant "*Limitation on Indebtedness*") and (ii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the second paragraph (other than clause (5)(ii)(b) of the second paragraph under the covenant "*Limitation on Indebtedness*").

"*Consolidated Net Income*" means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; *provided*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided* that, for the purposes of clause (c) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of "Permitted Investments";

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Revolving Credit

Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause));

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale and Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Issuer;

(5) the cumulative effect of a change in law, regulation or accounting principles, including any impact resulting from an election by the Issuer to apply GAAP at any time following the Issue Date;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness, and any provisions in respect of working capital;

(8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any recapitalization accounting or purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any impairment charge, write off or write down, including impairment charges, write offs or write downs related to intangible assets, long lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(14) consolidated depreciation expense, to the extent in excess of capital expenditure related to tangible assets for the relevant period;

(15) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(16) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock,

refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(17) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(18) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(19) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(20) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(21) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates); and

(22) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its

Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"*Consolidated Net Indebtedness*" means, as of any date of determination, the difference between: (a) the sum of (i) the aggregate principal amount of Indebtedness for borrowed money excluding Indebtedness with respect to Cash Management Facilities and intercompany Indebtedness of the Issuer and the Restricted Subsidiaries as of such date, *plus* (ii) Capitalized Lease Obligations, Purchase Money Obligations and unreimbursed drawings under letters of credit of the Issuer and the Restricted Subsidiaries outstanding on such date, *plus* (iii) the Reserved Indebtedness Amount in respect of any Indebtedness which, upon Incurrence, will constitute Indebtedness described under clauses (i) and (ii) above; *less* (b) the aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Issuer and the Restricted Subsidiaries as of such date; *provided* that (x) the cash proceeds of any proposed Incurrence of Indebtedness shall not be included in clause (b) above for purposes of calculating the Consolidated Net Indebtedness, (y) such pro forma adjustments are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio" shall be included and (z) for the avoidance of doubt, Consolidated Net Indebtedness shall exclude Indebtedness in respect of any Hedging Obligations, Receivables Facility, Cash Management Facilities or Qualified Receivables Financing, and Indebtedness outstanding as of the Issue Date or Incurred under a facility committed and as in effect as of the Issue Date, in either case, in respect of factoring financings, securitizations, receivables financings or similar arrangements.

"Consolidated *Senior Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"*Consolidated Total Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness, and any Reserved Indebtedness Amount, in each case, which is not secured, or deemed to be secured, by a Permitted Collateral Lien.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Controlled Investment Affiliate*" means, as to any Person, any other Person, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

"*Credit* Facility" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, Cash Management Facilities or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"*Definitive Agreement*" means any agreement for the consummation of an acquisition, including without limitation by way of tender offer, scheme of arrangement, merger, amalgamation or consolidation, by the Issuer or one or more of the Restricted Subsidiaries (*provided* that in the case of a public tender offer, a solicitation of proxies or a proposal for a scheme of arrangement or similar scheme, a Definitive Agreement will be deemed to have been entered into at the time of the public announcement of such transaction).

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer or any Restricted Subsidiary) of non-cash consideration received by the Issuer or one of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent Holding Company, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or purchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or **(b)** the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*Certain Covenants—Limitation on Restricted Payments*"; *provided further*, that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members)), of the Issuer, any of its Subsidiaries, any Parent Holding Company or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries or, prior to the Post-Settlement Merger, by the Company or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

"*Equity* Offering" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions (other than to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities or the incurrence of Indebtedness by any Person, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contributions) of, or as Subordinated Shareholder Funding to, the Issuer or any Restricted Subsidiary by any Parent Holding Company.

"*Escrowed Proceeds*" means the proceeds from the offering or incurrence of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" means the official currency of the European Union.

"*Euro* Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Exchange* Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets (other than Parent Debt Contributions) received by the Issuer or, prior to the Post-Settlement Merger, the Company, as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or, prior to the Post-Settlement Merger, the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer, the Company or any Subsidiary of the Issuer or the Company for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer or, prior to the Post-Settlement Merger, the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA to the Fixed Charges of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available (the "*reference period*"). In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four quarter period; *provided* that the pro forma calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clause (5)(b) thereof), (ii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clause (5)(b) thereof).

For purposes of making the computation referred to above, any Investments (including the opening/conversion of new restaurants, entry into new franchise agreements and entry into the strategic alliance and transactions with Yum! Brands, Inc. in place or committed on the Issue Date (in each case including start-up costs, royalty increases and procurement costs)), acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Issuer or any of the Restricted Subsidiaries during the reference period or subsequent to the reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (and may include cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such period;

(2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such Person during such period; and

(3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

"*GAAP*" *means* generally accepted accounting principles in the United States of America.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other *political* subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided that the term "Guarantee" will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes.

"*Hedging* Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "*Hedging Agreement*").

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding* Company" means, in relation to any Person, any Person of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or any Restricted Subsidiary is, or may be, required to comply; *provided* that at any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Issuer shall give notice of any such election made in accordance with this definition to the Trustee. Notwithstanding any of the foregoing, the impact of IFRS 16 (Leases) and any successor standard thereto (or any equivalent measure under GAAP) shall be disregarded with respect to all ratios, calculations and determinations (or any component thereof) based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, GAAP) prior to the implementation of IFRS 16 (Leases) and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS (or, as applicable, GAAP) as in effect prior to the implementation of IFRS 16 (Leases).

"*Immediate Family Members*" means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother in law, father in law, son in law and daughter in law (including adoptive relationships) and any trust, partnership or other bona fide estate planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor advised fund of which any such individual is the donor.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, *provided*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time), with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit described in clause (3) and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS; *provided*, that Indebtedness of any Parent Holding Company (to the extent not guaranteed by the Issuer or any Restricted Subsidiary) appearing upon the balance sheet of the Issuer prepared on the basis of IFRS shall be excluded.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) obligations under any Cash Management Facilities, other than to the extent a net obligation for borrowed money is owed to any third party (other than the Issuer or a Restricted Subsidiary) thereunder;

(iii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post- closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing, *provided* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Receivables Financing or Receivables Facilities;

(viii) Indebtedness of any Parent Holding Company appearing on the balance sheet of the Issuer;

(ix) solely by reason of push down accounting under IFRS;

(x) Capital Stock (other than Disqualified Stock and Preferred Stock of a Restricted Subsidiary);

(xi) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*Certain Covenants—Merger and Consolidation*";

(xii) non-interest-bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due;

(xiii) (A) guarantees, letters of credit (to the extent not drawn or satisfied within 60 days of such drawing) or similar instruments in respect of any leases or provided to suppliers in the ordinary course of business (or provided to credit insurers relating to ordinary course of business payables of the Issuer and the Restricted Subsidiaries) or (B) other Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond;

(xiv) Indebtedness Incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250.0 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness;

(xv) Subordinated Shareholder Funding;

(xvi) any social security, tax or pension obligations or bonds in relation thereto, or obligations under a Tax Sharing Agreement;

(xvii) any take-or-pay obligations contained in supply arrangements; or

(xviii) any asset retirement obligations.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (a) the Sponsor and any funds or partnerships managed or advised, directly or indirectly, by the Sponsor or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund; and (b) any of their successors, Affiliates or direct or indirect Subsidiaries (but excluding, in each case, any portfolio company which is an obligor (and any of its Subsidiaries) in respect of any third party financing provided to that portfolio company (or any of its Subsidiaries) in which the parties in clause (a) above or such Affiliates, Subsidiaries or investors hold an investment or interest).

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Holding Company or any successor of the Issuer or any Parent Holding Company (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated December 20, 2018, as amended and restated on March 8, 2019, among, *inter alios*, the lenders and agent under the Revolving Credit Facility Agreement, the Trustee, the Security Agent as well as certain hedging counterparties, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*Certain Covenants—Limitation on Restricted Payments*":

(1) "*Investment*" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, further*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by the United States of America (or any state or commonwealth thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date or, in each case, any political subdivision, agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A–" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries or prior to the Post-Settlement Merger, the Company and its Subsidiaries; and

(4) Investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Event*" means the occurrence of an Initial Public Offering or a Listing.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Irrevocable Repayment*" means any repayment, repurchase or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"*Issue Date*" means May 3, 2019.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of the Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing.

"*Listing*" means a listing of all or any part of the share capital of the Issuer or any Subsidiary of the Issuer on any other recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or Public Offering in relation to the Issuer or any such Subsidiary of the Issuer in any jurisdiction or country.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to Management Investors:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Holding Company with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding the greater of (x) €1.5 million and (y) 2% of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent Holding Company, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Holding Company.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally *Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition, including distributions for Related Taxes;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Holding Company, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any tax sharing agreements, and including distributions for Related Taxes).

"*Note Documents*" means the Notes (including Additional Notes), the Indenture, the Escrow Agreement, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Offering Memorandum*" means the final offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Holding Company*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Holding Company.

"*Parent Holding Company Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to the Notes, the Guarantees or any other Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Holding Company in connection with the Transactions;

(5) general corporate overhead expenses, including (a) all legal, accounting and other professional fees and expenses and other operational expenses of any Parent Holding Company related to the ownership or operation of the business of the Issuer or any Restricted Subsidiary or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent Holding Company;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Holding Company or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed the greater of (x) €1.5 million and (y) 2% of Consolidated EBITDA in any calendar year;

(7) expenses Incurred by any Parent Holding Company in connection with any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness, including any Public Offering or other sale of Capital Stock or Indebtedness:

(i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

(ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; and/or

(iii) otherwise on an interim basis prior to completion of such offering so long as any Parent Holding Company shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, and any related compensation paid to officers, directors and employees of such Parent Holding Company. "*Pari Passu Indebtedness*" means any Indebtedness of the Issuer or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment with any of the Senior Liabilities (as defined in the Intercreditor Agreement), as the case may be, and, in each case, is secured by a first-ranking Lien on the Collateral.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any Restricted Subsidiary and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"*Permitted* Collateral *Liens*" means:

(A) Liens on the Collateral (i) that are "Permitted Liens" described in one or more of clauses (2), (3), (4), (5), (6), (7), (8), (9), (11), (17), (18), (19), (20), (23), (24), (34) and (41) of the definition thereof, (ii) that are Liens securing Cash Management Facilities and/or (iii) Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the security interests in the Collateral;

(B) Liens securing Additional Notes (to the extent permitted under clause (C) or (D) below);

(C) Liens on the Collateral to secure Indebtedness or other obligations of the Issuer or a Restricted Subsidiary that are permitted to be Incurred under the first paragraph, clauses (1), (2) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (4)(b), (5), (6), (7), (11), (12) or (14) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of such Indebtedness; *provided*, that such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement; *provided further* that only Liens securing Indebtedness Incurred pursuant to obligations under clauses (1) and (6) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*," and under Cash Management Facilities may secure obligations on a basis having priority to the Notes and the Guarantors under the Intercreditor Agreement or Additional Intercreditor Agreement, as the case may be;

(D) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes, *provided* that the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement. To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien; and

(E) Liens on the Collateral incurred with respect to obligations that in total do not exceed the greater of (x) €7.5 million and (y) 10% of Consolidated EBITDA at any time outstanding and that are not Incurred in connection with the borrowing of money.

For purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of one or more of the categories of Permitted Collateral Liens described above, the Issuer will be permitted to classify such Permitted Collateral Lien on the date of its Incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any Affiliate thereof, (2) Senior Management and Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Holding Company or the Issuer, acting in such capacity, (4) any one or more Persons, together with such Persons' Affiliates, whose beneficial ownership constitutes or results in a

Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture and (5) any "group" (as such term is defined under Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (1) through (4), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any Parent Holding Company held by such group.

"*Permitted Investment*" means (in each case, by the Issuer or any Restricted Subsidiary):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise not prohibited under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €22.5 million and 30% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Holding Company as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the clauses (2), (4), (5), (7), (10), (11), (13), (14) or (15) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*";

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business or consistent with past practices, and in accordance with the Indenture;

(16) any (a) Guarantees of Indebtedness not prohibited by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (b) performance guarantees with respect to obligations that are not prohibited by the Indenture;

(17) Investments in the Notes;

(18) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;

(19) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Issuer or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(20) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(21) contributions to a "rabbi" trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Issuer;

(22) Investments in joint ventures and similar entities and in Similar Businesses having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of (a) €18.25 million and (b) 25% of Consolidated EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), *plus* the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled "*Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;

(23) any Investment in an Unrestricted Subsidiary having an aggregate fair market value, taken together with all other Investments made pursuant to this clause that are at that time outstanding, not to exceed the greater of (a) €11.25 million and (b) 15% of Consolidated EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled "*Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided*, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;

(24) Investments (including repurchases) in Indebtedness of the Issuer and the Restricted Subsidiaries;

(25) Investments by an Unrestricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary;

(26) guaranty and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business;

(27) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice or made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors in the ordinary course of business;

(28) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;

(29) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers consistent with past practices; and

(30) transactions entered into in order to consummate a Permitted Tax Restructuring.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, surety, stay, indemnity, judgment, customs, appeal or performance bonds, guarantees of government contracts, return-of-money bonds, bankers' acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business; or consistent with past practice;

(3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business, *provided* that such letters of credit do not constitute Indebtedness;

(6) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture, Cash Management Facilities permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to give a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and/or any Restricted Subsidiary in the ordinary course of business;

(13) (a) Liens existing on the Issue Date, excluding Liens securing the Revolving Credit Facility Agreement, the Hedging Obligations and the Notes; and (b) Liens with respect to Credit Facilities incurred pursuant to clause (14) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*";

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), *provided,* that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor owing to the Issuer or another Restricted Subsidiary, or Liens by such Restricted Subsidiary in favor of the Issuer or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(22) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking (including banking arrangements which arise from general banking conditions) or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens securing Indebtedness and other obligations in an aggregate principal amount not to exceed the greater of (i) €11.25 million and (ii) 15% of Consolidated EBITDA at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens (a) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary and (b) then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary;

(28) (a) Liens directly or indirectly securing the Notes; and (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to the Intercreditor Agreement or an Additional Intercreditor Agreement, or otherwise is subject to loss-sharing as among the Holders and the creditors of such Indebtedness;

(29) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing or a Receivables Facility;

(30) Liens securing Indebtedness permitted to be Incurred pursuant to clauses (1) and (14) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*";

(31) any cash collateral arrangement securing the obligations of an ancillary lender in respect of ancillary facilities of the Issuer or the Restricted Subsidiaries;

(32) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(33) Liens on (a) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Issuer or any Restricted Subsidiary or Liens on bills of lading, drafts or other documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments and (b) specific items of inventory of other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(34) Liens on equipment of the Issuer or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;

(35) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture;

(36) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Indenture;

(37) Liens (a) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (b) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under

"*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;

(38) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" *provided* that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

(39) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;

(40) the rights reserved to or vested in any Person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Issuer or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(41) restrictive covenants affecting the use to which real property may be put; and

(42) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided* that such Liens or covenants do not interfere with the ordinary conduct of the business of the Issuer or any Restricted Subsidiary.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of the Restricted Subsidiaries (a "*Reorganization*") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(b) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

"*Permitted Tax Distribution*" means without duplication of any payments under any Tax Sharing Agreement, (a) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Holding Company, any dividends or other distributions to fund any income Taxes for which such Parent Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries that are included in such consolidated or combined tax return would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and such Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries, *provided*, that to the extent any such Taxes are attributable to Unrestricted Subsidiaries (computed on a "with" and "without" basis), payments for such Taxes shall be permitted only to the extent such Unrestricted Subsidiaries have distributed cash to the Issuer for the purposes of such payments.

"*Permitted Tax Restructuring*" means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders (as determined by the Issuer in good faith).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Post-Settlement Merger*" means the merger of the Issuer with the Company, as described under "*The Transactions*" in this Offering Memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and the Company.

"*Post-*Settlement *Merger Date*" means the date on which the Post-Settlement Merger is to be effected between the Issuer and the Company, as described under "*Certain Covenants—Post-Settlement Merger*" and "*The Transactions*" in this Offering Memorandum.

"*Preferred Stock*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a Public Offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date;

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means (a) any accounts receivable, mortgage receivables, loan receivables, royalty, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof and (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

"*Receivables Facility*" means an arrangement between the Issuer or a Restricted Subsidiary and a counterparty pursuant to which (a) the Issuer or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets owed to the Issuer or a Restricted Subsidiary related thereto, (b) the obligations of the Issuer or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Receivables Repurchase Obligations) to the Issuer and such Restricted Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer or, prior to the Post-Settlement Merger, the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness, Disqualified Stock or Preferred Stock existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, that:

(1) (a) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and (b) to the extent such Refinancing Indebtedness refinances Subordinated Indebtedness, Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Notes and/or the Guarantees (as applicable) on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums

required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, further, that Refinancing Indebtedness shall not include (x) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (y) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor; and *provided*, further, that the provisions of clause (3) above shall not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture. Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*," with respect to any Permitted Holder, means:

(1) any controlling equity holder or Subsidiary of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* that such Taxes are in fact paid) by any Parent Holding Company by virtue of its:

    (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a Parent Holding Company, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries;

    (e) having made any payment in respect of any of the items for which the Issuer is permitted to make payments to any Parent Holding Company pursuant to "*Certain Covenants—Limitation on Restricted Payments*"; or

    (f) any Permitted Tax Distribution.

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Holding Company or party to a Tax Sharing Agreement, any Taxes measured by income for which such Parent Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Reserved Indebtedness Amount*" has the meaning set forth in the covenant described under "*Certain Covenants—Limitation on Indebtedness*."

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means (i) any Subsidiary of the Issuer other than an Unrestricted Subsidiary and (ii) on and following the Escrow Release and prior to the Post-Settlement Merger, the Company and any *Subsidiary* of the Company other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*Revolving Credit Facility*" means the revolving credit facility available under the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the revolving credit facility agreement dated December 20, 2018, as *amended* and restated on March 8, 2019, among, *inter alios*, Debtco, Wilmington Trust (London) Limited, as facility agent, and U.S. Bank Trustees Limited, as security agent, as amended, restated, modified, renewed, *refunded*, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*S&P*" *means* Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale and Leaseback Transaction*" means any arrangement providing for the leasing by the Issuer or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or *transferred* by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC *promulgated* thereunder, as amended.

"*Security Agent*" means U.S. Bank Trustees Limited.

"*Security Documents*" means the Intercreditor Agreement and each collateral pledge agreement, security assignment agreement or other document under which Collateral is pledged to secure the Notes.

"*Senior Management*" means the officers, directors, and other current or former members of senior management of the Issuer or any of its Subsidiaries, who (or the Related Persons of whom) at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent Holding Company and with an equity investment in excess of €250,000.

"*Senior Secured Indebtedness*" means any Indebtedness included in the definition of Consolidated Net Indebtedness, which is secured *pari passu* with the Notes (including, for the avoidance of doubt, any Notes) on the Collateral and which ranks *pari passu* with or senior to the Notes (including, for the avoidance of doubt, any Notes)with respect to the right to receive Recoveries (as defined in the Intercreditor Agreement) resulting from the realization or enforcement of all or any part of the Transaction Security (or a transaction in lieu thereof) pursuant to clause 14.1 (*Order of application*) of the Intercreditor Agreement.

"*Significant Subsidiary*" means any Restricted Subsidiary which (on a consolidated basis with any other Restricted Subsidiary thereof) is responsible for earnings before interest, tax, depreciation and amortization exceeding 10% of Consolidated EBITDA.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Sponsor*" means certain clients, funds and accounts managed or advised by Kohlberg Kravis Roberts & Co. *LP* or its affiliates.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of *performance* entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory *redemption* provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue *Date* or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Guarantees pursuant to a written agreement (and for the avoidance of doubt, for the purposes of the Indenture (i) Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness and (ii) Senior Liabilities shall not constitute Subordinated Indebtedness).

"*Subordinated Shareholder Funding*" means, collectively, (i) any funds provided to the Issuer or any Restricted *Subsidiary* by a Parent Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent Holding Company or a Permitted Holder, or (ii) any investment by a Management Investor pursuant to a management equity plan, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, *instrument* or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, that such Subordinated Shareholder Funding in each case:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(2) does not require, prior to the date that is six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after Stated Maturity of the Notes;

(4) does not provide for or require any Guarantee by, or any security interest or encumbrance over any asset of, the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms is subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor* Parent *Holding Company*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*TARGET2*" means the second generation trans-European automated real time gross settlement express transfer payment system.

"*Target* Senior *Facility Debt*" means any Indebtedness outstanding under the senior facilities agreement dated April 8, 2016 between, among others, the Target and Banco Santander S.A. as Agent (each as defined therein).

"*Tax Sharing Agreement*" means any fiscal unity arising under relevant tax laws, and any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent Holding Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America (or any state or commonwealth thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date; (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds; or (iii) any political subdivision, agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Revolving Credit Facility Agreement;

  (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

  (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by the United States of America (or any state thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date or, in each case, any political subdivision, agency, instrumentality or taxing authority thereof, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America (or any state or commonwealth thereof or the District of Columbia), Canada (any province thereof), Japan, Australia, Switzerland, Norway, the United Kingdom, the European Union or any member state of the European Union on the Issue Date or, in each case, any political subdivision, agency or instrumentality thereof eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 90% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Topco*" means the direct Holding Company of the Issuer from time to time.

"*Transaction Expenses*" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum. "*Trust Indenture Act*" means the U.S. Trust Indenture Act of 1939, as amended.

"*UCC*" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided*, that at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of a collateral agent's security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

"*Unrestricted* Subsidiary" means:

(1) any Subsidiary of the Issuer or, prior to the Post-Settlement Merger, the Company, that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Issuer or the Company) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer, the Company or any other Subsidiary of the Issuer (or, prior to the Post-Settlement Merger, the Company) which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer and any Restricted Subsidiary in such Subsidiary complies with "*Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a *resolution* of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result *therefrom* and (2)(x) the Issuer or a Restricted Subsidiary could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the "*Certain Covenants—Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such designation; or (z) the Consolidated Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

(2) the sum of all such payments.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all of the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes”). The Notes sold within the United States to QIBs pursuant to Rule 144A who are also Qualified Purchasers will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interests” and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form (subject to very limited exceptions) and will not be considered the registered owners or “holder” of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the holder of the Notes for all purposes under the Indenture. As such, participants and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and, in the case of indirect participants, the participants through which they own Book-Entry Interests, in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Registrar, the Paying Agent, the Transfer Agent, the Trustee nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive Notes in registered form (the “Definitive Registered Notes”):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default (as defined therein) under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we, in our discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes through Euroclear or Clearstream, as applicable, in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

Beneficial interests in a 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available under the Securities Act).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Notice to Investors*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear and Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear and Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar, the Paying Agent nor any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the Settlement Date against payment for value on the Settlement Date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAXATION CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, Spanish or U.S. law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to Spanish and U.S. tax law below only have such meanings as defined therein for such respective section. The statements regarding Spanish and U.S. laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

The discussion below is a general summary. It does not cover all tax matters that may be of importance to a particular investor each prospective investor is urged to consult its own tax advisor about the tax consequences to it of an investment in the Notes in light of the investor's own circumstances.

Spain

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Offering Memorandum:

(i) of general application, First Additional Provision of Law 10/2014, of 26 June on the regulation, supervision and solvency of credit entities ("Law 10/2014") and Royal Decree 1065/2007 of 27 July as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes ("Royal Decree 1065/2007");

(ii) for individuals with tax residency in Spain who are personal income tax ("Personal Income Tax") tax payers, Law 35/2006, of 28 November 2006 on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law (the "Personal Income Tax Law") as amended and Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations as amended, along with Law 19/1991, of 6 June 1991 on Wealth Tax as amended, Royal Decree-Law 13/2011 and Law 22/2013 and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax, as amended;

(iii) for legal entities resident for tax purposes in Spain which are corporate income tax ("Corporate Income Tax") taxpayers, Law 27/2014, of 27 November 2014 and Royal Decree 634/2015, of 10 July 2015 promulgating the corporate income tax regulations; and

(iv) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("Non-Resident Income Tax") taxpayers, Royal Legislative Decree 5/2004, of 5 March 2004 promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended and Royal Decree 1776/2004, of 30 July 2004 promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June 1991 on Wealth Tax as amended Royal Decree-Law 13/2011 and Law 22/2013 and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (a "Holder"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain; for example it will be exempt from transfer tax and stamp duty (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*), in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax (*Impuesto sobre el Valor Añadido*), in accordance with Law 37/1992, of 28 December regulating such tax.

Individuals with Tax Residence in Spain

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)

Payments of both interest periodically received and income deriving from the transfer, redemption, repayment or exchange of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and must be included in each Holder's Personal Income Tax savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then-applicable rate. The savings taxable base of tax year 2019 will be taxed at the rate of 19% up to €6,000, 21% for taxable income between €6,001 and €50,000, and 23% for taxable income exceeding €50,000.

No withholding on account of Personal Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Notes by individual Holders subject to Personal Income Tax, provided that certain requirements are met (including that the Paying Agent provides the Issuer and the relevant Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*—Information About the Notes in Connection with Payments.*"

If the Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19.0% as of the date of this Offering Memorandum) and will not pay additional amounts with respect to any such withholding.

In any event, the individual Holder may credit the withholding against his or her Personal Income Tax liability for the relevant year.

Reporting Obligations

The Issuer and the relevant Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are individuals resident in Spain for tax purposes.

Wealth Tax (Impuesto sobre el Patrimonio)

Individuals with tax residency in Spain that hold Notes at December 31 of any year are subject to Spanish Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2019. Therefore, such Holders should take into account the average market value of the Notes during the last quarter of the year and the applicable rates ranging, generally, between 0.2% and 2.5%. Certain Spanish autonomous communities have passed different provisions applicable in their territory, including higher tax rates, abatements and different limits as described above.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable tax rates as at the date of this Offering Memorandum range, generally, between 7.65% and 34%. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that range between 0% and 81.6% as at the date of this Offering Memorandum. Certain Spanish autonomous communities have passed different provisions applicable in their territory, including higher tax rates and abatements.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Payments of both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes must be included in the profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. The general tax rate in 2019 is 25%.

No withholding on account of Corporate Income Tax will be imposed on interest as well as on income derived from the redemption or repayment of the Notes paid to Spanish CIT holder of Notes, provided that certain requirements are met (including that the Paying Agent provides the Issuer and the relevant Guarantor, in a timely manner, with a duly executed and completed Payment Statement). See "*—Information About the Notes in Connection with Payments*."

If the Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19.0% as of the date of this Offering Memorandum) and will not pay additional amounts with respect to any such withholding.

In any event, legal entities with tax residency in Spain Holders may credit the withholding against their Corporate Income Tax liability for the relevant year.

Reporting Obligations

The Issuer and the relevant Guarantor will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are legal persons or entities resident in Spain for tax purposes.

Wealth Tax (Impuesto sobre el Patrimonio)

Spanish resident legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

Individuals and Legal Entities with no Tax Residence in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)

Non-Spanish Tax Resident Investors Acting Through a Permanent Establishment in Spain

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax on similar terms as those previously set out for Spanish Corporate Income Tax taxpayers.

Non-Spanish Tax Resident Investors not Acting Through a Permanent Establishment in Spain

Both interest payments periodically received and payments of income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or legal entities without tax residency in Spain who are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain are exempt from Non-Resident Income Tax and therefore no withholding on account of Non-Resident Income Tax shall be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from Non-Resident Income Tax, certain requirements must be met, including the provision by the Paying Agent of certain information relating to the Notes, in a timely manner as detailed under "*Information About the Notes in Connection with Payments*" as laid down in section 44 of Royal Decree 1065/2007, as amended.

If the Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19.0% as of the date of this Offering Memorandum) and will not pay additional amounts with respect to any such withholding.

Holders of Notes not resident in Spain for tax purposes and entitled to exemption from Non-Resident Income Tax but, in respect of whose Notes, the Issuer and the relevant Guarantor do not receive information from the Paying Agent in a timely manner as detailed under "I*nformation About the Notes in Connection with Payments*," would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non-Resident Income Tax law.

Wealth Tax (Impuesto sobre el Patrimonio)

Spanish non-resident tax individuals will be subject to Spanish Wealth Tax, which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Notes is exempt from Non-Resident Income Tax, individual Holders not resident in Spain for tax purposes who hold Notes on the last day of any year will be exempt from Spanish Wealth Tax. Furthermore, Holders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Holder's country of residence will not be subject to Spanish Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above €700,000 and who hold Notes on the last day of any year, would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year. Non-Spanish tax resident individuals who are resident in an EU or European Economic Area member State may apply the rules approved by the Spanish autonomous community where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals who do not have tax residence in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a convention for the avoidance of double taxation in relation to Inheritance and Gift Tax will be subject to the relevant convention for the avoidance of double taxation.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and state legislation, to the extent that rights deriving from the Notes can be exercised within the Spanish territory. Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the state Inheritance and Gift Tax law. However, if the deceased or the donee are resident in an EU or European Economic Area member State, the applicable rules will be those corresponding to the relevant autonomous regions according to the law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

Tax Rules for Payments Made by the Guarantor (Spain)

Any payments of principal and interest made by the Guarantor under a Notes Guarantee may be characterized as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantors have validly, legally and effectively assumed all the obligations of the relevant Issuer under the Notes subject to and in accordance with the Notes Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest. In this case, should Law 10/2014 be applicable, the Guarantors, in accordance with Law 10/2014 and Royal Decree 1065/2007, would not be obligated to withhold taxes in Spain on any interest paid under the Notes Guarantee to the Noteholders, provided that the Paying Agent complies with the information procedures described in *"—Information About the Notes in Connection with Payments."*

Information About the Notes in Connection with Payments

As described above, interest and other income paid with respect to the Notes will not be subject to Spanish withholding tax unless the Paying Agent fails or for any reason is unable to provide the Issuer and the relevant Guarantor, in a timely manner, with the required information.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007, as amended.

In accordance with Section 44.5, before the close of business on the Business Day (as defined in the Terms and Conditions of the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "Payment Date") is due, the Issuer and the relevant Guarantor must receive from the Paying Agent the following information about the Notes:

(a) the identification of the Notes with respect to which the relevant payment is made;

(b) the date on which the relevant payment is made;

(c) the total amount of the relevant payment; and/or

(d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain (such as Euroclear and Clearstream).

In particular, the Paying Agent must certify the information above about the Notes by means of a certificate, the Payment Statement.

In light of the above, the Issuer, the relevant Guarantor and the Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer and the relevant Guarantor on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Offering Memorandum, 19.0%) from any payment in respect of the relevant Notes. Neither the Issuer nor the relevant Guarantor will pay any additional amounts with respect to any such withholding.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Paying Agent provides the required information to the Issuer, the amounts withheld will be reimbursed. If this were not the case, the Holders may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Prospective Holders should note that none of the Issuer nor the relevant Guarantor accepts any responsibility relating to the procedures established for the collection of information concerning the Notes. Accordingly, neither the Issuer nor the relevant Guarantor will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, neither the Issuer nor the relevant Guarantor will pay any additional amounts with respect to any such withholding. See "*Risk Factors—Risks Related to the Notes—There are risks related to Spanish withholding tax, including in conjunction with the collection of certain documentation from the paying agent*."

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. Holder (as defined below), except for the discussions below under "*—Additional Notes*" and "*—Foreign Account Tax Compliance*," and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws.

This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect which could significantly affect the U.S. federal tax consequences described below. No rulings from the U.S. Internal Revenue Service ("IRS") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation. A different treatment than that assumed below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such U.S. Holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, the alternative minimum tax, or the base erosion and anti-abuse tax, or to holders subject to special rules, such as banks, certain financial institutions, U.S. expatriates, insurance companies, individual retirement and other tax deferred accounts, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax exempt entities, regulated investment companies, real estate investment trusts, partnerships, S corporations, or other pass through entities and investors in such entities, entities covered by the U.S. anti-inversion rules, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, and persons subject to special tax accounting rules as a result of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to investors for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets (generally, property held for investment) within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Characterization of the Notes

The proper characterization of instruments such as the Notes for U.S. federal income tax purposes is not entirely clear. It is possible that the Notes could, for example, be treated as debt of the Issuer or as an equity interest in the Issuer. Although the issue is not free from doubt, we have treated and intend to treat the Notes as indebtedness of the Issuer for U.S. federal income tax purposes. This characterization is binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires the Notes that it is taking a different position. However, our characterization is not binding on the IRS or the courts, and no ruling is being requested from the IRS with respect to the proper characterization of the Notes for U.S. federal income tax purposes. If the IRS were to successfully assert that the Notes should not be treated as indebtedness but as equity interests in the Issuer, the tax consequences to a U.S. Holder could be different than those described herein. The following discussion assumes that the Notes will be characterized as indebtedness of the Issuer for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors regarding the characterization of the Notes and the consequences to such holders in the event that the Notes are treated as equity for U.S. federal income tax purposes.

Post-Settlement Merger

After the Settlement Date and pursuant to the Post-Settlement Merger, it is expected that the Issuer will merge with the Company, with the Company being the surviving entity. The Company, as the surviving entity, will assume the obligations of the Issuer under the Notes. Although the matter is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. If this position is respected, a U.S. Holder would not recognize any income, gain or loss in connection with such transactions and would have the same adjusted tax basis in the Notes as the U.S. Holder had in the original Notes exchanged therefor. Moreover, the holding period for the Notes would generally include the holding period for the original Notes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Post-Settlement Merger and the assumption of the obligations under the Notes by the Company as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Post-Settlement Merger is less than the principal amount of such Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with original issue discount for U.S. federal income tax purposes, in which case the U.S. federal income tax consequences of the ownership and disposition of the Notes may be different than what is described below.

U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Post-Settlement Merger.

IPO Pushdown

Under certain circumstances, we may undertake an IPO Pushdown (as described under "*Description of the Notes—IPO Pushdown*"), pursuant to which the Issuer is entitled to give notice that the that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant Pushdown Notice) on the basis that references to the Issuer and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Subsidiaries which are Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity. Such a modification to the terms of the Notes could be treated for U.S. federal income tax purposes as a deemed exchange of (i) the Notes as in place prior to such modifications for (ii) new Notes as in place after such modifications ("New Notes"). If such modifications resulted in a deemed exchange, such a deemed exchange could be treated as a taxable transaction for U.S. federal income tax purposes in which certain beneficial owners of the Notes could be required to recognize gain or loss. The amount of any gain or loss recognized upon such a deemed exchange of a Note for a New Note would be determined by reference to the "issue price" of the New Note. The issue price of a New Note will equal the fair market value of such Note or such New Note at the time of the deemed exchange if such Note or such New Note were considered "publicly traded" for U.S. federal income tax purposes. If the IPO Pushdown is treated as a taxable transaction for U.S. federal income tax purposes, a U.S. Holder's holding period in a New Note treated as received in the IPO Pushdown generally will commence on the day after the IPO Pushdown, and tax basis in such New Note would generally equal the issue price of such New Note. Generally, any gain or loss recognized as a result of such deemed exchange will be taxed under the rules described under "*—Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes*." If the issue price of such New Note is less than its stated redemption price at maturity by more than a *de minimis* amount, such New Note will be treated as issued with original issue discount for U.S. federal income tax purposes. In such event, U.S. Holders would be required to include such original issue discount in their income as it accrues, in advance of the receipt of cash corresponding to such income. U.S. Holders should consult their own tax advisors as to the U.S. federal income tax considerations relating to modification of the Notes in connection with the IPO Pushdown, including the U.S. federal income tax considerations of a deemed exchange and resulting original issue discount, if any.

Additional Payments

In certain circumstances, the Issuer may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Notes (as described under "*Description of the Notes—Withholding Taxes*") or make payments in redemption of the Notes in addition to their stated principal amount and accrued interest (as described under "*Description of the Notes—Change of Control*" and "*Description of the Notes—Optional Redemption*"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts or making additional payments in redemption of the Notes does not result in the Notes being treated as "contingent payment debt instruments" under the applicable Treasury regulations. This position will be based in part on our determination that, as of the date of the issuance of the Notes, the possibility that additional amounts will have to be paid, or additional payments in redemption of the Notes will have to be made, is a remote or incidental contingency within the meaning of the applicable Treasury regulations.

Our determination that the Notes are not contingent payment debt instruments is binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a U.S. Holder may be required to accrue interest income on its Notes based upon a comparable yield, regardless of its method of accounting. The "comparable yield" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Notes would generally be recharacterized as ordinary income. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

It is anticipated, and this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes. Subject to the foreign currency rules discussed below, the gross amount of stated interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld), you will be required to include in income any additional amounts paid in respect of any foreign tax withheld.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of the stated interest received, determined by translating the foreign currency received at the spot rate on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment, but may recognize exchange gain or loss attributable to the actual disposition of the foreign currency so received.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such stated interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the stated interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year. Under the second method, you may elect to translate stated interest income at the spot rate on: (1) the last day of the accrual period; (2) the last day of the portion of the accrual period within the applicable taxable year if the accrual period straddles your taxable year; or (3) the date the stated interest payment is received if such date is within five business days of the end of the accrual period. This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisor as to the advisability of making the above election.

Whether or not such election is made, upon receipt of a stated interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued but unpaid interest previously included in income), a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize U.S. source ordinary income or loss in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate on the date such payment is received) and the U.S. dollar value of the stated interest income such U.S. Holder previously included in income with respect to such payment. This exchange gain or loss generally will be treated as ordinary income or loss, generally will be treated as U.S. source and generally will not be treated as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income (including any additional amounts) on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. The rules governing the calculation of foreign tax credits are complex and depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount attributable to accrued but unpaid interest not previously included in income, which will be taxable as such) and such U.S. Holder's adjusted tax basis in the Note. If a U.S. Holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

A U.S. Holder's adjusted tax basis in a Note will, in general, be the amount paid for such Note by such U.S. Holder. If a U.S. Holder uses foreign currency to purchase a Note, the amount paid for the Note generally will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it makes the special election described in the preceding paragraph, an accrual basis U.S. Holder, will determine the U.S. dollar value of the foreign currency purchase price at the spot rate on the settlement date of the purchase.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source capital gain or loss and, except as discussed below with respect to foreign currency gain or loss, generally will be long term capital gain or loss so long as the U.S. Holder has held the Note for more than one year on the date of disposition. Long term capital gains of non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be treated as U.S. source income or as an offset to U.S. source income, respectively, and will generally be treated as ordinary income or loss and not be treated as interest income or expense. For these purposes, the "principal amount" of a Note is the U.S. Holder's foreign currency purchase price of the Note. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will equal the difference, if any, between (i) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. Holder disposes of the Note and (ii) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. Holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "—*Payments of Stated Interest*." However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder will realize any foreign currency exchange gain or loss (including with respect to principal amount and accrued and unpaid stated interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount for U.S. federal income tax purposes or be subject to the contingent payment debt instrument rules which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals (and, under proposed Treasury regulations, certain entities) that own "specified foreign financial assets" with an aggregate value exceeding certain threshold amounts, generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal and stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 24%, on such payments if (1) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (2) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (3) there has been a "notified payee underreporting" described in section 3406(c) of the Code; or (4) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is a U.S. person, and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the effect, if any, of the backup withholding rules on their particular circumstances.

Foreign Account Tax Compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" to the extent such payments are treated as attributable to certain U.S. source payments. Under recently proposed Treasury Regulations, obligations issued on or prior to the date that is two years after the date on which applicable final Treasury Regulations defining "foreign passthru payments" are filed generally would be "grandfathered" unless such obligations are materially modified more than six months after such date. As of the date of this Offering Memorandum, applicable final Treasury Regulations have not yet been filed. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into, and others are expected to enter into, intergovernmental agreements with the United States to implement FATCA in a manner that alters the rules described herein. U.S. holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

Certain General Tax Considerations

Payments by a Guarantor

If a Guarantor makes any payment in respect of the Notes, it is possible that such payments may be subject to withholding tax at applicable rates, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption that may apply. It is not certain that such payments by the Guarantor will be eligible for such exemptions.

The proposed financial transactions tax may have a negative effect on holders of the Notes ("FTT")

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "Participating Member State"). However, following the ECOFIN Council meeting of December 8, 2015, Estonia has since stated that it will not participate.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Under the Commission's Proposal, the FTT should be payable to the tax administration by each financial institution and, where the FTT had not been duly paid, each party to the transaction, including persons other than financial institutions, should be jointly and severally liable for the payment of the FTT. Therefore, the FTT might increase the cost of the transactions for holders and beneficial owners of the Notes.

On October 28, 2016, the Council of the European Union published document No. 13608/16 concerning the status of the FTT at that time, according to which a certain degree of progress in the FTT negotiations have been observed. However, further work at the Council and its preparatory bodies will be required before a final agreement can be reached among the participating Member States that respects the competences, rights and obligations of the Member States not participating in the FTT.

The ECOFIN Council indicated on December 6, 2016 and on June 12, 2017, that the ten Participating Member States agreed to pursue the on-going work and discussions on the main features of the FTT before a final agreement can be reached.

The FTT proposal remains subject to negotiation between Participating Member States and the scope of any such taxation is uncertain. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of Spain. The Guarantors for the Notes are incorporated or organized under the laws of Spain, Chile and Portugal. The documents relating to the Collateral for the Notes will be governed by the laws of Spain, Chile and Portugal (except for the Escrow Charge, which will be governed by the laws of England and Wales). The Indenture (including the Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement is governed by English law. All of the directors and executive officers of the Issuer and each of the Guarantors are non-residents of the United States. Since substantially all of the assets of the Issuer and each of the Guarantors, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or a Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions upon those persons, the Issuer or the Guarantors provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Guarantors or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Spain

The Company, TPZ and Luxtor S.A.U. (the “Spanish Guarantors”) will guarantee both the Notes and the Revolving Credit Facility, with certain limitations due to Spanish mandatory rules and practice. Pursuant to the Intercreditor Agreement, any proceeds from the Spanish guarantees received by the lenders under the Revolving Credit Facility Agreement will be shared with the lenders in respect of certain hedging obligations and holders of the Notes on a *pari passu* basis.

A final and conclusive judgment obtained against the Issuer or any of the Guarantors outside of Spain (and, in particular, in the United States), other than in a country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council, would be recognized and enforced by the courts of Spain (unless such judgment contravenes principles of Spanish public policy) pursuant to the following regimes:

- according to the provisions of any applicable treaty (there being none currently in existence between Spain and the United States for these purposes); and
- in the absence of any such treaty, the judgment would be enforced in Spain if it satisfies all of the following requirements in compliance with and subject to Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuciamiento Civil*) and subject to Law 29/2015, of July 30, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil*) (the “Law on International Legal Cooperation in Civil Matters”):

  (i) the judgment is final and conclusive (*firme*);

  (ii) the judgment was rendered by a court having jurisdiction over the matter and the choice of the court is not fraudulent. In particular, the court rendering the judgment must not have infringed on exclusive grounds of jurisdiction provided for under Spanish law;

  (iii) the judgment is not contrary to Spanish public policy (*orden público*) or any mandatory provision and the obligation to be fulfilled is legal in Spain;

  (iv) the documentation prepared for purposes of requesting the enforcement of the judgment is accompanied by an original, authentic, sworn translation into Spanish;

  (v) the copy of the judgment presented before the Spanish Court is duly apostilled;

(vi) there is no ongoing proceeding between the same parties and in relation to the same subject in Spain, that was initiated before a Spanish court prior to commencing the proceedings before the foreign court;

(vii) there is no incompatible judgment rendered in Spain or previously rendered in another country, that meets the requirements to be enforceable in Spain;

(viii) the rights of defense of any of the parties were not breached (including, but not limited to, a proper service of process carried out with sufficient time for the defendant to prepare its defense and the judgment was not rendered by default (i.e. without appearance or without the possibility for the defendant to appear)); and

(ix) although reciprocity is not a legal requirement, if it were proven that the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts on a general basis, then the Spanish courts could be compelled to deny the recognition of the U.S. judgment in Spain.

The law on International Legal Cooperation in Civil Matters expressly prohibits that a foreign judgment is reviewed as to the merits (*revision sobre el fondo*) by the Spanish competent court.

The United States and Spain are not party to any treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, any party wishing to have a U.S. ruling recognized or enforced in Spain must file an application seeking declaration of enforceability of the U.S. resolution (*exequatur*) with the relevant Spanish Judge of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*).

In addition, the discovery process under actions filed in the United States of America could be adversely affected under certain circumstances by Spanish law (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in Spain or from Spanish persons in connection with a judicial or administrative U.S. action.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros. Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgment in Spain entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) certain professional fees for the verification of the legal authority of a party litigating in Spain, if needed; (c) judicial tax and fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador*) and (e) the content and validity of foreign law must be evidenced to the Spanish courts. In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Notes or any other agreement.

Chile

A final and conclusive judgment for the payment of money rendered by a United States court (a “Monetary Judgment”) against the Chilean Guarantor who has submitted to such courts, would be recognized and enforced in the courts of Chile by virtue of legal principles of reciprocity and comity subject to such courts’ judgement review in Chile in order to ascertain whether certain basic principles of due process and public policy have been respected, without any retrial or re-examination of the merits of the original actions, under the following circumstances:

(a) if there is a treaty between Chile and the country where the judgment was rendered with respect to the enforcement of foreign judgments, the provisions of such treaty shall be applied. In this respect, please note that currently, there is no treaty for the enforcement of foreign judgments between the United States of America and Chile;

(b) if there is no treaty, the judgment will be enforced if there is reciprocity as to the enforcement of judgments (i.e., the relevant foreign court would enforce a judgment of a Chilean court under comparable circumstances);

(c) if it can be proven that there is no reciprocity, the judgment will not be enforced;

(d) if reciprocity cannot be proven to exist, the judgment nonetheless will be enforced if (i) it does not contain anything contrary to Chilean Law, notwithstanding the differences in procedural rules, (ii) it is not contrary to Chilean jurisdiction, (iii) it has been duly served on the defendant and that the defendant was afforded a real opportunity to appear before the court and defend his or her case. Note that, under Chilean law, the service of process by means of mailing copies to the defendant will not be deemed effective to cause a proper service of process and, consequently, any judgment rendered in a legal proceeding in which process was served by means of mailing copies, may then be effectively contested in Chile, and (iv) it is final under the laws of the country where the judgment was rendered; and

(e) in any event, the judgment must not be contrary to the public policy of Chile or Chilean jurisdiction and must not affect in any way any property located in Chile, which is, as a matter of Chilean Law, subject exclusively to the jurisdiction of Chilean courts.

Upon compliance with the above, the courts in Chile will enforce a final and conclusive Monetary Judgment in accordance with the procedure contemplated for the enforcement of final and conclusive foreign judgments or arbitral awards in the Chilean Civil Procedure Code ("exequatur").

In addition, it may be necessary for holders of the Notes to comply with certain procedures to bring the Monetary Judgement in Chile, including payment of a stamp tax (currently assessed at a maximum rate of 0.8% of the face value of a debt security), if applicable, in order to file a lawsuit with respect to the Notes in a Chilean court and foreclose on the Post-Escrow Release Date Collateral.

Portugal

TelePizza Portugal - Comércio de Produtos Alimentares, S.A. (the "Portuguese Guarantor") is organized under the laws of Portugal with limited liability. The directors and the executive officers of the Portuguese Guarantor are non-residents of the United States and substantially all of the assets of such persons are located outside the United States. As a result, in order to enforce in Portugal a judgment entered in another jurisdiction, the service of process on such persons or the Portuguese Guarantor outside Portugal must be made in accordance with the Portuguese Code of Civil Procedure. An investor may also experience difficulty in effecting service of process on or enforcing judgments against such persons or the Portuguese Guarantor based on civil liability provisions of the U.S., Federal and state securities laws or other laws.

The United States and Portugal are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments other than arbitration awards, in civil and commercial matters. In the absence of any such treaty, such judgment will be recognized and enforced in Portugal according to the procedures set out in the Portuguese Code of Civil Procedure for the recognition of foreign judgments, provided that it meets the following requirements:

- the judgment must be final, translated into Portuguese and apostilled without doubts as to the authenticity of the document and the contents of the judgment;

- the judgment shall not be contrary to Portuguese public policy and the obligation that the petitioner is attempting to execute has to be lawful in Portugal;

- there shall not be a pending proceeding between the same parties and in relation to the same issues in Portugal;

- there shall not be a judgment rendered between the same parties and for the same cause of action in Portugal or in another country;

- the matters under discussion shall not be related to matters in which the Portuguese courts consider themselves exclusively competent, and the competency of such foreign courts shall not have been obtained by unlawfully circumventing applicable rules;

- the rights of defense of the defendant should have been protected when rendering the foreign judgment (*princípio do contraditório*), including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts and notification (*citação*), and with respect for the principle of equal treatment of the parties; and

- the request of recognition of a judgment rendered by a court of competent jurisdiction in the United States may be challenged if the party against whom the judgment was rendered is a Portuguese citizen or a Portuguese company and the result of the judgment would be more favorable to said party if the U.S. court had applied Portuguese law (assuming that the Portuguese law would be applicable according to the Portuguese rules of conflict of laws).

Portuguese civil procedure differs substantially from U.S. civil procedure in a number of respects. In so far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provided for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and/or the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under Portuguese law.

It should be mentioned that recognition may be denied (i) if there is another final judgment which proves that the judgment under analysis arises from a crime committed by the judge in the exercise of his functions, (ii) if a document is presented whose existence a party was unaware of or if such party could not use such document during the proceedings in which the judgment under analysis was rendered, provided that such document alone is deemed sufficient to modify the decision in favor of the defeated party or (iii) if the judgment is based on a sham litigation and the court has not prevented the parties from reaching their goal due to the fact that the court was unaware of the fraud.

In an action brought in Portugal on the basis of U.S. federal or state securities laws, Portuguese courts may not have the requisite power to grant all the remedies sought.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, the Guarantors and certain subsidiaries are incorporated or organized, and a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests for the Notes. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes and the Guarantees and the security interests. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

Each of the Issuer and the Guarantors are incorporated under the laws of Member States of the European Union.

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), replacing Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended (the "EU Insolvency Regulation"), and starting from June 26 2017, which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a debtor has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary (which presumption shall not apply if the registered office has been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings), Article 3(1), second sentence, of the EU Insolvency Regulation states that the centre of main interests "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." The courts have taken into consideration a number of factors in determining the centre of main interests of a debtor, including, in particular, where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. Recital 30 of the EU Insolvency Regulation states that the presumption should be rebutted where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. A debtor's centre of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the centre of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although territorial (secondary) insolvency proceedings may be commenced in another Member State.

If the centre of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence territorial (secondary) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean "any place of operations where a debtor carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets." Accordingly, the opening of territorial (secondary) insolvency proceedings in another EU Member State will also be possible if the debtor had an establishment in such EU Member State in the three month period prior to the request for commencement of main insolvency proceedings.

The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its centre of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's centre of main interests is situated under of the conditions laid down by that Member State's law or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's centre of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets. The EU Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

Spain

Spanish Insolvency Law

The Spanish Insolvency Act 22/2003, of July 9, as amended (the "Spanish Insolvency Act") regulates insolvency proceedings (as opposed to voluntary out-of- court corporate liquidation which, pursuant to Spanish corporate law, is only available when the debtor is able to pay or assure all its liabilities). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "*concurso de acreedores*," applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (the "Composition Agreement") or to the liquidation of the debtor's assets (which is intended to privilege the sale of the business on a going concern).

Insolvency Filing

A debtor (in the case of a company, its directors) is required to file the bankruptcy petition upon inability to regularly pay its liabilities as they become due and payable. The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its imminent inability to regularly and timely pay as they become due and payable. Therefore, the Spanish insolvency test is a liquidity test and creditors, event those that do not hold due and payable debts, may also seek a debtor's declaration on insolvency when certain circumstances set forth in Section 2.4 of the Spanish Insolvency Act are evidenced in court, as detailed below.

Bankruptcy is considered voluntary (*concurso voluntario*) if filed by the debtor. If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor must file a petition for bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (inability to regularly pay the debts as they become due and payable). It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that involve a creditor filing for the debtor's insolvency occurs. Where the debtor fails to file a petition for bankruptcy within the time period established by law (two months), (i) the directors may be removed from office and substituted by the insolvency trustee once the bankruptcy is declared upon a creditor's petition; and (ii) the insolvency is legally presumed "fraudulent" (unless evidence is presented of the insolvency not having been caused nor aggravated by fraud or gross negligence), which could lead directors to be held liable for up to the amount of outstanding claims due by the borrower upon its liquidation pursuant to the insolvency proceedings, among other penalties (Section 163 and successive of the Spanish Insolvency Act).

Bankruptcy is considered mandatory or involuntary (*concurso necesario*) if filed by a creditor. Under article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if it can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a debtor's insolvency if it can prove to the court: (i) a generalized default on payments by the debtor; (ii) a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) a misplacement, "fire sale," hasty, loss-making or ruinous liquidation of the debtor's assets; or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (i.e. three months).

Pre-Insolvency Filing

Spanish law currently contains a restructuring moratorium proceeding known in practice as article 5.*bis* pre-bankruptcy proceeding, which is technically deemed as an insolvency proceeding under European regulation.

The abovementioned general duty to file for bankruptcy within the referred two-month period is legally suspended if the debtor notifies the applicable court that it has initiated negotiations with its creditors to obtain support to reach a pre-arranged composition agreement (*propuesta de convenio anticipado*) or an out-of-court workout (a collective refinancing agreement) set out in Section 71.*bis*.1 or in the Fourth Additional Disposition of the Spanish Insolvency Act (the so-called 5 *bis* communication). Effectively, by means of the 5 *bis* communication, the debtor gains an additional three- month period as from the date when the debtor gives such 5 *bis* notice, to achieve a refinancing agreement with its creditors or to obtain accessions to an anticipated composition agreement. During such three-month period, creditors' petitions for the borrower's insolvency will not be accepted.

Once the three-month period has elapsed, the borrower must submit the petition for insolvency within the following month, unless the insolvency has been removed. A petition for insolvency potentially filed by a creditor within this month will not be ruled by the court unless the borrower does not file for insolvency by the end of the month.

Additionally, during the four-month protection period provided for by *5 bis* notice (or three months according to certain case law), enforcement will be prevented: (i) by creditors, other than public, over assets which are necessary for the continuity of the debtor's business; and (ii) by financial creditors referred to in the 4th Additional Provision of the Spanish Insolvency Act over any asset, provided financial creditors holding at least 51% of the financial indebtedness (by value) of the insolvent debtor have expressed their will to commence negotiations in order to reach a refinancing agreement and have committed not to initiate or continue enforcement proceedings against the debtor. These provisions do not prevent the enforcement of any security right being formally initiated, but the enforcement process would be automatically suspended within the referred 5 *bis* period (excluding financial collateral, as defined in RDL 5/2005, which can be enforced anytime).

Further, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended.

Enforcement and Termination in a Pre-Insolvency Scenario

The obligations under the Notes and the Guarantees might not necessarily be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, *inter alia*, the nature of the remedies available in the Spanish courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Law on Civil Procedure (*Ley 1/2000, de 7 de enero, de Enjuiciamento Civil*) regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Act and other principles of law of general application. In this regard:

- A Spanish court may not enforce a contractual provision that imposes a penalty on one of the parties, if it considers that the amount of the penalty is not justified and it falls within the scope of articles 1.152 *et seq* of the Spanish Civil Code, provided that the obligations secured by the penalty have been partially or irregularly complied with; in this event the court may reduce the amount of the penalty.

- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction.

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.

- Spanish law, as applied by the Spanish Supreme Court, precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants if the basis for termination is not a breach of an obligation that is considered material in view of the particular circumstances (which could be the case in the event of termination on the grounds of cross default or cross acceleration) or which are merely ancillary or complementary to the main undertakings foreseen under the relevant agreement (such as payment obligations under financing agreements), and allows Spanish courts not to enforce any such termination.

- Under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

- A voluntary waiver of statutory rights would not be valid if it were contrary to public order or detrimental to a third party; furthermore, under Spanish law, the waiver of future rights that do not yet exist or of which there is a mere expectation could be deemed null unless ratified upon the rights arising and being perfected.

- A Spanish court may modify the obligations deriving from the contracts in the terms it deems necessary in order to restore the balance between the obligations (or even declare them unenforceable) if unexpected and exceptional circumstances arise that were unforeseeable when the contracts were executed, which would not have been expressly or implicitly assumed and entail a drastic change in the consideration or the reciprocal obligations assumed in the contracts, to such an extent that a Spanish court would consider strict compliance with the obligations assumed by this party in the contracts as nearly impracticable or extremely burdensome.

- In Spanish procedural law, the rules regarding the burden of proof in judicial proceedings cannot be modified by agreement of the parties and, consequently, any provision of the contracts in which decisions, certificates, notifications, opinions or the like issued by the parties are deemed conclusive evidence in the absence of a manifest error, would not be upheld by a Spanish court.

- Any document that is not in Spanish must be accompanied by an official sworn translation into Spanish for it to be admissible by a Spanish court or authority.

- Under Spanish law, powers of attorney, appointments and authorizations are generally revocable by the grantor (irrespective of whether they are said to be revocable or irrevocable), provided that the revocation is in good faith; however, this general rule would not prevail when the powers of attorney, appointments or authorizations are a necessary consequence of the underlying relationship between the grantor and the beneficiary and such revocation is aimed at frustrating the purpose for which such powers were granted.

- The choice of New York law in the Notes will not restrict the application of the Spanish "overriding mandatory provisions," as defined in Article 9.1 of Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I). Furthermore, Spanish courts may refuse to apply a provision of the chosen law if such application is manifestly incompatible with Spanish public policy. Spanish courts may also give effect to the overriding mandatory provisions of the law of the country in which the obligations arising from the contract have been performed or must be performed.

- The exclusive jurisdiction of the Spanish courts includes matters relating to the incorporation, validity, nullification and dissolution of companies or legal entities domiciled in Spain, and any decisions and resolutions of their governing bodies, the validity or nullity of any recording in a Spanish registry, and the recognition and enforcement of any judgment or arbitration award in Spain that has been obtained in a foreign country.

Effects of Bankruptcy Declaration

Effects for the Debtor

As a general rule, the debtor in a voluntary case retains its management power, but is subject to the intervention (*intervención*) of the insolvency trustee (*administrador concursal*), who is appointed by the court. In the case of mandatory insolvency, as a general rule, the debtor's management will be replaced (*sustitución*) by the insolvency trustee. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency trustee's request, the court has the power to swap the intervention regime for a suspension regime or vice versa. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void.

Effects on Contracts

Bankruptcy declaration does not affect contracts with reciprocal obligations pending performance by both parties by bankruptcy declaration (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate (reject) any such contracts at the request of the insolvency trustee (provided that management's powers have been solely conferred upon the insolvency trustee), the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency trustee) when such termination is in the interest of the estate (*resolución del contrato en interés del concurso*), or terminate for breach at the request of the non-insolvent party if there has been a breach of such contract after the insolvency filing. The termination of such contracts may result in the insolvent debtor having to return consideration received or indemnify its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency trustee's request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall have a estate claim.

Creditors are not entitled to terminate executory contracts based only on bankruptcy declaration (*declaración de concurso*) of the debtor. All clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws), or if the unilateral termination of the contract is allowed by law.

Additionally, bankruptcy declaration suspends interest accrual, except for claims secured with an in *rem* right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

As a general rule subject to certain exceptions ruled by Spanish case law, set-off is prohibited unless (i) the requirements for the set-off were satisfied prior to the declaration of insolvency or the claim of the insolvent debtor is governed by a law that permits set-off in case of insolvency.

As a general rule, the enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* security) is prohibited until the earlier of: (i) an arrangement of a composition agreement being reached, provided that the Composition Agreement does not affect such right; or (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase (excluding financial collateral, as defined in RDL5/2005, which can be enforced as any time, as well as where the collateral is located in a Member State outside of Spain pursuant to the rules of the EU Insolvency Regulation). Some courts consider, pursuant to Section 57.3 of the Spanish Insolvency Act, that those secured creditors who did not commence enforcement prior to the declaration of insolvency would lose their right to enforce the collateral separately within the insolvency proceedings, even if one year has elapsed since the declaration of insolvency.

Shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the ownership of that asset, are not legally considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

Ranking of Credits

The judge's insolvency order contains an express request for creditors to declare debts owed to them within a one-month period following the last official publication in the Official State Gazette (*Boletín Oficial del Estado*) of the court order declaring the insolvency (proof of claims), by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and held by the debtor, the insolvency trustee draws up a list of acknowledged claims (subject to challenge in court) and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's estate; (ii) claims benefiting from special privileges; (iii) claims benefiting from general privileges; (iv) ordinary claims; and (v) subordinated claims.

(a) Claims against the insolvency estate (*créditos contra la masa*) from Section 84 of the Spanish Insolvency Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security), are generally payable when due according to their own terms (and, therefore, are paid before other claims). Debt against the insolvency estate includes, among others, (i) the employee payroll for the latest 30 days before the declaration of insolvency (provided that it does not exceed twice the amount of the legal minimum wage) which will be paid immediately, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts deriving from executory contracts and obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (iv) those amounts that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it, if tied to bilateral contracts (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from tort liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency; (vii) in case of liquidation, the credit rights granted to the debtor under a Composition Agreements in accordance with article 100.5 of the Spanish Insolvency Act, (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act; and (ix) the new funds lent by persons being in a special relationship with the debtor in the context of a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act, provided further that such new funds do not result from a share capital increase, loans or acts with analogous purpose.

(b) Claims benefiting from special privileges, representing security on certain assets (*essentially in rem security*). Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the so defined "value of their security" the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules provided for in the Spanish Insolvency Act minus senior secured claims over such asset). The part of the claim exceeding the value of their security will not be classified as special privileged, but according to the nature of the claim. These claims benefiting from special privileges may entail separate enforcement proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the declaration of the insolvency and the risk of loss of separate enforcement as previously described, and certain additional limitations in case of sale and repayment set forth in the Spanish Insolvency Act (Section 155 in case the secured asset is sold on an individual basis, and Section 149.2 in case it is sold as part of a business unit of an ongoing concern). However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency trustee has the option to pay the relevant claims against the insolvency estate up to the "value of the security" under specific payment rules. Special privileged creditors are not bound by a Composition Agreement (nor can they vote against it), unless they give their express support by voting in favor of the Composition Agreement or, in case they do not give such express support, if, in addition to the achievement of the general majorities required to pass the Composition Agreement, other special privileged creditors holding security which represent at least 60% (or 75% depending on the conditions of the Composition Agreement) of the total "value of all security agreements" granted within the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets on which they are secured.

(c) Claims benefiting from general privileges include, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, are recognized as privileged for up to 50% of the amount of such debts. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be bound by the restructuring (under a Composition Agreement) except if they give their express support by voting in favor of the Composition Agreement or, in the case they do not give such express support, if, in addition to the achievement of the general majorities required to pass the Composition Agreement, creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the Composition Agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law). Creditors with claims benefitting from general privileges will be paid according to the ranking established in the Spanish Insolvency Act.

(d) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a pro-rated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims.

(e) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others (such as interests accrued before the insolvency declaration on unsecured claims), those credits held by parties in special relationships with the debtor pursuant to Section 93 of the Spanish Insolvency Act. In the case of individuals, this includes their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any specially related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed)— when the shareholder is an individual, those who would be specially related to the individual are also specially related to the debtor, each as of the date when the credit right against the debtor arose; or (iii) directors (either *de jure* or *de facto*), liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a collective refinancing arrangement entered into in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act, or to a Composition Agreement shall not be considered as being in a special relationship with the debtor for the purposes of classification of credits, as a result of the financing granted under such refinancing arrangement. Those creditors executing a collective refinancing agreement in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act, or a Composition Agreement, shall neither be deemed as shadow directors as a result of the covenants assumed by the debtor in relation to the viability plan, unless the existence of a circumstance justifying the shadow directorship may be proven. Additionally, claims different from loans and acts with analogous purpose held by those shareholders referred to in (i) and (iv) shall not be subordinated.

(f) Subordinated creditors are second-level creditors: they do not vote on the Composition Agreement and in the event of liquidation they will be paid according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

Hardening Periods

There is no automatic claw-back by virtue of law. The insolvency trustee (or a creditor in case the insolvency trustee does not bring the claw back action within two months from the date the creditor formally required him to do so) may only challenge those transactions that could be deemed as being "detrimental" to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 71.7 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the general regime of rescission set forth in the Spanish Civil Code).

"Detriment" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. Spanish case law has defined "detriment" as an unjustified sacrifice caused to the estate. Pursuant to the law, (a) detriment exists (as a non-rebuttable presumption, without admission of proof to the contrary) in the case of (i) disposals without consideration, except for ordinary largesse (*liberalidades de uso*) and (ii) pre-payment of unsecured obligations maturing after the insolvency declaration; and (b) detriment is deemed to exist (as a rebuttable presumption) in the case of (i) transactions entered into with parties that have a special relationship with the debtor, (ii) the creation of in rem rights in order to secure pre-existing obligations or those incurred to replace existing obligations and (iii) the cancellation of obligations secured by an in rem security falling due after the declaration of insolvency. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, by applying the rebuttable presumption of detriment such as a transaction entered into with specially related parties as referred to above that have a special relationship, unless the guarantor is able to show that there was an equivalent tangible and identifiable benefit for the guarantor in exchange of the granting of such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called "group interest"). Whether or not the granting of any upstream guarantee or security by the guarantor is detrimental to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof).

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its restoration claim will be classified as subordinated. If the judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The exercise of rescission actions does not prevent other general actions against the relevant transaction in accordance with law, which may be brought by the insolvency trustee before the bankruptcy judge (such as the general civil recession in case of fraud which is described below).

Under no circumstances can be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business, provided that they are carried out under market conditions; (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments; and (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities.

Neither "refinancing agreements," nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "refinancing agreements," will be subject to an action for rescission, provided that they comply with the requirements set out below in section 'Protection of Certain Refinancing Agreements'.

Neither of the legally defined "refinancing agreements" under the 4th Additional Provision of the Spanish Insolvency Act, nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "refinancing agreements," will be subject to a claw back action (please see section 'Protection of Certain Refinancing Agreements' below). Other actions against this refinancing agreement may be possible, to be brought by the insolvency trustee, exclusively.

Refinancing agreements as defined in Section 71 *bis* of the Spanish Insolvency Act may be subject to claw back by the insolvency trustee exclusively, only on the merits the refinancing agreement does not meet the legal requirements established in the referred Section 71 *Bis*.

Fraudulent Conveyance Laws

Under Spanish law, in addition to the bankruptcy clawback action, the insolvency trustee and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided the same was performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- •there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish civil law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *juris et de jure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *juris tantum* presumption (a rebuttable presumption). Pursuant to Article 1,292 of the Spanish Civil Code, payments of debts not yet due and payable made in insolvency may be also rescinded.

If the rescission action were to be upheld, the third party would be liable to return the consideration received under the contract. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

The legal time frame for bringing a civil rescission claim is four years.

Protection of Certain Refinancing Agreements

Certain refinancing agreements denominated "Collective Refinancing Agreements" may be protected from claw-back risk provided that they comply with certain requirements established in the 4th Additional Provision of the Spanish Insolvency Act further explained in the section referred to as "*—Cramdown Effects of Certain Refinancing Agreements.*"

In the case that such collective refinancing agreements are not subject to the procedure of judicial sanctioning therein described (*homologación*), they may still have certain (but not total) protection against clawback (as explained above), if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requirements, established in Section 71 *Bis*.1 of the Spanish Insolvency Act, the collective refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below. Section 71 *Bis*.2 of the Spanish Insolvency Act describes certain acts out of a collective refinancing agreement whose claw back is also limited, in similar terms.

Cramdown Effects of Certain Refinancing Agreements

In order to seek protection against clawback, collective refinancing agreements can be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct a potential bankruptcy proceeding, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones with longer maturity dates; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group of companies, pursuant to certain precedents in the lack of express legal rule, the majority arguably refers both individually to each company and to the group as a whole where the intercompany claims are not taken into account), and when the company has no auditor, by the one appointed for this purpose; and (iv) the agreement is formalized in a public instrument and the documents that validate its content must be attached. Judicially sanctioned collective refinancing agreements will not be subject to the bankruptcy claw-back action, but they may be challenged pursuant to general fraudulent conveyance law.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether or not dissidents can be extended effects beyond those provided by the law or object to homologation, and whether they have standing to object to homologation, is controversial. The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by the legally defined "value of their security" as such security interest is to be valued in accordance with the rules set out by the Spanish Insolvency Act and (ii) dissenting secured creditors in respect of their secured claims, provided they achieve the thresholds mentioned below:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of term up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the "value of all security" granted by the debtor.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

(i) stays of payments for up to ten years;

(ii) haircuts;

(iii) turn the debt into share capital. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or, as default option in the lack of choice, (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

(iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

(v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro solute* or *datio pro solvendo*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the "value of all security agreements" granted by the debtor.

Non-participating or dissenting creditors holding financial claims are entitled to challenge the collective refinancing agreement before the same commercial judge ruling on its sanction, by alleging, exclusively, that the legal majorities' thresholds were not met, or the extension of the refinancing measures cause them a disproportionate sacrifice. The judgment ruling on this challenge is not subject to any appeal.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "centre of main interests." This "centre of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction, article 87.3 of the current Spanish Insolvency Act may apply, in which case the claims of the beneficiaries of the guarantee provided by a Spanish Guarantor may be classified as "contingent" claims and no amount may be recognized until and when the principal debt becomes due and payable (or, according to some precedents, a default by the principal debtor occurs and the guarantee is validly enforced) nor will they have voting rights. Special rules can apply if the guarantee is not a first demand or joint and several (*solidaria*) guarantee but an ordinary guarantee (*fianza*) and, therefore, the benefits of preference (*excusión*), order (*orden*) and division (*división*) apply.

Limitations on Validity and Enforcement of the Guarantees and Security Interests Granted by Spanish Subsidiaries

The Company, TPZ and Luxtor S.A.U. (the "Spanish Guarantors") will guarantee both the Notes and the Revolving Credit Facility, with certain limitations due to Spanish mandatory rules and practice. Pursuant to the Intercreditor Agreement, any proceeds from the Spanish guarantees received by the lenders under the Revolving Credit Facility Agreement will be shared with the lenders in respect of certain hedging obligations and holders of the Notes on a *pari passu* basis.

In general terms, under Spanish law, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation terminated, the ancillary guarantee or security interest will also be deemed null and void. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider's obligations under the relevant guarantee or security agreement are not enforceable. In addition, the enforcement of guarantees may be limited since the guarantor cannot be required to pay any amount in excess of the amount owed by the principal debtor or under conditions that are less favorable than those applying to the principal debtor.

In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

All acts and transactions performed and carried out by a Spanish company must be in pursuit of and aligned with its corporate benefit and interest and, in particular, directors have a duty to act in the best interest of the Spanish company, although there is no express Spanish mandatory law provision that requires an express and direct corporate benefit. The absence of such a corporate benefit and interest may constitute grounds to challenge such acts and transactions. When assessing whether or not directors have acted in the best interest of a Spanish company, only the interest of such Spanish company is taken into account. Accordingly, transactions undertaken for the benefit of the group may not always be considered consistent with the best interest of the Spanish company. In the context of upstream and cross-stream guarantees, the Spanish Supreme Court has ruled that the subsidiary granting the guarantee or security interest to secure the debt of its parent company or other company of its group, should receive some kind of consideration or benefit, either directly or indirectly, to compensate the financial burden assumed in the interest of the group. This compensation (i) must be verifiable, even if it is not received simultaneously to the delivery of the guarantee or security, (ii) must be adequate and proportional to the burden assumed by the relevant company in the interest of its group, and (iii) must have an economic value. Furthermore, the action undertaken in the interest of the group must be justified and must not put the solvency of the subsidiary into jeopardy.

Furthermore, the obligations of the Spanish Guarantor under its Notes Guarantee or under any security instrument granted by it cannot extend to any obligation which, if incurred, would constitute a breach of the Spanish financial assistance rules. Pursuant to these rules, the obligations of the Spanish Guarantor under the Notes Guarantee or any security granted or executed by such Spanish Guarantor:

- shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company; and

- shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 and Article 143 of the Spanish Companies Law and, in that case, all provisions of such Notes Guarantee or security shall be construed accordingly in the sense that in no case can any Notes Guarantee or security given by the Spanish Guarantor provides any such unlawful financial assistance.

Spanish law prohibits financial assistance: (i) for public limited liability companies (*sociedades anónimas* (*S.A.*)) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) for private limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of such Spanish subsidiary or the shares of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143 of Spanish Decree 1/2010 dated July 2 on Spanish Corporations (*Ley de Sociedades de Capital*). This limitation may also apply to the refinancing of acquisition debt. Accordingly, any guarantee or security interest granted by any Spanish subsidiary shall not secure the payment obligations if the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes. See "*Risk Factors—Risks Related to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

Under Spanish law there are some provisions on capitalization which have to be taken into account when guarantees are enforced. For example, when the enforcement of the guarantee causes the amount of the relevant Spanish subsidiary net equity (*patrimonio neto*) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (*disolverse*), within certain terms provided by law, unless the balance between its net equity and its share capital is restored, and provided that it is not required to declare its insolvency.

In addition, and whilst this remains a matter debated between Spanish scholars, it is possible that certain defenses available to the Spanish Guarantor relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Notes Guarantee by reference to the net assets or share capital of the Spanish Guarantor and the amount secured under the relevant security agreement by reference to the value of the collateral.

The law regulating the enforcement of pledges through auctions organized by notaries as described in the Notary Public Law of 28 May 1862 (the "Notarial Law") was significantly amended by Law 15/2015 of 2 July on voluntary jurisdiction ("Law 15/2015"). There is a high degree of uncertainty surrounding this new legal framework given that some provisions of the Notarial Law seem to conflict with laws regarding the enforcement of pledges that were not expressly repealed by Law 15/2015. As a result, certain aspects of these types of auctions are open to interpretation. Given that the amendments to the Notarial Law brought about by Law 15/2015 entered into force on 15 October 2015, there are no precedents as of the date hereof that clarify how Law 15/2015 should be applied in practice. Consequently, the clauses in the pledge agreements governing auctions organized by notaries may not be enforceable in accordance with their own terms.

If in the course of the foreclosure of a security interest, the pledged assets are allocated to or acquired by the secured creditor, a Spanish court may order the secured creditor to discharge the secured debt fully as opposed to partially regardless of any provision to the contrary in the relevant security agreement.

Under the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley, de Sociedades de Capital*), Spanish companies (both public limited liability companies (*sociedades anónimas* (*S.A.*)) and private limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*))) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)). In particular, pursuant to Section 401 of the Spanish Companies Act, the Guarantee provided by Spanish Guarantors incorporated under the form of limited liability companies ("*sociedades de responsabilidad limitada"* or "*S.L.s*"), is subject to the following restrictions: (a) S.L.s can only issue and guarantee notes up to an aggregate maximum amount of twice its own equity (*recursos propios*), unless the issue is secured by a mortgage, a pledge over securities, a public guarantee or a joint and several guarantee from a credit institution (b) S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*).

In respect of the restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)), there is no consistent opinion among scholars and practitioners yet nor case law regarding the interpretation of Section 401 of the Spanish Companies Act.

Under Spanish law, claims may become time barred (5 years being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available; and
- the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

See "*Enforcement and Termination in a Pre-Insolvency Scenario*" for other factors that may limit the enforcement of contracts.

Spanish law does not recognize the concepts of "trust" or "security agent" and there is some uncertainty as to whether a Spanish court would recognize the authority of a security agent (including the Security Agent) and whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent and/or the applicable Trustee, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent and/or the applicable Trustee's actions in an enforcement situation. If Spanish-law security documents are entered into only by the security agent and not also by the creditors on account of whom the security agent or trustee would be acting, it can be argued that the security agent would be the only party entitled to enforce the security interest in respect of those obligations, consequently, the security agent may only be able to enforce against the debt it individually holds, and not for the full amount owed to creditors for whom it is acting as security agent. This limitation may be overcome if such creditors grant formal powers of attorney in favor of the security agent in order to represent them in the enforcement proceedings (nonetheless, this may not be effective in the case of judicial enforcement proceedings, where one party cannot represent another by virtue of a power of attorney). In the absence of the above-mentioned power of attorney, the Security Agent and/or Trustee, acting as a security agent, may not be able to enforce the relevant Spanish Collateral on behalf of all of the secured creditors (including the holders of the Notes). Furthermore, any beneficial holders of a security who have not accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) a security agent to do so, may be treated as unsecured creditors under Spanish law, including, without limitation, in an insolvency scenario. In addition, the relevant court or notary public before whom any Spanish security interest may eventually be enforced may request the notarization of the documents from which the relevant obligations arise and the notarization of each and every transfer certificate relating to each transfer of the Notes.

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (*acreedor solidario*) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the applicable Trustee and the holders of the Notes may be challenged.

According to Spanish law, the law governing in *rem* legal aspects of a pledge is the law applicable in the place of location of the pledged asset (*lex rei sitae*). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the *lex rei sitae* is unclear given its lack of physical existence. In these cases, several theories have been construed amongst Spanish scholars so as to determine the *lex rei sitae* (such as domicile of debtor of the credit rights being pledged, domicile of pledgor, law governing the credit right being pledged, etc.). If a judge considered that any of the pledges created over credit rights under the Spanish security documents is governed by the Catalonian Civil Code, then this regulation would govern those pledges instead of the Spanish civil common law, which could determine the challenge of the validity of such pledges. In addition, according to Spanish law, the law governing the pledge over shares is the law of the jurisdiction where the certificates are located. If the certificates were moved to a particular place on or shortly before creating the pledges, and that place had no connection with the security agreement nor with the obligations secured thereby, a judge could consider that the lex rei sitae is not the one chosen by the parties, in which case the judge may apply a different law to determine the validity and enforceability of the pledge against third parties.

The pledge over credit rights created by the security agreement over intra group loans contemplates the pledge over credit rights that arise from contracts that have not been perfected to date. Only upon the existence of a perfected contract is it possible to consider that in rem rights of pledge over credit rights arising therefrom have been created.

The Spanish courts have not arrived at a consolidated interpretation of the RDL 5/2005 and its application to financial transactions such as those foreseen in the Collateral. Rather, scholars and the courts (mainly lower courts) have issued a number of opinions that do not all concur, which means that future judgments could call into question the validity or enforceability of the securities created under the Collateral, especially as regards the pledge or transfer of unlisted securities or bank accounts as guarantee. The Spanish courts have also not agreed on an interpretation of article 15 RDL 5/2005 when RDL 5/2005 does not apply to one or more of the parties to the financial guarantee (owing to it/them not falling under any of the categories listed in article 4).

The concept of “parallel debt” may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

The subrogation, succession or assignment of the contractual position of any of the parties under the contracts must be formalized in a public deed and executed before a notary public by the assignor, the assignee and all the other parties to the contracts to ensure its effectiveness vis-à-vis third parties, although lack of notarization will not prejudice the rights of the assignee vis à vis the assignor.

Without notarization of the security documents and provision of originals or authorized copies with enforcing purposes (*primeras copias o copias autorizadas con efectos ejecutivos*) of the notarial documents together with the lawsuit, the secured parties will not have access to the executive summary proceedings (*juicio ejecutivo*) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (*juicio ordinario*).

See “*Risk Factors—Risks Related to the Notes*” for more information on limitations of guarantees and security interests governed by Spanish law.

Chile

Chilean Insolvency Law

In October 2014, insolvency law, Law Nº 20.270 (“Chilean Insolvency Law”), fully replaced the previous insolvency law previously in force.

The following constitute the primary forms of insolvency proceedings under Chilean Insolvency Law:

- *Reorganization Proceedings*: Reorganization proceedings are initiated by a debtor company ("Debtor") when while in financial distress, the rescheduling or renegotiation of such Debtor's liabilities may be sufficient to enable the Debtor to operate as a going concern in the future. Two types of proceedings are intended to achieve this goal:

  (i) Judicial Reorganization Proceeding; and

  (ii) Out-of-Court Reorganization Agreement.

- *Liquidation Proceedings*: Liquidation proceedings are initiated by a Debtor or a creditor when the Debtor is in default under certain of its obligations and such Debtor's total assets are not sufficient to pay the outstanding liabilities and/or the Debtor's cash flow is not sufficient to allow the Debtor to operate as a going concern.

The specific explanation of these proceedings is set forth below.

Reorganization

Judicial reorganization proceedings are initiated by a Debtor that is in financial distress when a rescheduling or renegotiating of its liabilities could allow the Debtor to operate as a going concern. The process is supervised by a vendor or controller (the "Controller"), appointed by the Court from within the list of candidates produced by the Chilean Superintendence of Insolvency; the role of the Controller is to promote resolution between the Debtor and its creditors and oversee the reorganization proceeding. The Controller does not act as an administrator of the Debtor.

Filing with the Court: The judicial reorganization commences with the submission by the Debtor of an application before the competent court (the "Court") requesting the initiation of a reorganization process.

Submission to the Superintendence of Insolvency: The Debtor must submit to the Superintendence of Insolvency ("SI") a copy of the application indicated in paragraph 1 above, with a certificate issued by an independent auditor, selected from a list registered in the Registry of External Auditors of the Chilean Commission for the Financial Market, containing a statement of the liabilities of the Debtor, specifying the name, address and email of the respective creditors, the nature of their respective claims, and the amounts of such claims, indicating the percentage of such claim in relation to the total liabilities of the Debtor and its three largest creditors (excluding any related parties).

Upon receipt of this information, the SI will deliver a notice the following day to the three largest creditors. Within two days after receipt of such notice, each of the creditors shall propose in writing or by email a Controller and an alternate Controller. The individuals who obtain the highest number of votes for each category, will be selected. However, if there is a creditor that holds more than 50% of the debts of the Debtor, the SI shall appoint the candidates proposed by that creditor.

Submission of Information Regarding Assets and Liabilities: Once a Controller has been appointed, the Debtor shall submit to the Court the information regarding its assets and liabilities, as well as any third-party assets that it may have as collateral or in any title other than as owner. If the Debtor maintains complete accounting books, it shall also submit its balance sheet.

Reorganization Resolution: Within five days from the filing by the Debtor of the documentation set forth in paragraph 3 above, the Court must issue the Reorganization Resolution, which will contain the appointment of the Controller, the commencement of the financial protection period, and the order to the Debtor to publish (through the Controller) in the Insolvency Gazette, and submit to the Court, ten days prior to the date of the creditors' meeting, its proposal for a Reorganization Agreement.

Filing of Claims: Creditors will have an eight-day period, starting on the date of the notification of the Reorganization Resolution, to file their credit claims with the court, providing sufficient documentation to evidence their claims. Within two days after such period, the Controller will publish all the verified credits in the Insolvency Gazette. Within eight days after the publication of the filed credits, the Controller and /or the Debtor and/or the creditors may file before the Court their objections against the verified credits, due to their title, amount, preference or because the estimation of the value of the goods and/or real estate which were granted as guarantee. Upon the expiration of the eight-day term, and within the next two days, the Controller will publish all the objections filed in the Insolvency Gazette. If no objections are filed within the term of eight days, the credits will be deemed as recognized.

Financial Protection: The period between the notification of the Reorganization Resolution and the date on which the judicial Reorganization Agreement is executed, is called the Financial Protection Period. Such period can have a maximum duration of 30 days which may be extended up to two consecutive additional periods of 30 days; such extensions will be granted at the request of the Debtor, to the extent they are supported by two or more creditors representing at least 30% of the total credits (i.e. secured and unsecured credits), in the case of the first extension request, and at least 50% of the total credits, in the case of the second extension request.

Additionally, the Financial Protection Period can be further extended once, in each of the following circumstances: (i) if the majority of the creditors agree to suspend the creditors' meeting in which the Reorganization Agreement will be discussed, a new meeting will be called within the next ten days, in which case the Financial Protection Period will continue in force until the new meeting; (ii) if the creditors reject the proposed Reorganization Agreement they can offer the Debtor the possibility to submit a new proposal, in such case, a new meeting will take place 20 days after the meeting in which the agreement was rejected. During that time period the Financial Protection Period will continue in force. Thereafter, no further extension of the Financial Protection Period will be permitted. The maximum possible length of the Financial Protection Period is 120 days.

During the Financial Protection Period, the law imposes a stay of execution that prevents all creditors from taking any acceleration or enforcement action in respect of their credits and/or the foreclosure of their pledges and mortgages, solely on grounds of a reorganization process having been initiated. The agreements to which the Debtor is a party shall remain in force and effect and cannot be unilaterally terminated. Any credit against the Debtor that is enforced in breach of this prohibition shall be penalized by being postponed in payment to all other creditors affected by the Reorganization Agreement, including those of creditors that are related parties to the Debtor.

Negotiation: During the Reorganization the parties will attempt to reach a Reorganization Agreement. Once the Debtor submits a Reorganization Agreement proposal, the proposal cannot be withdrawn unless the Debtor has the support of creditors who represent at least 75% of its liabilities. In the event the proposed Reorganization Agreement is withdrawn without such support, the Court will issue the Liquidation Resolution.

A Reorganization Agreement must be agreed to by at least two-thirds of creditors present in the meeting, who should also represent at least two-thirds of the total liabilities of the Debtor with voting rights in the respective class or category. If a reorganization is agreed, the provisions of such reorganization will become applicable to the agreements between the debtor and its creditors.

Related Parties: A Debtor's related parties may not vote in respect of the Reorganization Agreement and will not be considered for the purpose of calculating the relevant quorum.

Effects of the Reorganization Agreement: the primary effects of the approval of the Reorganization

Agreement are the following:

- The Reorganization Agreement is binding to the Debtor and its creditors of any class or category, regardless whether they attended or not to the meeting on which the Reorganization Agreement was reached.

- The credits that are part of the Reorganization Agreement will be deemed released, novated or rescheduled, as applicable, for all legal purposes.

- Certain liabilities incurred by a Debtor subject to a Reorganization Agreement with vendors and suppliers that are necessary for the continuity of the Debtor's business shall be granted a preference and will rank senior to other credits (including secured credits).

- Credits held against the Debtor by its related persons that were not duly evidenced at least 90 days prior to the reorganization request resulting in the Reorganization Agreement that do not qualify as necessary for the continuity of the Debtor's business described above, shall be postponed and will rank junior to all other credits.

- The effects of the Reorganization Agreement in relation to the guaranteed obligations of the Debtor are:

  (i) In the case of obligations of the Debtor that are guaranteed with pledges or mortgages over assets of the Debtor that have been declared as essential for the business of the Debtor, the terms and conditions set forth in the Reorganization Agreement will apply to those obligations and the relevant creditor may not foreclose on such assets.

(ii) In the case of obligations of the Debtor that are guaranteed with pledges or mortgages over assets of the Debtor that have been declared as non-essential for the business of the Debtor, the secured creditor may attend and vote with the rest of the unsecured creditors solely for the balance of its credit that is not covered by the guarantee. If it votes for the Reorganization Agreement, a secured creditor may not foreclose on the collateral securing its credits.

(iii) In the case of obligations of the Debtor that are guaranteed with pledges or mortgages over assets owned by third parties, declared as non-essential for the business of the Debtor, the creditor has the option to either:

- vote in favor of the Reorganization Agreement and be subject to the terms and conditions set forth in such agreement. Concordantly, the creditor may not pursue its credit in other terms than those stipulated in the Reorganization Agreement.

- not vote or not attend to the creditors meeting in which the Reorganization Agreement is analyzed and approved, in which case its credit will not have any voting rights, but may collect its credit by enforcing the pledges or mortgages granted by such third parties.

(iv) If the obligations of the Debtor are guaranteed with personal guarantees, then the creditor has the option to either:

- vote in favor of the Reorganization Agreement and be subject to the terms and conditions set forth in such agreement, in which case the creditor may not pursue its credit in other terms than those stipulated in the Reorganization Agreement.

- not vote or not attend the creditors meeting on which the Reorganization Agreement is analyzed and approved, its credit shall not have voting rights, and the creditor may collect its credit from the corresponding personal guarantee in the terms originally agreed.

Rejection of the Reorganization Agreement: If no agreement is reached between the creditors, or if the Debtor does not grant its consent, the Court will issue the liquidation resolution in the same creditors' meeting, unless the creditors who represent two-thirds of the Debtor's liabilities with voting rights agree to the opposite and then a second proposal may be submitted by the Debtor. If the second proposal is rejected, the Court will issue the liquidation resolution.

The Out-of-Court reorganization proceeding ("ORA") is a much simpler procedure which is intended to be used by a Debtor who has very few creditors or has its liabilities concentrated amongst very few creditors.

The procedure involves an out-of-court proceeding in the sense that the agreement between the Debtor and its creditors is executed without the intervention of a court but without the formalities of a court proceeding.

In this respect, the agreement between the Debtor and its creditors must be executed before an official, such as a notary public or a member of the Superintendence of Insolvency. The agreement has no limitation pertaining to its scope and therefore can regulate anything which has, as its purpose, the restructuring of the assets and liabilities of the Debtor.

Notwithstanding the above, the ORA must respect the general insolvency regulation for the establishment of, among others, the liabilities, the different creditor categories, creditor differences, alternative proposals.

The ORA must comply, among other things, with a report by the Controller, chosen by the Debtor and two of its largest creditors, which must contain a qualification on: (i) whether or not the proposal made in the agreement can be complied with in his or her opinion considering the overall state of the Debtor; (ii) the likely amount retrievable for each creditor in each respective category in the event a Liquidation procedure takes place; and (iii) if the determination of the liabilities and their preferences made by the Debtor is in accordance with the law.

Quorum: ORAs must be executed by two or more creditors who represent at least three quarters of the total liabilities, corresponding to each of their respective categories. Related Parties of the Debtor cannot execute an ORA with the Debtor and their credits will not be considered as part of the overall liabilities for the approval of the ORA.

Claims: The ORA can be challenged by dissenting creditors and creditors who prove that they were not included in the proceedings when they should have been. Claims against the ORA must be based on strict legal grounds which are the same as those for Judicial Reorganization Agreements. Due to the out-of-court nature of the ORA, certain grounds may not be applicable.

ORA's Decision: Once the request for approval of the ORA has been filed before the Court, and until its judicial approval, the Court shall arrange the following:

(a) The prohibition of the possibility of requesting the initiation of a liquidation proceeding and the initiation of executive proceedings against the Debtor, executions of any kind or restitutions in leasing trials. The aforementioned shall not be applicable in the case of labor trials with respect to preferred credits, in which case the execution of the goods of the Debtor shall be suspended, with the exception of the goods that the Debtor has in favor of his spouse, relatives and other specific persons;

(b) The suspension of the proceedings mentioned in paragraph a) above and the suspension of the extinctive prescription terms; and

(c) The prohibition on the Debtor in respect of encumbering or transferring its goods, unless it is strictly necessary for the continuation of its business.

Judicial approval: Within ten days of the publication of the ORA, the Court is entitled to summon all the creditors who are affected by the ORA, with the aim of obtaining their approval of the ORA before the Court, subject to the same quorum requirements mentioned above.

Once the ORA is accepted, or the ten-day term is expired without the Court summoning the creditors as mentioned above, and once the term for the filing of the claims is expired without such claims being filed, or where such claims have been filed and rejected by the Court by a decision that is final, the Court shall issue the corresponding decision through which the ORA shall be approved. The Controller shall publish the Court's decision in the Insolvency Gazette.

Effects of the judicial approval: The judicially approved ORA shall produce, when it corresponds, the same effects as described for the judicial Reorganization Agreement, notwithstanding of the fact that the ORA only affects the attending creditors.

Liquidation

The liquidation proceedings may be initiated either (i) voluntarily by the Debtor, (ii) by any of the creditors or (iii) in the event of rejection of a judicial reorganization proposal.

Management of the Debtor: from the moment that the liquidation resolution is issued, the Debtor becomes subject to the administration of a Trustee (*Liquidador*). The court will appoint a provisional Trustee, who will later be replaced by a permanent Trustee who will be appointed after a five-day period by the three largest creditors. The Controller under the reorganization proceedings cannot be appointed as Trustee in the subsequent liquidation process.

The Board of Directors, the CEO and the rest of the management team will cease their functions. This situation will last until the Court approves the final report of the Trustee and issues a resolution terminating the liquidation proceedings. Only in the case of negligence of the Trustee, may the Debtor request the Court to order measures to preserve the assets.

Trustee: the role of the Trustee is to take control of the Debtor's assets, prepare a list of such assets, liquidate the assets, collect any monies that may be owed to the Debtor, make payments to the creditors form the proceeds of the sales of assets, and enforce any resolutions agreed in the creditors' meetings.

Determination of the Debtor's liabilities: Once the liquidation resolution has been issued by the Court and published in the Insolvency Gazette:

(a) The creditors will have 30 days to file their credits and claim their preferences before the Court.

(b) Once the abovementioned 30 day period expires, the Trustee shall publish in the Insolvency Gazette, within two days, the list of credits submitted.

(c) The Trustee and the creditors will have ten days from such publication to object to the existence, amounts or preference of the filed credits.

(d) The Trustee will have ten days from the expiration of the abovementioned term to adopt the measures necessary to settle the disputes and submit a final list of the credits to the Court. On the tenth day, the Court shall hold a hearing in which all the disputes regarding the credits shall be adjudged.

Stay of execution: the issuance of the liquidation resolution suspends the right of each creditor to take enforcement actions individually against the Debtor. However, this stay does not prevent secured creditors from enforcing their pledges and mortgages, to the extent they have secured funds sufficient to pay the first category credits (which ranks senior to secured creditors).

Creditors Meetings: all decisions in the liquidation proceedings will be taken in creditors' meetings; meetings will have been validly held if they were attended by one or more creditors representing at least 25% of the credits with voting rights.

The first creditor's meeting must take place on the 32nd day from the publication of the liquidation resolution in the Insolvency Gazette. One day prior to this meeting, the abovementioned hearing for the determination of the voting rights must also be held in order to determine the creditor's voting rights. At the first creditor's meeting, the Trustee will determine the frequency of the ordinary meetings, which shall be held at least semi-annually.

Voting Majorities: As a general rule the decisions will be made by a simple majority vote (the majority of the creditors with voting rights who are present at the meeting), although some matters may be decided by a qualified majority (the majority of all of the creditors with voting rights) or by a special majority (2/3 of all of the creditors with voting rights).

Related Parties: It is important to note that related parties do not have voting rights in the liquidation proceedings and will not be considered for the quora. However, they will be paid on the same terms as the rest of the creditors of the same preference and/or category unless the act or contract which is the cause of their credit is revoked by the Court, in which case the credits will be postponed for payment until all non-preferential credits have been paid.

Sale of assets: In the ordinary meetings, the creditors may agree on the manner in which the assets will be sold, as well as the temporary or permanent continuation of the economic activities of the Debtor. The sale of the assets of the bankrupt estate can be made (i) in a simplified or summary sale; (ii) in an ordinary asset sale; (iii) selling the company as an economic unit; or (iv) selling the company in a direct purchase offer.

(a) In a simplified or summary sale of the assets, the assets shall be sold within four months from the first creditors meeting.

(b) In an ordinary asset sale, the assets shall be sold within: (i) four months from the first creditors meeting, if the assets are movable goods, or (ii) seven months from the first creditors meeting, if the assets are real estate. In both cases, the term can be extended for four additional months with the prior approval of the creditors. Further extensions can be agreed upon, prior authorization of the SI.

(c) The sale of the company as an economic unit and the sale by a direct purchase offer do not have a specific term.

Continuation of the business operation of the company: It is possible to continue the business operation of the Debtor; such continuation may be temporary or permanent:

(a) The temporary continuation of business operations can be decided by the Trustee in order to increase the revenues that may be obtained from the sale of the assets, permit the performance of pending services that may result in a benefit for the estate and the creditors, and sell the company as a business unit;

(b) The permanent continuation of business operations must be decided in the creditors' meeting, for a term not exceeding one year from the date of such agreement, which may be extended once for the same period.

Distribution of funds: Payments will be made in accordance with the general rules of credit preference and the credits will be paid as long as funds exist in relation to the sale of the assets, *pari passu* among the creditors of a same preference or category.

Final report of the Trustee: The Trustee shall submit this report in the following cases: (i) expiration of the legal terms to the sale of the assets; (ii) if the funds are exhausted or the recognized credits have been totally paid; and (iii) early termination of his/her position for legal causes.

Final Court resolution: Once the Trustee submits the final report of management described above, the Court will issue a final resolution terminating the liquidation proceedings.

Limitations on Validity and Enforcement of the Guarantees and Security Interests Granted by any Chilean Subsidiary

A party can bring a suit against a counterparty to a contract for breach of the counterparty's contractual obligations as regulated by the Chilean Civil Code ("CC") in articles 1545 to 1559. Potential remedies under Chilean laws include specific performance, damages and rescission. In addition, a party may seek the nullification of a contract based on lack of agreement which occurs in cases of mistake, duress or fraud, impossible performance which occurs in cases of sale of non-existent goods or transactions prohibited by law, lack of real and licit cause which occurs in cases of simulated price or compensation of criminal activities, lack of legal capacity by one of the parties, or, more generally, lack of compliance with a requirement or a formality established by law pertaining to the validity of the contract. If a contract is rendered void and one of the parties to the voided contract has acted wrongfully, causing damage to a counterparty, the injured party can sue for damages on tort grounds.

Statute of Limitations

According to article 2515 of the CC, regular contract liability ceases to be enforceable upon the lapsing of five years from the date that the obligation became due.

Security Interests

Chilean law allows the creation of security interests over almost all kinds of assets and rights held by companies, except for certain assets listed in the Civil Procedure Code and in certain special laws that may not be attached under Chilean law (e.g., working tools and assets employed in services that may not be stopped without serious harm to public transportation or health, household assets, salaries and child support). The main security interests over assets are obtained in Chile through mortgages and pledges.

Mortgages are granted over real estate. "Regular pledges," under which possession of pledged assets is vested in a creditor or a depositary, and "pledges without conveyance," under which collateral remains with the pledgor, are established over personal property and movable assets, such as receivables, credits and shares, among others things.

Perfection and Priority

Pledges Without Conveyance

Under Law No. 20190, containing the Regulations on Pledges without Conveyance, which became fully effective on January 2011, a pledge without conveyance must be perfected, proven and maintained through registration of a pledge agreement in the form of a public deed or a notarized private instrument in the Register of Pledges without Conveyance (the "Registry"). The pledge instrument must contain the minimum information provided by Law 20190. Registration shall be requested by the Chilean notary public authorizing the pledge agreement within three days from the execution of the public deed or from the date of notarization of the private instrument. Upon registration, the security interests created by a pledge shall, with respect to the collateral, grant a preference senior to all liabilities of the Debtor, other than those benefitted by statutory priorities. If affecting collateral already pledged, the priority of the pledge will be given based on the "first registered, first priority" principle, regardless of the date the pledge was executed. Thus, if one asset is subject to several pledges without conveyance, each pledge will be given priority based on the chronological order of the registry entries. According to Law No. 20190, in case of assignment of a credit secured by a pledge without conveyance, in order for the assignment to include the in rem pledge right, maintaining the preference, the secured assigned credit and the right to assign the pledge rights must expressly appears in the Registry. Finally, depending on the pledged asset, other registrations may be required.

Commercial Pledges

We expect the Collateral securing the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will be granted in the form of a commercial pledge. Commercial pledges are regulated by Article 813 et seq. of the Chilean Commercial Code. The commercial pledge (i) must contain the minimum information provided by the Chilean Commercial Code, (ii) requires the execution of a public deed before a Chilean notary public or, alternatively, the execution of a notarized private instrument, and (iii) requires the delivery of the pledged asset (i.e., the share certificates) to the pledgee in order for the pledge to be perfected. In respect of this last perfection requirement, however, as long as the pledged asset is not held by the pledgor, it is not necessary for the pledged asset to be held in the possession of the pledgee itself, as a third party may be appointed as depositary. Upon perfection of the pledge, the security interest created by the pledge shall, with respect to the collateral, grant a preference senior to all liabilities of the debtor other than those benefitted by statutory priorities. Depending on the nature of the pledge assets, additional registration requirements may be applicable.

Enforcement of Collateral

Under Chilean law, collateral foreclosure requires certain proceedings before a Chilean court. The relevant obligations are paid with the proceeds of a sale of the collateral at a public auction. If there are no bidders at the public auction, the assets may be awarded to the secured lender subject to certain terms and conditions. No repossession of collateral is available. Security interests have different special enforcement proceedings depending on the relevant asset.

Portugal

Portuguese Insolvency Laws

TelePizza Portugal - Comércio de Produtos Alimentares, S.A. (the "Portuguese Guarantor") is organized under the laws of Portugal, has its registered offices in Portugal and substantially all of its operations are located in Portugal. Consequently, any insolvency proceedings with regard to the Portuguese Guarantor are likely to be initiated in Portugal if the Portuguese Guarantor was deemed to have its "centre of main interests" within the territory of Portugal at the time the application for the opening of insolvency proceedings is filed. Portuguese insolvency law would most likely govern such proceedings. The insolvency laws of Portugal and, in particular, the provisions of the Portuguese insolvency code (approved by Decree Law no. 53/2004, of March 18, and generally termed "CIRE" (*Código da Insolvência e da Recuperação de Empresas*), as amended) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of, *inter alia*, priority of creditors' claims, the ability to obtain post-petition interest as well as security interests, and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes and/or any Guarantees and/or any security interests by the Portuguese Guarantor, to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Portugal.

As a general rule, insolvency proceedings governed by the CIRE are applicable to all persons and entities, subject to certain exceptions, such as public entities, state owned companies and insurance companies, credit institutions, financial companies, investment companies which render services related to the holding of funds or securities on behalf of third parties, and collective investment schemes, to the extent that the submission to the insolvency proceeding would be contradictory/incompatible with the special legal frameworks of such entities. These proceedings may lead either to the restructuring of the business (by the approval of an insolvency plan) or to the liquidation of the assets of the debtor (either in accordance with the statutory regime or through an insolvency plan). A debtor may apply for insolvency proceedings when it finds itself unable to meet its current obligations as they become due or when it expects that it will shortly be unable to do so. In such cases, insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors. Where a debtor becomes insolvent, failing to meet its current outstanding obligations on a regular basis, the debtor (or, in the case of a company, its directors) is under a legal obligation to file for insolvency proceedings.

Alternatively, an application to commence corporate insolvency proceedings may be initiated by any entity responsible for the debtor's debts, by any of the debtor's creditors or by the public prosecutor on behalf of the entities he or she legally represents. For this purpose, the applicant must show the grounds on which it is alleged that the debtor is insolvent, based on the verification of any of the evidentiary facts listed in the CIRE. The applicant must also include in the application the type and amount of the debt owed to it by the debtor and provide evidence to substantiate this.

Please note that in the case of legal entities, the debtor is also considered to be in an insolvency situation when, according to accounting criteria, the liabilities of the debtor clearly exceed its assets (the "balance sheet test").

Upon a filing for insolvency proceedings, the court issues an insolvency declaration, and the creditors of the insolvent debtor (including secured creditors) have to claim the acknowledgement of all debts owed to them by the debtor, providing documentation to justify such debts, within a period of up to 30 days from the date the Ruling adjudicated the insolvency proceedings is made public. Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrator draws up a list of acknowledged creditors and classifies them according to the following categories established under the law:

- guaranteed credits, which are credits secured by in rem guarantees (*garantias reais*) including special statutory liens (*privilégios creditórios especiais*). Examples of such guaranteed credits include: real estate special statutory liens (such as state credits related to a real estate property tax or "IMI"), third parties credits (such as mortgages, income assignments and pledge) and movable assets special statutory liens (such as credits resulting of justice expenses incurred in the interest of the creditors);

- privileged credits, which are credits secured by general statutory liens (*privilégios creditórios gerais*) over assets integrated in the insolvency estate up to the amount corresponding to the value of the assets granted in guarantee or the general statutory liens. Examples of such privileged credits include: labor, tax and social security debts as well as real estate general statutory liens;

- common credits, which are all credits not included in any other category; and

- subordinated credits, which are classified as such by virtue of the underlying credit agreement or pursuant to the law. Examples of subordinated credits include credits held by parties in special relationships with the debtor, such as, in the case of an individual, credits held by his/her relatives; in the case of a legal entity, credits held by the administrators, group companies and controlling shareholders or shareholders in a group relationship. Certain subordinated creditors are not entitled to vote on the restructuring arrangement and usually subordinated creditors have very limited chances of collection, as a result of the ranking established by law.

The payment will be performed according to the credit ranking, being firstly paid the guaranteed credits, followed by privileged credits (in the event of liquidation, they are the first to collect payment against the assets on which their debt is secured or over which they have privileges in the order established by law), common credits and finally subordinated credits. If the assets of the insolvency estate are insufficient to fully pay all creditors, the payment to common creditors will be made by apportionment amongst all creditors and in proportion of their credits. The payment of subordinated credits will only take place after full payment of common credits.

The insolvency plan (including one that foresees a restructuring agreement) is binding on all creditors once it has been approved in accordance with the majorities stated in the CIRE and confirmed by court ruling. The insolvency plan must provide for creditors to be treated equally according to their ranking (unless differences are justified by objective circumstances or creditors agree to be treated differently).

Please note that payments described above are discounted for the payment of certain liquidation and insolvency expenses.

Insolvency proceedings are not compatible with other enforcement proceedings filed, or to be filed, against the debtor.

The CIRE provides that, upon the insolvency of a debtor, acts entered into or omitted within the two years prior to the beginning of the insolvency proceeding may be cancelled in favor of the insolvency estate if they: (i) are detrimental to the insolvency estate (i.e., actions that reduce, frustrate, obstruct, jeopardize or delay the payment to the insolvency estate's creditors), and (ii) have been carried out in bad faith. The insolvency administrator has six months to cancel these actions from the moment it becomes aware of them, but may, as a rule, never do so after a two year period has elapsed from the declaration of insolvency. Bad faith for these purposes is the awareness, as of the date of the transaction in question, that (i) the debtor was insolvent, (ii) insolvency proceedings had commenced against the debtor or (iii) the transaction in question would be detrimental to the creditors of the debtor and such debtor was in an imminent insolvency situation. There is a rebuttable presumption of "bad faith" if the transaction is effected in the two years prior to the commencement of insolvency proceedings and involved or benefitted certain related parties.

As an exception to the above rules, article 121 of the CIRE identifies certain actions that are automatically (*iuris et de iuri*) considered as hindering the insolvency estate and that may be cancelled irrespective of bad faith. These actions include (i) payments or other forms of debt extinction made in the six month period prior to the commencement of the insolvency procedure and carried out in unusual terms for standard market practice and that the creditor could not demand; (ii) payments or other forms of debt extinction made before the relevant credits had become due that occurred in the six month period prior to the commencement of the insolvency procedure or after such commencement but before the credits had become due; (iii) granting *in rem* security interests (*garantias reais*) to pre-existing credits or others that replace them in the six month period prior to the commencement of the insolvency procedure; (iv) granting *in rem* security interests (*garantias reais*) simultaneously with the secured obligation in the 60 day period prior to the commencement of the insolvency procedure; (v) granting personal guarantees in the six month period prior to the commencement of the insolvency procedure that do not relate to business transactions with a real interest to the debtor; (vi) agreements executed in the year prior to the filing of the insolvency proceedings, in which the obligations undertaken by the debtor clearly exceed those undertaken by the counterparty; and (vii) acts entered into by the debtor which can be qualified as free of charge and which have been performed within two years prior to the beginning of the insolvency proceedings.

Under Portuguese law, there is no legal concept of "parallel debt" or "trusteeship," and its use in the context of an insolvency proceeding subject to the CIRE may lead to (i) the holders of the Notes not being ranked as guaranteed creditors since they do not have direct secured claims, (ii) may not have the ability to directly enforce the security interest, and (iii) a Portuguese insolvency court may not enforce the terms of intercreditor agreements, when allocating the proceeds, as in such allocation they are bound to comply with the rules set forth by the CIRE.

Limitations on Validity and Enforcement of the Guarantees and Security Interests Granted by Portuguese Subsidiaries

Under Portuguese law, claims may become time barred (20 years being the ordinary term set forth under article 309 of the Portuguese Civil Code) and may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Portuguese courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will, in any event, be subject to:

- the degree to which the relevant obligations are enforceable under their governing law;
- the nature of the remedies available in the courts; and
- the availability of defenses such as (without limitation) set off, fraud, abuse of rights (*abuso de direito*), violation of public policy principles, duress, misrepresentation, undue influence, conflict of interests, force majeure, exception *non adimplenti contractus*, error, abatement and counterclaim.

Furthermore: (i) a Portuguese court may issue an award of damages where specific performance is deemed impracticable; and (ii) a Portuguese court may not enforce a penalty clause within the meaning of article 812 of the Portuguese Civil Code which the court would consider excessive as a pre-estimate of damages or if the obligations secured by the penalty clause have been performed in part; in this event the court may reduce the amount of the penalty.

As a general rule, under Portuguese law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary (*princípio da acessoriedade*), which must be clearly identified in the relevant guarantee or security agreement. Therefore, the guarantee or security interest follows the underlying obligation in such a way that the invalidity of the underlying obligation entails invalidity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Portuguese courts may consider that the security providers' obligations under the relevant guarantees or security are not enforceable.

Pursuant to Portuguese law, the provision of the Guarantees or Collateral to guarantee third parties' debts is not allowed (being illegal, invalid and unenforceable), unless (i) the company has a justified corporate interest in the granting of the Guarantees and/or of the Collateral or (ii) the company is in a group or control relationship with the entities whose obligations are being secured.

In addition, the obligations under the Guarantees or Collateral granted by the Portuguese Guarantor shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares or quotas representing the share capital of such Guarantor or shares representing the share capital of the Company, or any other company in a group relationship with the Portuguese Guarantor, or refinancing a previous debt incurred for the acquisition of shares or quotas representing the share capital of such Guarantor or shares representing the share capital of the Company, or any other company in a group relationship with the Portuguese Guarantor, *i.e.*, said obligations cannot include granting of the Guarantees or Collateral which would constitute unlawful financial assistance pursuant to article 322 of the Portuguese Companies Code, approved by Decree Law 262/86 of September 2, as amended (*Código das Sociedades Comerciais*). In this respect, guarantee limitation language shall be or is included in such Guarantees or Collateral to ensure that in no case can any Guarantees or Collateral granted by a Portuguese Guarantor secure repayment of the above mentioned funds, which could significantly reduce, even to zero, the amount that can be recovered by the persons that benefit from such Guarantees or Collateral, including the holders of the Notes.

Guarantees or indemnities granted in breach of financial assistance limitations will be considered null and void, and may trigger liability of the relevant directors of the companies approving or executing the infraction.

The obligations under certain Guarantees or Collateral granted by the Portuguese Guarantor will be limited to the agreed maximum amount of €5.0 million. This specific limitation will apply to all indebtedness so guaranteed and/or secured on an aggregate basis by such Guarantees or Collateral and, as a result, the Portuguese Guarantor will not have a direct obligation to repay any amounts to the holders of the Notes or the Security Agent under such Guarantees or Collateral once the relevant maximum secured amount has been reached, as applicable.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees are not granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. It should be noted that Portuguese law does not recognize the concept of parallel debt or trusteeship. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents in its capacity as agent (*mandatário com representação*) and joint and several creditor (*credor solidário*) and that the holders of the Notes will not have direct security interests and that therefore will not be entitled to take enforcement action in respect of the Guarantee or Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Guarantee and/or Collateral. Notwithstanding the foregoing, if enforcement of any security interest in Portugal was to be carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose under the Indenture or the Intercreditor Agreement and that the Security Agent is a joint and several creditor (*credor solidário*).

Finally, it should be noted that the Portuguese Guarantor will be entitled to claim for itself immunity from suit, execution, attachment or other legal process in respect of its obligations under the Guarantees to the extent that its assets are covered by the immunities legally set forth, which include, but are not limited to, assets that are part of the public domain of the Portuguese Republic ("*domínio público do Estado*") or allocated to public service purposes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") dated on or about the date of this Offering Memorandum, the Issuer has agreed to sell to each Initial Purchaser and each such Initial Purchaser has agreed, severally and not jointly, to purchase all of the Notes from the Issuer. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the Purchase Agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the Purchase Agreement may be terminated.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates or through registered broker dealers, including in respect of sales into the United States. To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. The Issuer has also agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer or any of the Guarantors that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling 45 days after the closing of the Offering.

United States

Each purchaser of the Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*."

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States unless the Notes are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Accordingly, each of the Initial Purchasers, severally and not jointly, has agreed that it will not offer or sell the Notes except (i) to QIBs in reliance on Rule 144A who are also "Qualified Purchasers" and (ii) outside the United States in offshore transactions in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a broker/dealer (whether or not participating in this Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*."

United Kingdom

In the purchase agreement, each Initial Purchaser, severally and not jointly, has represented and warranted to us that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and (ii) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Order), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. You must not publish, reproduce, distribute or otherwise make available in whole or in part any part of this Offering Memorandum to any other person. The Notes are not being offered to the public in the United Kingdom.

European Economic Area

In the Purchase Agreement, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following (i) a "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a "customer" within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (1) of Article 4(1) of MiFID II.

General

New Issue of Notes

Application will has been to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the listing of the Notes will be maintained.

The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of this Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you, if at all.

Price Stabilization and Short Positions

In connection with this Offering, the Stabilizing Manager (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over the counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of this Offering is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over allotment must be conducted by the Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefor on or around the date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the two succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing should consult their own adviser.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, operational support and commercial banking services to the Issuer, the Target and their respective subsidiaries and affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Initial Purchasers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer (including the Notes), the Guarantors, the Target or their respective subsidiaries and/or affiliates. The Initial Purchasers and/or their affiliates may receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of the Notes.

The Initial Purchasers and/or their respective affiliates may, in the future, act as hedge counterparties to the Issuer and its subsidiaries consistent with their customary risk management policies, and will receive customary fees for their services in such capacities. Typically, such Initial Purchasers and/or their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The Initial Purchasers and/or their respective affiliates have received, and expect to receive, customary fees and commissions for these transactions. Certain of the Initial Purchasers and/or certain of their affiliates are holders of certain indebtedness outstanding under Facility B1 of the Bridge Facility and the Revolving Credit Facility, and will therefore receive a portion of the proceeds of the Notes in connection with the repayment of each such facility as part of the Refinancing. In addition, certain of the Initial Purchasers and/or their affiliates will be lenders and/or agents under our Revolving Credit Facility.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the Notes and/or the Guarantees offered hereby.

The Notes and the Guarantees thereof (together, the "Securities") have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the United States or to U.S. persons unless the Securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act and the securities laws of any applicable jurisdiction is available. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A, "QIBs") in reliance on Rule 144A who are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the Investment Company Act) and (ii) outside the United States in an offshore transaction (in each case, as defined in Regulation S) in reliance on Regulation S. Accordingly, we are offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A who are also Qualified Purchasers; and
- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "U.S. person," "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Securities hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented, warranted and agreed with us and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that (i) the Securities have not been registered under the Securities Act or any other applicable securities laws and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act (ii) the Issuer has not been registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), (iii) the Issuer is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act (Section 3(c)(7) exempts from the provisions of the Investment Company Act those issuers who privately place their securities solely to persons who at the time of purchase are "qualified purchasers." In general terms, "qualified purchaser" is defined to mean, among other things, any natural person who owns not less than $5,000,000 in investments; any person who in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment)); and (iii) the Securities may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption therefrom and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is either (a) a QIB that is also a Qualified Purchaser and is aware that any sale of these Securities to it will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for its own account or for the account of another QIB that is also a Qualified Purchaser, or (b) it is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S;

(3) it acknowledges that neither the Issuer nor the Initial Purchasers, nor any person representing any of the foregoing, has made any representation to it with respect to us or the offer or sale of any Securities, other than the information contained in or incorporated by reference in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum or the information incorporated by reference herein;

(4) it is purchasing the Securities for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within

its or their control and subject to its or their ability to resell such Securities to a QIB pursuant to Rule 144A that is also a Qualified Purchaser or in offshore transactions pursuant to Regulation S;

(5) it understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities, it will do so prior to the date which is, in the case of Securities offered to QIBs pursuant to Rule 144A that are also Qualified Purchasers, one year after the later of the original issue date of such Securities, the original issue date of the issuance of any additional securities and the last date on which the issuer or any affiliate of the issuer was the owner of such Security (or any predecessor of such Security), only (a) to the Issuer, the Guarantors or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as such Security is eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that is also a Qualified Purchaser that purchases for its own account or for the account of a QIB that is also a Qualified Purchaser to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's right prior to any such offer, sale or transfer pursuant to clause (e) to require that a certificate of transfer in the form appearing on the reverse of the Security is completed and delivered by the transferor to the Trustee.

(6) it understands that the Securities will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) ("QIB") THAT IS ALSO A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED) ("QUALIFIED PURCHASER") OR (B) IT IS ACQUIRING THIS SECURITY OUTSIDE THE UNITED STATES IN AN "OFFSHORE TRANSACTION" (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S")), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY, PRIOR TO THE DATE WHICH IS [IN THE CASE OF SECURITIES SOLD TO QIBs PURSUANT TO RULE 144A THAT IS ALSO A QUALIFIED PURCHASER: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY),] ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QIB THAT IS ALSO A QUALIFIED PURCHASER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QUALIFIED PURCHASER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE; AND (3) AGREES

THAT IT WILL TRANSFER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases Securities, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities;

(7) it agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;

(8) it acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(9) it acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account; and

(10) it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Plan of Distribution*."

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of United States federal, New York state and English law, and by Uría Menéndez Abogados, S.L.P., as to matters of Spanish, Portuguese and Chilean law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Simpson Thacher & Bartlett LLP, as to matters of United States federal, New York state and English law, by Ashurst LLP, as to matters of Spanish law, by Vieira de Almeida & Associados, Sociedade de Advogados, SP RL, as to matters of Portuguese law and by Claro & Cie. as to matters of Chilean law.

INDEPENDENT AUDITORS

The Spanish-language original consolidated annual accounts of Telepizza Group, S.A. and its subsidiaries as at and for each of the years ended December 31, 2016, December 31, 2017 and December 31, 2018 have been audited by KPMG Auditores, S.L., independent auditors, as stated in their reports.

LISTING AND GENERAL INFORMATION

Listing Information

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. Notice of any change of control, change in the rate of interest payable on the Notes, early redemption of the Notes and any other notices will be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange, at www.bourse.lu.

For so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of the following documents (together with English translations thereof, as applicable) may be inspected and obtained by the holders of the Notes, upon prior notice, at the specified office of Issuer during normal business hours on any weekday after prior written notice:

- the organizational documents of the Issuer;
- the organizational documents of the Post-Escrow Release Date Guarantors;
- the Indenture (which includes the form of the Notes); and
- the historical consolidated financial statements included in this Offering Memorandum.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

Except as disclosed herein and to the best of our knowledge, there has been no material adverse change in the Target's consolidated financial position since December 31, 2018.

Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

Annual Financial Information

We will prepare and publish annual audited consolidated financial statements. Any future published financial statements prepared by the Target (or such other entity of the group should we decide to prepare our consolidated financial statements at a different level than the Target) will be available, during normal business hours on any weekday, at the executive offices of the Issuer after prior written notice.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below.

	ISIN	Common Codes
Rule 144A Global Note	XS1990734359	199073435
Regulation S Global Note	XS1990733898	199073389

Issuer Legal Information

Tasty Bondco 1, S.A.U. is a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain, and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal*) A88351200 and Legal Entity Identifier code 959800PBVDGXKFAC3M49. The Issuer's registered business address is Pradillo, 5, 28002 Madrid, Spain.

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes has been authorized by the Issuer's board of directors and shareholder on April 10, 2019. The Issuer's corporate purpose is to (i) issue debt securities, (ii) hold, administer, acquire and dispose of securities and shares, (iii) establish cafes, restaurants and similar establishments and (iv) acquire, administer and manage movable assets. The Issuer was incorporated for an indefinite term.

The Issuer's share capital is €60,000, fully subscribed and 25% paid-up, divided into 60,000 shares with a par value of €1 each. The Issuer's immediate shareholder is Debtco which is indirectly controlled by the Sponsor.

As of the Issue Date, the Issuer will have no other debt outstanding other than the Notes.

Debtco Information

Debtco is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register with registration number B230579. Debtco's registered business address is 2, rue Edward Steichen, L-2540 Luxembourg. Debtco was incorporated on December 6, 2018.

Guarantor Legal Information

The Company will be incorporated under the laws of Spain and will be registered with the Commercial Registry of Madrid. As of the date of this Offering Memorandum, the Company's registration number and registered address are not available. The Company's corporate purpose will be to (i) issue debt securities, (ii) hold, administer, acquire and dispose of securities and shares, (iii) establish cafes, restaurants and similar establishments and (iv) acquire, administer and manage movable assets. .

TPZ is a public limited company (*sociedad anónima unipersonal*) incorporated under the laws of Spain and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal*) A78849676. TPZ's registered business address is Avenida Isla Graciosa, 7, Parque Empresarial La Marina, 28703 San Sebastian De Los Reyes, Madrid, Spain. TPZ's corporate purpose is the realization of economic studies, promotion of sales of all kinds of its own or third-party products, including the mailing, production and merchandizing of all kinds of products of human consumption. TPZ was incorporated on June 15, 1988.

Luxtor, S.A.U. is a public limited company (*sociedad anónima unipersonal*) incorporated under the laws of Spain and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal*) A80177512. Luxtor, S.A.U.'s registered business address is Avenida Isla Graciosa 7, San Sebastian de las Reyes, Madrid, Spain. Luxtor, S.A.U.'s corporate purpose is the production, transformation, adaptation, marketing, import, export, sale or disposal, under any legal title of mozzarella and all types of milk products.

Telepizza Chile, S.A. is a public limited company (*sociedad anónima*) incorporated under the laws of Chile and registered with the Commercial Registry of Santiago (*Registro de Comercio del Conservador de Bienes Raíces de Santiago*) with tax paying number (*rol único tributario*) 96.639.920-1. Telepizza Chile, S.A.'s registered business address is Castillo Urízar Sur 3611, Macul, Santiago, Chile. Telepizza Chile, S.A.'s corporate purpose is to (i) make, merchandise, distribute and sell pizzas and all kinds of food products for human consumption (ii) operate restaurants, (iii) engage in trade, (iv) import, market and export food products and other chattel and (iv)supply goods and services .

TelePizza Portugal - Comércio de Produtos Alimentares, S.A. is a public limited company (*sociedade anónima*) incorporated under the laws of Portugal and registered with the Company Registry Office with sole registration and taxpayer number 502 796 251. TelePizza Portugal - Comércio de Produtos Alimentares, S.A.'s registered business address is Rua Marcos de Assunção 6, building 2, 3rd floor, offices 3.05 and 3.06, 2805-290, Almada, Portugal. TelePizza Portugal - Comércio de Produtos Alimentares, S.A.'s corporate purpose is to manufacture, process distribute and market food products for human consumption and perform any supplementary activities.

As of and for the year ended December 31, 2018, Luxtor, S.A.U., Telepizza Chile, S.A. and TelePizza Portugal - Comércio de Produtos Alimentares, S.A. and TPZ, (collectively) accounted for 97.6% of the Target Group's Underlying EBITDA, accounted for 88.8% of the Target Group's total revenue, and held 84.2% of the Target Group's total assets (excluding goodwill).

Material Adverse Change

Except as disclosed elsewhere in this Offering Memorandum, there has been no significant change in the Issuer's consolidated financial or trading position since the incorporation of the Issuer. There has been no material adverse change in our prospects since December 31, 2018.

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Telepizza Group, S.A. and Subsidiaries

Consolidated Annual Accounts 31 December 2018

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Independent Auditor's Report on the Consolidated Annual Accounts

To the shareholders of Telepizza Group, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Telepizza Group, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of non-current non-financial assets subject to amortisation or depreciation and/or impairment

See notes 4(g), 8 and 9 to the consolidated annual accounts

Key audit matter

At 31 December 2018 the Group has recognised property, plant and equipment amounting to Euros 51,262 thousand, goodwill of Euros 397,261 thousand and other intangible assets mainly relating to trademarks and other intangible assets, totalling Euros 239,370 thousand and Euros 101,893 thousand, respectively.

The Group estimates the recoverable amount of goodwill and of intangible assets with indefinite useful lives at each reporting date, and of property, plant and equipment and other intangible assets when there are indications of impairment. To estimate this recoverable amount, the Group used valuation techniques that require the Directors to exercise judgement and make assumptions and estimates.

There is a risk that the carrying amount of the assets allocated to the cash-generating units (CGUs) individually or grouped, depending on each case, may exceed the recoverable amount in stores, factories or countries where there could be a decline in the performance of the businesses.

In the case of the “telepizza” and “Jeno’s Pizza” trademarks, the recoverable amount has been determined on the basis of the new scenario in respect of the Pinta project (see note 1 to the consolidated annual accounts). In this connection, the “Jeno’s Pizza” trademark now has a finite useful life and there are indications of impairment due to the new project. As a result of this valuation, the Group recognised an impairment loss of Euros 5,808 thousand.

Due to the significance of the carrying amounts of these assets, the high level of judgement and the uncertainty associated with the assumptions and estimates used by the Directors in their analysis, this has been considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following:

- Evaluating the design and implementation of the controls associated with the process of valuing these assets.
- Analysing the indications of impairment of the outlets and factories, as well as the contractual rights and other assets with finite useful lives identified by the Group’s Directors and management.
- Assessing the reasonableness of the methodology used to calculate the recoverable amount and the main assumptions, with the involvement of our valuation specialists.
- Contrasting the consistency of estimated growth, used as the basis to calculate the recoverable amount, with the business plan approved by the board of directors.
- For a sample of outlets, comparing the cash flow forecasts estimated in previous years with the actual flows obtained.
- Analysing the sensitivity of certain assumptions to changes that are considered reasonable.
- Evaluating whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Recoverability of deferred tax assets

See notes 4 (q) and 26 to the consolidated annual accounts

Key audit matter

At 31 December 2018 the Group has recognised deferred tax assets amounting to Euros 39,999 thousand mainly in respect of tax losses and non-deductible interest pending offset by the Spanish tax group.

The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the amount, probability and sufficiency of future taxable profits against which they may be offset, future reversals of existing taxable temporary differences and any tax planning opportunities considered by the Group.

Due to the uncertainty associated with the recovery of the amounts recognised as deferred tax assets and the expected recovery period, we consider this to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following:

- Evaluating the design and implementation of the controls associated with the process of estimating the recoverability of deferred tax assets.
- Assessing the reasonableness of the criteria and the main assumptions considered by the Group in estimating the future taxable profits necessary for offset.
- Bringing in our tax specialists to assess tax planning strategies and the appropriateness of the criteria adopted by the Group in cases where the tax treatment may be uncertain or complex.
- Contrasting the profit and loss forecasts used as a basis for recognising the deferred tax assets with the actual results obtained in the current year and evaluating the reasonableness of the time period in which the Group expects to offset these assets.
- Assessing whether the information disclosed in the consolidated annual accounts in relation to the aforementioned deferred tax assets meets the requirements of the financial reporting framework applicable to the Group.

Strategic agreement with Pizza Hut International LLC (Pinta Project)

See note 1 to the consolidated annual accounts

Key audit matter

On 16 May 2018, the Group reached an agreement with Pizza Hut International LLC (hereinafter Pizza Hut) to enter into a strategic alliance and a multi-jurisdictional master franchise agreement, whereby the Group becomes the exclusive master franchisee of the "Pizza Hut" trademark in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland for a period of 25 to 50 years depending on the territory. This agreement was formalised on 18 December 2018, once the conditions precedent set out in the initial framework agreement had been meet, and it entered into force on 30 December 2018.

The Group assumes the position of franchisor in the existing Pizza Hut franchise agreements in those territories and may open and operate new Pizza Hut establishments, either its own or as franchises.

The Group has also granted Pizza Hut an option to purchase bare ownership of the "telepizza" trademark, which may or may not be exercised three years after signing the agreement.

If Pizza Hut exercises the aforementioned purchase option, the Group will continue to operate the "telepizza" brand in Spain and Portugal, where the presence and recognition of the "telepizza" brand is most represented, for at least the duration of the alliance.

Due to the different accounting assumptions and impacts associated with this new agreement, which substantially modifies the Group's business model and could therefore mainly affect the valuation of the Group's assets, we consider this to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following:

- Reviewing all agreements and contracts executed in relation to this matter, as well as the price-sensitive information reported to the markets and the board of directors' report on the terms and conditions of the strategic alliance.
- Analysing the accounting implications of this agreement on the basis of a report prepared by an independent expert.
- Analysing, together with our tax specialists, the tax implications of the agreement on the basis of a report prepared by an independent expert.
- Analysing, together with our specialists, the valuation of the "telepizza" trademark, of the sale option thereon given to Pizza Hut and of the valuation of bare ownership made by the Group on the basis of a report prepared by an independent expert.
- Reviewing the expenses incurred in the formalisation of this agreement and whether it has been appropriately classified by nature.
- Assessing whether the information disclosed in the consolidated annual accounts in relation to the aforementioned strategic agreement meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated non-financial information statement and to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, that the directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the consolidated directors' report, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the audit committee of Telepizza Group, S.A. dated 11 March 2019.

Contract Period

We were appointed as auditor of the Group by the shareholders of Telepizza Group, S.A. at their general meeting on 28 June 2018 for a period of one year, specifically the year ended 31 December 2018. We have been auditing the annual accounts since the year ended 31 December 2006. The Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges on 27 April 2016.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Carlos Peregrina García
On the Spanish Official Register of Auditors ("ROAC") with No. 15765

11 March 2019

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	2018	2017(*)
Property, plant and equipment (note 8)	51,262	50,456
Goodwill (note 9)	397,261	387,976
Other intangible assets (note 9)	341,263	337,125
Deferred tax assets (note 14)	39,999	30,438
Non-current financial assets (note 10)	32,493	35,455
Total non-current assets	862,278	841,450
Inventories (note 11)	10,208	10,903
Trade and other receivables (note 12)	40,916	41,117
Other current financial assets	2,745	2,730
Other current assets	1,402	3,227
Cash and cash equivalents (note 13)	56,698	87,279
Subtotal current assets	111,969	145,256
Non-current assets held for sale (note 6)	14,981	88
Total current assets	126,950	145,344
Total assets	989,228	986,794

(*) Restated figures

The accompanying notes form an integral part of the consolidated annual accounts for 2018.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	2018	2017(*)
Share capital (note 15)	25,180	25,180
Share premium	533,695	533,695
Retained earnings	60,592	81,432
Own shares	(15,500)	—
Translation differences	(9,118)	(5,070)
Equity attributable to equity holders of the Parent and total equity (note 15)	594,849	635,237
Non-controlling interests	836	158
Equity	595,685	635,395
Loans and borrowings (note 18 (a))	197,743	196,687
Other financial liabilities (note 17)	9,544	8,576
Deferred tax liabilities (note 14)	81,955	83,375
Provisions (note 19)	4,558	85
Other non-current liabilities (note 1)	16,336	7,140
Total non-current liabilities	310,136	295,863
Loans and borrowings (note 18 (b))	962	895
Other financial liabilities (note 17)	3,291	500
Trade and other payables (note 21)	65,705	51,153
Provisions (note 19)	4,733	151
Other current liabilities	4,050	2,756
Subtotal current liabilities	78,741	55,455
Liabilities directly associated with non-current assets held for sale (note 6)	4,666	81
Total current liabilities	83,407	55,536
Total equity and liabilities	989,228	986,794

(*) Restated figures

The accompanying notes form an integral part of the consolidated annual accounts for 2018.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Income Statement for the year ended 31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2018	2017(*)
Revenues (note 22)	340,271	342,380
Merchandise and raw materials used (note 11)	(97,520)	(93,325)
Personnel expenses (note 23)	(94,921)	(90,756)
Amortisation and depreciation (notes 8 and 9)	(16,530)	(18,315)
Other expenses (note 24)	(118,600)	(93,055)
Impairment/(Reversal) of non-current assets (note 25)	(7,444)	1,876
Other losses	(1,042)	(1,642)
Operating profit	4,214	47,163
Finance income	1,230	810
Finance costs	(8,449)	(10,387)
Profit/(loss) before tax from continuing operations	(3,005)	37,586
Income tax expense (note 26)	(2,503)	(6,371)
Profit/(loss) for the year from continuing operations	(5,508)	31,215
Post-tax profit/(loss) of discontinued operations	(4,109)	467
Profit/(loss) for the year	(9,617)	31,682
Profit/(loss) attributable to non-controlling interests	(668)	161
Profit/(loss) for the year attributable to equity holders of the Parent		
Continuing operations	(6,176)	31,376
Discontinued operations	(4,109)	467
	(10,285)	31,843
Basic and diluted earnings per share (Euros)		
Profit/(loss) on continuing operations	(0.0622)	0.3115
Profit/(loss) on discontinued operations	(0.0413)	0.0046
Profit/(loss) for the year	(0.1035)	0.3162

(*) Restated figures

The accompanying notes form an integral part of the consolidated annual accounts for 2018.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2018	2017(*)
Profit/(loss) for the year	(9,617)	31,682
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	(4,048)	(1,960)
Total comprehensive income for the year	(13,665)	29,722
Profit/(loss) attributable to non-controlling interests	(668)	161
Total comprehensive income/(loss) for the year attributable to equity holders of the Parent	(14,333)	29,883

(*) Restated figures

The accompanying notes form an integral part of the consolidated annual accounts for 2018.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Share capital	Share premium	Own shares	Prior years' profit and loss	Other equity instruments	Translation differences	Non-controlling interests	Total Equity
Balances at 31/12/2016	25,180	533,695	—	51,294	—	(3,110)	—	607,059
Prior years corrections	—	—	—	(1,705)	—	—	—	(1,705)
Balances at 01/01/2017	25,180	533,695	—	49,589	—	(3,110)	—	605,354
Business combinations	—	—	—	—	—	—	319	319
Profit/(loss) for the year	—	—	—	31,843	—	(1,960)	(161)	29,722
Balances at 31/12/2017	25,180	533,695	—	81,432	—	(5,070)	158	635,395
Prior years corrections	—	—	—	(1,554)	—	—	10	(1,544)
Transition to new standards (note 2(d))	—	—	—	(5,209)	—	—	—	(5,209)
Balances at 1/01/2018	25,180	533,695	—	74,669	—	(5,070)	168	628,642
Transactions with own shares	—	—	(15,500)	—	—	—	—	(15,500)
Dividends	—	—	—	(6,370)	—	—	—	(6,370)
Share-based payments (note 20(b))	—	—	—	—	2,578	—	—	2,578
Profit/(loss) for the year	—	—	—	(10,285)	—	(4,048)	668	(13,665)
Balances at 31/12/2018	25,180	533,695	(15,500)	58,014	2,578	(9,118)	836	595,685

The accompanying notes form an integral part of the consolidated annual accounts for 2018

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2018	2017(*)
Cash flows from operating activities		
Post-tax profit/(loss) of discontinued operations	(4,109)	467
Profit/(loss) for the year from continuing operations	(3,005)	37,586
Adjustments for:		
Amortisation and depreciation (notes 8 and 9)	16,530	18,315
(Reversal of) impairment losses (note 25)	7,444	(1,876)
Finance income	(1,230)	(810)
Finance costs	8,449	10,387
Losses on disposal of property, plant and equipment and other losses	1,042	1,642
Share-based payment costs	3,365	—
Expenses/Reversals of provisions	8,418	—
Impairment of trade receivables (note 12)	1,000	526
Other adjustments of discontinued operations	431	629
	38,335	66,866
Change in working capital		
(Increase)/decrease in inventories	909	952
(Increase)/decrease in trade and other receivables	(3,365)	(2.228)
(Increase)/decrease in other current and non-current asset	4,772	(5,188)
Increase/(decrease) in trade and other payables	2,433	580
Increase/(decrease) in provisions	(151)	(99)
Increase/(decrease) in other current and non-current liabilities	(2,568)	1,009
Changes in working capital due to discontinued operations	(588)	(541)
Cash generated from operations	1,442	(5,515)
Interest received	1,230	810
Interest paid	(7,326)	(9,384)
Income tax paid	(6,455)	(5,166)
Net cash from operating activities	27,226	47,611
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	7,483	6,919
Acquisition of property, plant and equipment	(15,735)	(19,404)
Acquisition of intangible assets	(5,424)	(4,701)
Acquisition of subsidiaries, net of cash and cash equivalents	(21,621)	(8,393)
Cash flows from (used in) discontinued operations	(482)	—
Net cash used in investing activities	(35,779)	(25,579)
Cash flows from financing activities		
Own shares	(15,500)	—
Dividends paid	(6,370)	—
Net cash from (used in) financing activities	(21,870)	—
Net increase/(decrease) in cash and cash equivalents	(30,423)	22,032
Cash and cash equivalents at 1 January	87,279	63,972
Effect of exchange differences	(158)	1,275
Cash and cash equivalents at 31 December	56,698	87,279

(*) Restated figures

The accompanying notes form an integral part of the consolidated annual accounts for 2018.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

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

The statutory activity of the Company consists of carrying out economic studies, promoting sales of all types of products on behalf of the Company or third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacturing, distributing and commercialising products for human consumption and leasing machinery and equipment. The aforementioned statutory activities can be entirely or partially carried out, directly or indirectly, through the holding of shares or interests in companies that perform these activities either in Spain or abroad. The Company shall not carry out any activities that are subject to specific legal conditions or requirements without complying in full therewith.

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

The principal activity of its subsidiaries consists of the management and operation of retail outlets under the brand names of "telepizza", "Pizza World", "Jeno's Pizza" and "Apache", which sell food for consumption at home and on the premises. At 31 December 2018, this activity is carried out through 424 own premises and 1,234 franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru, Ecuador, Switzerland, Ireland, the Czech Republic and Paraguay. The Group also carries out its activity through master franchises located in Guatemala, El Salvador, Russia, Angola, Bolivia, Abu Dhabi, Iran and the United Kingdom.

The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. In addition, the Group owns another six factories in other countries in which it carries out its activity and which also serve as logistics centres. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

The franchise activity consists mainly of advising on the management of third parties' outlets that operate under the "telepizza", "Pizza World", "Jeno's Pizza" and "Apache" brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group centralises the promotional and advertising activities for all the outlets operating under the aforementioned brand names and receives a percentage of its franchisees' sales as advertising revenues. In addition, the Group subleases some of the premises in which its franchisees carry out their activity and provides personnel management services, such as preparing the payroll for some its franchisees.

The master franchise activity includes the operations carried out in those countries in which the Group does not operate directly because it has signed a contract licensing the brand to a local operator. Master franchise contracts entitle the master franchisee to operate the "telepizza" brand in a specific market, enabling them to open their own outlets or to establish outlets under franchise agreements.

The subsidiaries and sub-groups composing the Telepizza Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2018, are included in Appendix I attached hereto, which forms an integral part of this note. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

(a) Relevant events in 2018

(i) Pinta operation

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 30 December 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 fees of Euros 11,850 thousand, payable by the Group to Pizza Hut at the end of the third year of the contract, which has been recognised as an intangible asset (see note 9).
- The Group will receive a royalty, generally of 6%, from the Pizza Hut franchisees and will pay Pizza Hut a royalty of 3.5% of the Pizza Hut chain's sales within the territories covered by the contract. The Group will also pay Pizza Hut an alliance fee amounting to 3.5% of sales by the "telepizza" chain.
- Over the next 17 years, the Group will benefit from deducting on a royalty credit of the expenses mentioned in the previous paragraph. Thus, in the first year no royalties are payable on the first USD 250 million in sales, an amount that declines over the remaining years.
- The Group is required to convert the outlets under the "telepizza" name in Latin America to "Pizza Hut" within a period of five to ten years. The Group is not required to convert these outlets in Spain and Portugal and as such 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 targets for opening and converting outlets in each of the first three years have been met, the Group will receive an incentive fee with annual targets subject to achieving a total of US Dollars 25 million in these three years, which will be recognised as income to the extent that the conversion targets are met.
- The Group may open the outlets for the "telepizza" business in Spain that 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

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

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.

The business plan prepared by Group management, which considers this new global agreement (see note 9), was taken into account during the impairment tests of the majority of intangible assets, goodwill and brands, for the purpose of calculating the recoverable amount through the fair value less costs to sell method.

As part of the agreement, at 30 December 2018 the Group has added more than 950 outlets to its network, and now manages more than 2,550 outlets at the reporting date, compared to close to 1,600 at the end of 2017.

The alliance will have a wide-reaching impact on the Group in general and on how it will generate value for its shareholders in the future. However, given that work towards signing this highly important agreement has been carried out since late 2017 and especially throughout virtually all of 2018, results for the current year have been significantly impacted. In addition to a certain level of disruption to recurring business throughout the year and the aspects described above, the main impacts on the consolidated annual accounts have been as follows:

- Project development costs: In assessing the future strategic options for the Group, finalising the agreement and obtaining approval from the European anti-trust authorities, the Group has relied to a large extent on collaboration with consultants and law firms (see note 24).
- Organisation and personnel: Given the expected vertical launch of the alliance following the definitive signing, the Group has made investments to improve its organisational capacities by replacing certain employees. The Group has also rewarded the extra effort of a large number of employees for achieving the close of the operation (see note 23).
- Outlet operation: As a result of the alliance, the two brands will coexist in Spain and Portugal, whereas the "telepizza" outlets in Latin America will gradually become Pizza Huts. The obvious implication is that outlets with overlapping territories will close. In Latin America there have been general concerns about losing telepizza's trademark and being obliged to the franchisees to make changes as a result of the new Pizza Hut business. These situations have led to certain losses to current franchisees.
- Changes of suppliers: The Pizza Hut alliance significantly changes the Group's supply dynamic. Doubling its size will enable the Group to enter into new negotiations with

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

suppliers to improve purchase conditions. However, both the new geographical division and the adoption of the different quality standards of Pizza Hut have led and will continue to lead to the need to terminate certain agreements with existing suppliers.

- Sales of businesses: As the agreement stipulates divestments out of certain countries mentioned above, the Group has entered into negotiations with AmRest for the sale of its businesses in Poland and the Czech Republic (see note 6).
- Impairment of the "Jeno's pizza" brand: In Colombia, the "Jeno's pizza" brand has a limited future, as the agreement foresees the conversion of these outlets to Pizza Hut. Although the Pizza Hut outlets will naturally be of great value, the value of the "Jeno's pizza" brand has been adjusted based on the limited useful life and the economic benefits that it will generate before it disappears from the market (see note 9).

Main accounting impacts

The transaction has been recognised as a collaboration agreement, whereby each party recognises the interest accrued and the costs incurred. Accordingly, the Group will recognise, as expenses, 3.5% of the royalties it must pay to Pizza Hut on sales made by "Pizza Hut" outlets and in respect of the fees defined in this strategic alliance for sales made by "telepizza" outlets. Given that these royalties and fees are fixed as a percentage of outlet sales, the expenses are recognised on an accruals basis. Moreover, the Group recognises 6% of the royalties from its franchisees of the Pizza Hut outlets as income, as indicated in the accounting policy on revenue from contracts with customers.

The Group paid Euros 11,850 thousand to Pizza Hut an initial franchise fee to acquire the franchise rights; this amount has been recognised as an intangible asset. In addition, the Group has incurred costs totalling Euros 12,146 thousand, which have been recognised under other expenses in the consolidated income statement.

As already mentioned, the Group has granted a Euros 1,750 thousand option call to Pizza Hut over the bare ownership of the brand, which may be exercised within 3 years. Consequently, and until the option is exercised, the Group retains full ownership of the brand and the operating rights in the territories included in the agreement, but from now on it may not operate in territories where the Group did not operate previously, and must cease to operate, subject to different deadlines, in those territories in which the Group operates that are not included in the agreement. At the 2018 reporting date, the "telepizza" brand therefore continues to have an indefinite useful life, notwithstanding the fact that the signing of the agreement may have implied an indication of impairment. As indicated in note 9, the Group has tested the brand for impairment using the royalty method and considering only the cash flows generated by the "telepizza" brand under the new agreement, and it has not been necessary to recognise any impairment.

If Pizza Hut were ultimately to exercise the option call, this would entail the derecognition of a portion of the carrying amount corresponding to the bare ownership of the brand, with the Group retaining usufruct for a period of 30 years and receiving consideration of Euros 10,100 thousand. The carrying amount to be derecognised would be determined by multiplying the proportional part representing the fair value of the bare ownership as a percentage of the total fair value of the brand by the carrying amount of the brand. The usufruct period is the maximum legal period stipulated in the Code of Commerce in Spain. Once this period has elapsed, it would be extended or a licensing contract would be obtained for no consideration, so as to continue operating the brand during the renewal periods under the Group's control, as per the years stipulated in the Master Franchise contract. From then on, the brand would cease to have an indefinite useful life and will instead have a finite useful life (see note 4(e)).

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

(ii) Takeover bid

On 21 December 2018, the Company's main shareholder KKR Creditor Advisors (US) (see note 15 (a)) announced its intention to acquire all the shares in Telepizza Group, S.A., so as to delist the Parent from the Spanish stock market. The initial price offered was Euros 6 per share.

For the purposes of the close process for 2018, the Telepizza Group is required to continue operating its business in the best interest of all its stakeholders, as if this event had not occurred, primarily because the bid initially requires approval from the Spanish National Securities Market Commission (CNMV). Within the following 10 days, the board of directors of the Parent is required to issue an independent opinion on the economic viability of the bid presented.

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Telepizza Group, S.A. and of the consolidated companies. The consolidated annual accounts for 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Telepizza Group, S.A. and subsidiaries at 31 December 2018 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, "First-time adoption of International Financial Reporting Standards".

The directors of the Parent consider that the consolidated annual accounts for 2018, authorised for issue on 28 February 2019, will be approved with no changes by the shareholders at their annual general meeting.

(a) Basis of preparation of the annual accounts

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

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

(b) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets (see note 4 (e)).
- The Group tests goodwill and brands for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the

(2) Basis of Presentation (Continued)

higher of fair value less costs to sell and value in use. The Group generally uses discounted cash flow methods to calculate these values, based on projections of the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions employed when determining fair value less costs to sell include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (see notes 4 (g) and 9).

- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice versa (see note 12).
- The Group capitalises tax credits when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see note 26). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the board of directors, considering past experience and represent the best estimate of future market performance.
- The estimates made in connection with share-based payments are subject to a high degree of judgement and uncertainty (see note 20 (b)).
- The Group is subject to regulatory and legal processes and inspections by government bodies in various jurisdictions. The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. Legal processes usually involve complex issues and are subject to substantial uncertainties. As a result, the directors use significant judgement when determining whether it is probable that the process will result in an outflow of resources embodying economic benefits and estimating the amount.
- The calculation of provisions for onerous contracts and litigation is subject to a high degree of uncertainty. The Group recognises provisions for onerous contracts when estimated total costs exceed the economic benefits expected to be received under the contract (see note 19 (b)).

As a result of the Pinta operation indicated in note 1, significant accounting impacts requiring relevant judgments have arisen and will arise in future.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2018, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated Group

During 2018, the Group acquired Alimentos de la Costa Costahut, S.A. and Sociedad de Turisto Sodetur, S.A., both in Ecuador.

During 2017 the Group acquired Mooncharm Limited and The Good Food Company Ltd in Ireland, Fortys Pizza s.r.o. in the Czech Republic, and Compañía de Negocios de Paraguay, S.A., in Paraguay.

(2) Basis of Presentation (Continued)

(d) Standards and interpretations issued

Standards and interpretations effective since 2018

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

- IFRS 9 Financial instruments.

  IFRS 9 is applicable for annual periods beginning on or after 1 January 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 recognised 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 applies the simplified approach permitted under IFRS 9, which requires that expected lifetime losses be recognised at the date of initial recognition of the receivables.

  In addition to the changes in name, the impact of adopting IFRS 9 on the carrying amounts of the financial assets and financial liabilities at 1 January 2018 has entailed an increase in impairment losses amounted to Euros 5,209 thousand, details of which are as follows:

	Thousands of Euros			
Financial assets	**Classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Trade and other receivables	Loans and receivables	Amortised cost	41,117	38,124
Cash and cash equivalents	Loans and receivables	Amortised cost	87,279	87,279
Other financial assets	Loans and receivables	Amortised cost	38,185	35,969
			166,581	161,372

	Thousands of Euros			
Financial liabilities	**Classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Loans and borrowings	Amortised cost	Amortised cost	197,582	197,582
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss	126	126
Other financial liabilities	Amortised cost	Amortised cost	8,950	8,950
			206,658	206,658

(2) Basis of Presentation (Continued)

- IFRS 15 Revenue from Contracts with Customers

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

  The revenue recognition model established by IFRS 15 is based on the following five steps:

  - Identify the contract
  - Identify the performance obligations
  - Determine the price
  - Allocate the price to the performance obligations
  - Recognise revenue as the performance obligations are satisfied.

  For sales at own outlets, performance obligations are satisfied through the delivery of the products and are documented through the issue of a receipt/invoice. The obligations in the contract arise with the delivery of the goods. The price is linked to the product delivered and recognised as revenue upon delivery of the goods.

  In the case of factory sales of products to franchise outlets and master franchisees, the contracts do not include a minimum order and as a result each good is a separate performance obligation. This performance obligation is identified at the date of the order, which is not contractually determined.

  As regards to loyalty programmes, the Group does not generally have any programmes with customers and they therefore have virtually no impact.

  IFRS 15 is applicable for annual periods beginning on or after 1 January 2018, early adoption is permitted. The Group has opted to apply IFRS 15 retrospectively, recognising the cumulative effect of initial application at the date of initial application, without therefore restating the information presented in 2017 under the previous standards.

  There has been practically no impact on the Group's consolidated financial statements in 2018 derived from adoption of IFRS 15 and it mainly relates to the initial franchise fee/transfer fees and renewal fees that are invoiced to franchisees and master franchisees, as franchise contracts are considered to be an access licence and therefore, in accordance with IFRS 15, the accounting treatment differs from the previous criteria used for recognising this revenue. Consequently, the revenues from fees will be recognised 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.

Standards and interpretations issued but not applied

At the date of authorisation for issue of these consolidated annual accounts, the following IFRS have come into force and been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2019 and subsequent years (depending on the effective date of each standard):

- IFRS 16 Leases

  IFRS 16 introduces a single accounting model for the recognition of leases in the balance sheet by lessees. The lessee recognises an asset for the right of use of the underlying asset

(2) Basis of Presentation (Continued)

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.

The standard shall be applied for annual periods beginning on or after 1 January 2019, although early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers, on or before the date of first application of IFRS 16.

The Group will apply IFRS 16 for the first time on 1 January 2019. To this end, during 2018 the Group undertook a process for its implementation which, inter alia, enabled it to quantify the estimated impact that this new standard will have on its consolidated annual accounts at the start of 2019. The main policies, estimates and criteria as regards application of IFRS 16 are as follows:

- Method of transition: The Group has opted to adopt IFRS 16 applying the modified retrospective approach, recognising the right-of-use asset for an amount equal to the lease liability. As a result of the applying this approach, the Group will not restate the comparative information.
- Discount rates: the incremental borrowing rate has been applied for the initial measurement of the lease liability.
- Lease term for each contract: the term considered for the leases depends mainly on whether the lease contract includes a non-cancellable period. In this regard, in determining the term, the Group has considered, as a key variable, the average periods of return on investments for a portfolio of outlets at country level and their subsequent investment cycles. As a result of this analysis, the Group has determined the term cycles by country such that the probable date of termination of each lease will be the first date after 1 January 2019 resulting from applying the cycle established, from the commencement date of the contract. In the case of warehouses and offices, the probable date of termination is determined specifically based on the reasonable lease term. However, the probable date of termination shall not be before the end of the contractual non-cancellable period.
- Accounting policies applicable in the transition. The Group has decided to use the following practical expedients when applying the simplified approach for leases previously classified as operating leases:
  - Use of a single discount rate for a portfolio of outlets at country level.
  - Exclusion of leases in which the underlying asset is of low value.
  - Instead of performing an impairment review at the date of initial application, the Company has relied on its assessment of whether the leases are onerous, by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application, such that the right-of-use asset has been adjusted at the date of initial application by the amount of any provision

(2) Basis of Presentation (Continued)

for onerous leases recognised in the statement of financial position immediately before the date of initial application.

In the case of subleases, if they are considered as finance leases, the right of use arising from the head lease transferred shall be derecognised and the net investment in the sublease shall be recognised (financial asset). The difference between the right of use and the net investment in the sublease shall be recognised in the income statement, the financial liability associated with the head lease shall be maintained, and finance income (associated with the net investment held for the sublease) and a finance cost (associated with the liability held for the sublease) shall be recognised over the lease term.

In determining the estimated effect of implementation at 31 December 2018, the Group has non-cancellable operating lease commitments relating to property amounting to Euros 86,022 thousand (see note 24). In addition to these non-cancellable commitments, the Group expects to recognise liabilities for the lease periods beyond the non-cancellable period but for which it considers that it is reasonably certain that the right to terminate the contract early will not be exercised. As a result, at 1 January 2019 the Group expects to recognise rights-of-use assets amounting to approximately Euros 87 million, a net investment in subleases totalling approximately Euros 61 million, lease liabilities of approximately Euros 160 million and a loss of Euros 7 million for the difference between the rights-of-use assets and the net investment in subleases. The difference between lease liabilities and future minimum payments under these leases, including those payments that will accrue over the lease period established in the lease agreements, is mainly due to the effect of discounting the former.

The Group does not expect that adoption of IFRS 16 will have a very significant impact on the net profit after tax.

- IFRIC 23 Uncertainty over Income Tax Treatments

  IFRIC 23 clarifies how to recognise and measure current and deferred tax assets and liabilities when there is uncertainty over income tax treatments. The Group will apply this standard for the first time on 1 January 2019 and does not expect its adoption will have an impact on its consolidated annual accounts.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which differ from those included in the consolidated annual accounts for that year, which were approved by the shareholders at their general meeting held on 28 June 2018, details of these differences are provided below.

The balances in the consolidated income statement and consolidated statement of cash flows for 2017 have been restated in order to make them comparable with the figures for 2018 as the Group has classified certain operations as discontinued operations in the consolidated income statement for 2018 (see note 6).

(2) Basis of Presentation (Continued)

As detailed in note 7, the consolidated statement of financial position at 31 December 2017 and the consolidated income statement for 2017 have been restated to reflect the definitive business combination arising from the acquisition of the franchise business in Ireland. Details of the restated assets and liabilities at 31 December 2017 are as follows:

	Thousands of Euros		
Assets	Balances at 31.12.2017	Restatement	Restated balances at 31.12.2017
Goodwill	392,539	(4,563)	387,976
Other intangible assets	326,923	10,202	337,125
Total assets	981,155	5,639	986,794
Deferred tax liabilities	82,100	1,275	83,375
Other financial liabilities	4,212	4,364	8,576
Total liabilities	981,155	5,639	986,794

(f) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent, rounded off to the nearest thousand.

(3) Distribution of Profit of the Parent

The Parent's board of directors have proposed that the Euros 2,290,807 profit of Telepizza Group, S.A. be transferred in full to voluntary reserves. This proposal is pending approval by the Shareholders at their general meeting.

The distribution of the Euros 10,143,245 profit for 2017, approved by the Shareholders at the general meeting held on 28 June 2018, is as follows:

	Euros
Basis of allocation	
Profit for the year	10,143,245
Distribution	
Voluntary reserves	3,773,500
Dividends	6,369,745
	10,143,245

(4) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Parent, either directly or indirectly, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

(4) Accounting Principles (Continued)

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

Transactions and balances with Group companies and significant unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Information on the subsidiaries included in the consolidated Group is presented in Appendix I to note 1.

(b) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

If the business combination can only be determined provisionally the identifiable net assets are initially recognised at their provisional values and adjustments made during the measurement period are recognised as if they had been known at the acquisition date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date. After this period, the initial measurement is only adjusted when correcting errors.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

If the Group has no previously held interest in the acquiree, the excess between the amount allocated to non-controlling interests, and the net assets acquired and liabilities assumed is recognised as goodwill. Any

(4) Accounting Principles (Continued)

shortfall is recognised in profit or loss, after assessing the value assigned to non-controlling interests, and the identification and measurement of net assets acquired.

Contingent consideration is classified in accordance with the underlying contractual terms as a financial asset, financial liability, equity instrument or provision. Subsequent changes in the fair value of a financial asset or financial liability are recognised in profit or loss, provided that they do not arise from a measurement period adjustment. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for in equity. Contingent consideration classified as a provision is subsequently recognised at fair value through profit or loss.

(c) Foreign currency transactions and balances

(i) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was recognised.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents held.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Monetary financial assets denominated in foreign currencies classified as available for sale are measured at amortised cost in the foreign currency. Consequently, the exchange differences associated with changes in amortised cost are recognised in profit or loss.

Unrealised foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the currency risk component of non-monetary financial assets denominated in foreign currencies, classified as available-for-sale and as hedged items in fair value hedges of the component, are recognised in profit or loss.

(ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.

(4) Accounting Principles (Continued)

- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying exchange rates that approximate those prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Non-current investments in properties contracted from third parties under operating leases are measured based on the same criteria used for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The term of the lease contract is determined consistently with the classification thereof.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	33
Technical installations and machinery	3-15
Other installations, equipment and furniture	10
Information technology equipment	4
Other	4 - 6

The depreciable amount is the cost of an asset.

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(e) Intangible assets

(i) Goodwill

Goodwill on business combinations reflects the excess of the cost of the business combination (see note 4 (b)) over the acquisition-date fair value of the assets acquired and contingent liabilities

(4) Accounting Principles (Continued)

assumed from the acquiree. Gains and losses on the sale of an entity include the carrying amount of goodwill from the sold entity.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in business combinations is their acquisition-date fair value, provided that this can be measured reliably. Subsequent costs relating to research and development projects are recognised in accordance with the criteria for internally generated intangible assets.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

  Concessions, patents and licences are measured at their cost of acquisition.

- *Computer software*

  Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

  Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the Telepizza brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics. Following the Pinta operation (see note 1) and although an option call has been granted that may or may not be exercised after the third year of the agreement, the Parent's directors consider that the "telepizza" brand continues to have an indefinite useful life. In the event that the aforementioned option is exercised after the third year, the use of the brand will have a finite useful life, whereupon it will begin to be amortised over its remaining useful life.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

(4) Accounting Principles (Continued)

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a straight-line basis over the following useful lives:

Patents and licences	4
Contractual rights	31
Computer software	4
Other intangible assets	4-10
Administrative concessions	Operating term

The depreciable amount is the cost of an asset.

Contractual rights arising from the franchise agreements and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues (see note 9).

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(f) Non-current assets held for sale and discontinued operations

(i) *Non-current assets held for sale*

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

The Group classifies subsidiaries that comply with the above conditions and over which the Group will lose control, irrespective of whether it continues to exercise significant influence or joint control, as a disposal group held for sale or distribution, or as a discontinued operation.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

Gains due to increases in the fair value less costs of disposal are recognised in the income statement to the extent of the cumulative impairment previously recognised due to measurement at fair value less costs of disposal or to impairment of non-current assets.

A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held for sale if the transaction is expected to be realised within 12 months after the reporting date and the sale is considered highly probable within a short period subsequent to acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

(4) Accounting Principles (Continued)

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations or other comprehensive income.

The consolidated annual accounts for prior periods since the classification of a subsidiary, associate or joint venture as a disposal group or non-current asset held for sale are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the consolidated annual accounts (see notes 2 (e) and 6).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

The consolidated annual accounts for prior periods since the classification of a subsidiary, associate or joint venture as a discontinued operation are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and the brand, which has an indefinite useful life, for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset's value in use is measured based on the future cash flows the Group expects to derive from use

(4) Accounting Principles (Continued)

of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit or group of cash-generating assets to which the asset belongs.

If there is an indication of impairment of a CGU to which goodwill has been unable to be allocated, the Group tests the CGU for impairment first, excluding any goodwill and recognises, where applicable, any impairment loss at CGU level. The Group then tests the group of CGUs to which goodwill has been allocated for impairment and recognises, where applicable, any impairment loss at CGU group level.

In testing a CGU for impairment, the Group identifies all the corporate assets that relate to the CGU. If a portion of the corporate assets can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the corporate asset, with its recoverable amount and, where applicable, recognises any impairment loss at CGU level. If the Group cannot allocate a portion of the corporate assets on a reasonable and consistent basis to the CGU, it compares the carrying amount of the unit, excluding the corporate asset, with its recoverable amount and recognises, where applicable, any impairment loss at CGU level. The Group identifies the smallest group of CGUs to which the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis and compares the carrying amount of the group of CGUs, including the corporate assets, with the recoverable amount and recognises, where applicable, the impairment loss at CGU group level.

Until 31 December 2017, for the purpose of verifying the impairment of intangible assets with indefinite useful lives, primarily comprising the “telepizza” brand, this was considered a global asset and the impairment analysis was therefore carried out by comparing the carrying amount of all the Group’s assets with their recoverable amount. As a result of the Pinta operation (see note 1), and due mainly to the fact that “telepizza” restaurants in Latin America will gradually be converted into “Pizza Hut” restaurants, the value of these assets will continue to be significant only on the Iberian Peninsula. Consequently, no impairment has arisen as a result of comparing the carrying amount of the “telepizza” brand with its fair value in the aforementioned new scenario (see note 9).

Impairment losses for CGUs are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

(4) Accounting Principles (Continued)

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

(h) Leases

(i) Classification of leases

Leases in which, upon inception, the Group transfers to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

(ii) Lessor accounting

The Group, as lessor, subleases the right to use certain storage facilities and commercial premises to third parties through operating leases.

Assets leased to third parties under operating lease contracts are presented according to their nature, applying the accounting policies set out in note 4 (d).

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be received.

(ii) Lessee accounting

The Group, as lessee, holds the rights to use certain assets under lease contracts.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

  The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

(4) Accounting Principles (Continued)

The Group recognises initial direct costs incurred on operating leases as an expense when incurred.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(i) Financial instruments

(i) Recognition and classification of instruments

The changes introduced by the new IFRS 9 have not required any significant changes as regards the accounting policies applicable in prior years.

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

Since 1 January 2018, the Group has classified a financial asset as at amortised cost when it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group classifies financial liabilities held for trading as at fair value through profit or loss.

The Group designates a financial liability at initial recognition as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or when a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies other financial liabilities as financial liabilities at amortised cost, except for financial guarantee contracts, commitments to provide a loan at a below-market interest rate or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In order for the Group to currently have a legally enforceable right, it must not be contingent on a future event and must be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy.

(iii) Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(4) Accounting Principles (Continued)

(iv) Reclassifications of financial instruments

The Group reclassifies financial assets when it changes its business model for managing them. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, the difference between the fair value and the carrying amount is recognised in profit or loss. From the reclassification date, the Group does not recognise the interest separately from the financial asset.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, the difference between the fair value and the carrying amount is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. However, the cumulative gain or loss on expected credit losses is recognised in other comprehensive income and disclosed in the notes.

(v) Impairment

The Group recognises in profit or loss a loss allowance for expected credit losses on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, finance lease receivables, contract assets, loan commitments and financial guarantees.

Since 1 January 2018 the Group has assessed prospectively the expected credit losses associated with its debt instruments measured at amortised cost. The Group uses the practical expedients provided for in IFRS 9 to measure expected credit losses on trade receivables through a simplified approach, thereby eliminating the need for an assessment when there has been a significant increase in credit risk. Under the simplified approach, expected losses must be recognised upon initial recognition of the accounts receivable, such that the Group determines the expected credit losses as a probability-weighted estimate of these losses over the expected life of the financial instrument.

The practical expedient used consists of the use of a provision matrix, based on segmentation into groups of homogenous assets, applying historical information on default rates for those groups and reasonable information on future economic conditions.

The default rates are calculated based on actual experience of defaults in the prior year, as this is a highly dynamic market, and adjusted for differences between current and historical economic conditions and considering projected information that is reasonable available.

The Group recognises expected credit losses over the life of the instrument for trade receivables, contract assets and finance lease receivables.

Expected credit losses represent the difference between contractual and expected flows, both with regard to amount and term.

The Group has determined the impairment of cash and cash equivalents for the 12-month expected credit losses. The Group considers that cash and cash equivalents have low credit risk based on the credit risk ratings of financial institutions where the cash or deposits are deposited.

(vi) Derecognition, modification and cancellation of financial assets

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

(4) Accounting Principles (Continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(vii) Derecognition of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(j) Parent own shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a reduction in equity, net of any tax effect.

(k) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting.

(l) Inventories

Inventories mainly comprise food products, packaging, promotional material and smaller quantities of other materials, and are recognised at the lower of acquisition or production cost and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition.

Trade discounts are recognised as a reduction in cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised in the consolidated income statement as a decrease in the purchase.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

The production cost of inventories comprises the purchase price of raw materials and consumables, costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The cost of raw materials and other supplies, the cost of goods for resale and costs of conversion are allocated to each inventory unit on a weighted average cost basis.

(4) Accounting Principles (Continued)

The cost of inventories is written down against profit and loss when it exceeds net realisable value. Net realisable value is considered as the following:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished goods: estimated selling price less costs to sell.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest received and paid as financing activities.

(n) Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or minus any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

(o) Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Government grants may comprise the following:

- Capital grants: Capital grants awarded as monetary assets are recognised under government grants in the consolidated statement of financial position and allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received. Government grants in the form of transfers of a non-monetary asset are recognised at fair value under government grants in the consolidated statement of financial position and are allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received.
- Operating grants: Operating grants are recognised as a reduction in the expenses that they are used to finance.

(p) Employee benefits

(i) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

(4) Accounting Principles (Continued)

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the liability is discounted by reference to market yields on high quality corporate bonds.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised.

(4) Accounting Principles (Continued)

(i) *Provisions for onerous contracts*

Provisions for onerous contracts are based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and any compensation or penalties payable for non-completion. Nonetheless, before recognising the provision, the Group recognises the impairment loss of non-current assets directly linked to the contracts.

(r) Revenue recognition

The Group operates a chain of outlets engaged in the retail sale of food. The Group recognises the sales of goods when it sells products to the customer. The transaction price is collected in cash, and there is no policy for sales returns.

The Group also sells products to its franchisees, and sales are recognised when control of the products is transferred, i.e. when the goods are delivered to the wholesaler, and there is no unfulfilled obligation that could affect wholesaler acceptance of the product. Delivery is made when the products are sent to the destination indicated by the franchisee, the risk of loss and obsolescence have been transferred thereto and the franchisee has accepted the products in accordance with the sale contract, the acceptance clauses have expired or the Group has objective evidence that all the acceptance criteria have been met.

Once the product has been delivered to the customer, an account receivable is recognised to the extent that an unconditional right to receive payment arises at that time.

Income from royalties and amounts invoiced for advertising, given that consideration takes the form of royalties based on sales of rights-of-use, are recognised as and when the sales take place. Amounts invoiced for advertising are not considered distinct goods or services that are separable from the rights-of-use of the intellectual property licence.

Initial franchise fee/transfer fees and renewal fees that are invoiced to franchisees and master franchisees are considered as an access licence and are recognised gradually over the term stipulated in the franchise contract, considering the renewal periods that entail a significant right for the customer.

(s) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Since 1 January 2007 the Company has been the parent of a tax group, as defined by the consolidated tax regime, which comprises Tele Pizza, S.A., Mixor, S.A., Circol, S.A. and Luxtor, S.A. at 31 December 2018.

(4) Accounting Principles (Continued)

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income, are not recognised.
- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on

(4) Accounting Principles (Continued)

the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(t) Share-based payments for services

The Group recognises the services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. It recognises an increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability with a balancing entry in the income statement or assets if the goods or services were acquired in a cash-settled share-based payment transaction.

The Group recognises equity-settled share-based payment transactions, including capital increases through non-monetary contributions, and the corresponding increase in equity at the fair value of the goods or services received, unless that fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments granted.

Equity instruments granted as consideration for services rendered by Group employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments offered.

(i) *Equity-settled share-based payment transactions*

Equity-settled payment transactions are recognised as follows:

- If the equity instruments granted vest immediately on the grant date, the services received are recognised in full, with a corresponding increase in equity;
- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

The Group determines the fair value of the instruments granted to employees at the grant date.

Market conditions and other non-vesting conditions are taken into account when measuring the fair value of the instrument. The remaining vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Group recognises the amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

Once the services received and the corresponding increase in equity have been recognised, no additional adjustments are made to equity after the vesting date, although any necessary reclassifications in equity may be made.

(ii) *Cash-settled share-based payments to employees*

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the

(4) Accounting Principles (Continued)

Group remeasures the fair value of the liability at the end of each reporting period, with any changes in fair value recognised in profit or loss. In order to determine the fair value of the liability, the Group applies the same criteria as indicated previously for equity-settled payments. Services received or goods acquired and the liability payable are recognised over the vesting period or immediately if vesting is immediate. The Group only recognises as personnel expenses the portion of the grant-date fair value of the payment that has been accrued as per the vesting schedule. The residual amount accrued is recognised as a finance cost or as finance income.

(iii) *Tax effect*

In accordance with prevailing tax legislation in Spain, share-based payments to employees are income tax deductible for the intrinsic amount of the share options when they are exercised, thus giving rise to a deductible temporary difference for the difference between the amount the taxation authorities will admit as a future deduction and the net carrying amount of the share-based payments. At the close of the reporting period, the Group estimates the future tax deduction based on the price of the shares at that time. The amount of the tax deduction is recognised as current or deferred income tax with a balancing entry in the income statement, and any excess is taken to equity.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(w) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(4) Accounting Principles (Continued)

Non-current assets acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

(5) Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units operate under different market conditions and are managed separately because they require different strategies.

At 31 December 2018 and 2017, the Group comprises the following operating segments:

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

Segment performance is measured based on the profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

Inter-segment transaction prices are established based on the normal commercial terms and conditions with unrelated third parties.

(5) Segment Reporting (Continued)

	2018					
	Thousands of Euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Revenue						
Own outlet sales	76,684	36,223	49,825	134	—	162,866
Factory sales to franchisees	92,754	10,621	13,154	573	—	117,102
Royalties	26,765	4,998	3,692	10		35,465
Revenue from franchising activity	5,889	346	5,248	1	—	11,484
Other services rendered to franchisees	2,320	326	1,543	—	—	4,189
Revenue from initial fees	—	35	13	—	—	48
Sublease income	8,053	119	945	—	—	9,117
To other segments	34,578	—	—	—	(34,578)	—
Total revenues	247,043	52,668	74,420	718	(34,578)	340,271
Amortisation and depreciation	(11,387)	(1,224)	(3,889)	(30)	—	(16,530)
Impairment/(Reversal) of non-current assets	(4,944)	—	(2,500)	—	—	(7,444)
Other net gains/(losses)	(280)	115	(733)	(144)	—	(1,042)
Operating profit/(loss)	10,510	5,583	(11,745)	(134)	—	4,214
Net finance income/(cost)	(5,820)	102	(1,491)	(10)	—	(7,219)
Income tax	3,732	(7,249)	1,021	(7)	—	(2,503)
Profit/(loss) from continuing operations	13,844	(4,229)	(14,828)	(295)	—	(5,508)
Profit/(loss) from discontinued operations	(234)	(3,875)	—	—	—	(4,109)
Non-controlling interests	—	751	(83)	—	—	668
Profit/(loss) attributable to the Parent	13,611	(8,855)	(14,746)	(295)	—	(10,285)
Segment assets	906,904	40,253	26,744	346	—	974,247
Assets from discontinued operations or held for sale	40	14.823	5	113	—	14,981
Group assets	912,869	48,971	26,961	427	—	989,228
Segment liabilities	20,833	62,468	18,759	861	—	102,921
Liabilities from discontinued operations or held for sale	—	4,482	54	130	—	4,666
Unassigned liabilities	—	—	—	—	—	881,641
Group liabilities	20,833	66,950	18,813	991	—	989,228
Investments in property, plant and equipment and intangible assets	27,756	3,278	26,694	—	—	57,729

(5) Segment Reporting (Continued)

	2017					
	Thousands of Euros					
	Spain	Rest of Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Revenue						
Own outlet sales	99,918	32,458	52,211	—	—	184,587
Factory sales to franchisees	84,116	7,669	10,514	868	—	103,167
Royalties	23,547	—	3,663	1,084	—	28,294
Revenue from franchising activity	6,892	708	7,046	—		14,646
Other services rendered to franchisees	3,471	258	—	—	—	3,729
Sublease income	6,570	—	1,066	—	—	7,636
Revenue from initial fees	237	84	—	—	—	321
To other segments	20,134	—	—	—	(20,134)	—
Total revenues	244,885	41,177	74,500	1,952	(20,134)	342,380
Amortisation	(13,418)	(1,034)	(3,863)	—	—	(18,315)
Impairment/(Reversal) of non-current assets	2,782	(260)	(646)	—	—	1,876
Other net gains/(losses)	(1,588)	424	(478)	—	—	(1,642)
Operating profit/(loss)	31,740	7,840	6,397	1,186	—	47,163
Net finance income/(cost)	(7,646)	(72)	(1,893)	34	—	(9,577)
Income tax	(5,644)	(227)	(461)	(39)	—	(6,371)
Profit/(loss) from continuing operations	19,959	7,152	2,923	1,181	—	31,215
Profit/(loss) from discontinued operations	—	(467)	—	—	—	(467)
Non-controlling interests	—	161	—	—	—	161
Profit/(loss) attributable to the Parent	19,959	7,780	2,923	1,181	—	31,843
Segment assets	834,314	58,376	94,016	—	—	986,706
Assets from discontinued operations or held for sale	88	—	—	—	—	88
Group assets	834,402	58,376	94,016	—	—	986,794
Segment liabilities	50,154	13,968	7,335	—	—	71,457
Liabilities from discontinued operations or held for sale	81	—	—	—	—	81
Unassigned liabilities	—	—	—	—	—	915,256
Group liabilities	50,235	13,968	7,335	—	—	986,794
Investments in property, plant and equipment and intangible assets	13,777	11,992	7,444	—	—	33,213

(6) Non-current Assets Held for Sale and Discontinued Operations

The global agreement between the Telepizza Group and Pizza Hut (see note 1) sets forth the obligation for the Telepizza Group to make its best efforts to sell its assets in Poland and the Czech Republic to the AmRest group, a master franchisee of Pizza Hut in those markets. AmRest and the Telepizza Group therefore entered into negotiations to this end, coming to a binding agreement in July 2018 whereby AmRest was to acquire the Group's operations in Poland.

(6) Non-current Assets Held for Sale and Discontinued Operations (Continued)

This sale-purchase transaction was subject to approval from the pertinent Polish authorities. Furthermore, the deadline for formally completing the purchase was set as 30 November 2018, and AmRest would not be obliged to complete the transaction if the pertinent authorities had not given their approval at that date, as was indeed the case. At the date of issue of these accounts, this transaction is still under negotiation.

Regarding the Czech Republic, in August 2018 AmRest and Telepizza reached an agreement to purchase the assets of Forty's Pizza. However, as Telepizza first had to acquire 20% of the company's shares held by its local shareholder, the agreement ultimately signed was non-binding. On completion of the business due diligence at the end of 2018, AmRest confirmed its interest in acquiring the Czech assets. At present, the two parties are discussing the conclusions drawn in the due diligence before entering into a formal agreement. The transaction would not be subject to approval from the pertinent Czech authorities.

In view of the foregoing, the Telepizza Group's businesses in Poland and the Czech Republic have been classified as held for sale in the consolidated statement of financial position and as profit/loss from discontinued operations in the consolidated income statement, as required by the applicable standards. The sales transactions are expected to be effective in 2019.

The non-current assets held for sale of the Polish and Czech subsidiaries are measured at their carrying amount, inasmuch as the fair value estimated in the sale transaction is higher.

Moreover, at 31 December 2018 the Company has classified its two subsidiaries in Morocco and Panama, which are currently in liquidation, under non-current assets held for sale and their operations are included in discontinued operations in the consolidated income statement.

Details of assets and liabilities held for sale in relation to the discontinued operation are as follows:

	Thousands of Euros	
	2018	2017
Assets held for sale:		
Technical installations and machinery (note 8)	3,489	88
Goodwill (note 9)	6,105	—
Other intangible assets (note 9)	128	—
Other non-current assets	321	—
Inventories	116	—
Other current assets	4,071	—
Cash	751	—
Total assets	14,981	88
Liabilities directly associated with non-current assets held for sale:		
Loans and borrowings	198	81
Trade and other payables	4,468	—
Total liabilities	4,666	81

(6) Non-current Assets Held for Sale and Discontinued Operations (Continued)

Details of profit/loss from discontinued operations presented in the consolidated income statement relating to the discontinued operation are as follows:

	Thousands of Euros	
	2018	2017
Revenue	21,079	18,622
Merchandise and raw materials used	(7,100)	(6,672)
Employee benefits expense	(4,999)	(4,455)
Depreciation and amortisation	(477)	(629)
Other expenses	(12,146)	(6,307)
Other losses	(364)	(272)
Operating profit/(loss)	(4,007)	287
Finance income	100	187
Finance costs	(197)	—
Profit/(loss) before income tax	(4,104)	474
Income tax expense/(tax income)	(5)	(7)
Post-tax profit/(loss) of discontinued operations	(4,109)	467

(7) Business Combinations

In 2018, the Group acquired a franchise business in Ecuador under the “Pizza Hut” trademark, as well as several operating outlets, primarily in Spain, Portugal and Colombia.

In 2017, the Group acquired proprietary outlets and franchises in Ireland, the Czech Republic and Paraguay, as well as several operating outlets, mainly from franchisees in Chile, Portugal and Colombia. These outlets were acquired as part of the Group’s global strategy, whereby it aims to maximise the balance between proprietary outlets and franchises in different geographical areas, and also due to entering new geographical markets.

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

	Thousands of Euros	
	2018	2017
Cost of the combinations, cash paid	21,626	13,982
Less, fair value of net assets acquired	(2,009)	(10,064)
Goodwill (note 9)	19,617	3,918

The goodwill generated on the business combinations in both years is due to the outlets acquired having a good market position.

Tax-deductible goodwill generated on business combinations in 2018 amounts to Euros 5,998 thousand.

The acquisition cost of the business combinations carried out in 2018 amounts to Euros 45 thousand was recorded in other expenses of the Consolidated Income Statement.

(7) Business Combinations (Continued)

The amounts recognised in 2018 and 2017, by significant class of asset and liability at the acquisition date, are as follows:

	Thousands of Euros	
	Fair value	
	2018	2017
Intangible assets (note 9)	686	10,206
Property, plant and equipment (note 8)	4,417	623
Inventories	214	232
Trade and other receivables	1,777	970
Cash and cash equivalents	5	113
Total assets	7,099	12,144
Deferred tax liabilites (note 14)	—	(1,725)
Trade and other payables	(5,090)	(355)
Total net assets acquired	2,009	10,064
Cash paid	21,626	13,982
Cash and cash equivalents of the acquiree	(5)	(113)
Cash outflow for the acquisition	21,621	13,869

The fair value of the assets and liabilities acquired in business combinations does not differ from their carrying amount; neither do the contractual gross amounts receivable differ from the carrying amount. The assets acquired include the “Apache” brand that arose from the business combination and the deferred tax asset associated with it.

The business combination consisting of the purchase of a franchise business in Ecuador has been determined provisionally because it took place in the last quarter of 2018 and sufficient information is not available. Consequently, the identifiable net assets have been recognised initially at their provisional amounts. The other business combinations during the year are definitive and the fair value of the net assets acquired does not differ from their carrying amount.

The business combination consisting of the purchase of a franchise business in Ireland was determined provisionally at 31 December 2017 because it was formally completed at the end of that year and sufficient information was not available. Consequently, the identifiable net assets were recognised initially at their provisional amounts.

In 2018, the business combination in Ireland was recognised at its definitive amount. Moreover, an independent expert valuation brought to light the “Apache” trademark, which has been valued at Euros 10,202 thousand. A deferred tax liability of Euros 1,275 thousand has also arisen, in respect of which the 2017 figures have been restated (see note 2 (e)).

With regard to this business combination of franchises in Ireland, an amount of Euros 6,937 thousand was payable at 31 December 2017 (see note 17).

The businesses acquired in 2018 generated consolidated revenues of Euros 10,409 thousand and consolidated losses of Euros 61 thousand for the Group for the period from the acquisition date to the reporting date. Inasmuch as the acquisition of the business in Ireland was carried out in December 2017, it generated practically no revenue or profit/loss for the Group in 2017. The business combinations carried out in 2017 gave rise to losses due to the expenses associated with converting the Forty’s trademark in the Czech Republic to Telepizza. The businesses acquired in 2017 generated consolidated revenues of Euros 5,401 thousand and consolidated losses of Euros 434 thousand for the Group for the period from the acquisition date to the reporting date.

(7) Business Combinations (Continued)

Had the 2018 acquisition taken place at 1 January 2018, the Group would have posted revenue and a consolidated loss for the year ended 31 December 2018 of Euros 355,700 thousand and Euros 8,252 thousand, respectively.

Had the 2017 acquisition taken place at 1 January 2017, the Group would have posted revenue and a consolidated profit for the year ended 31 December 2018 of Euros 366,070 thousand and Euros 33,079 thousand, respectively.

(8) Property, Plant and Equipment

Details and movement are as follows:

	Thousands of Euros					
Details	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment under construction	Other property, plant and equipment	Total
Cost						
Balance at 31/12/2016	7,226	104,638	12,218	2,658	13,656	140,396
Additions	92	14,916	2,604	743	1,672	20,027
Disposals	(394)	(14,285)	(1,877)	(2)	(2,019)	(18,577)
Other transfers	46	(1,930)	1,377	(2,451)	2,661	(297)
Translation differences	(45)	(1,617)	(180)	15	(353)	(2,180)
Balance at 31/12/2017	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)
Balance at 31/12/2018	5,172	95,630	12,414	215	13,751	126,182
Depreciation or impairment						
Depreciation at 31/12/2016	(4,638)	(65,036)	(8,867)	—	(10,769)	(89,310)
Impairment at 31.12.2016	(68)	(4,964)	(12)	—	—	(5,044)
Depreciation for the year	(769)	(7,665)	(747)	—	(1,659)	(10,840)
Disposals	281	10,052	1,119	—	1,628	12,080
Translation differences	164	116	(406)	—	951	825
Impairment	(305)	3,326	(645)	—	—	2,376
Depreciation at 31/12/2017	(4,962)	(62,533)	(8,901)	—	(9,849)	(86,245)
Impairment at 31/12/2017	(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 at 31/12/2018	(4,442)	(53,350)	(7,553)	—	(7,766)	(73,111)
Impairment at 31/12/2018	—	(1,152)	(657)	—	—	(1,809)
Carrying amount						
At 31.12.2016	2,520	34,638	3,339	2,658	2,887	46,042
At 31/12/2017	1,590	37,551	4,584	963	5,768	50,456
At 31/12/2018	730	41,128	4,204	215	4,985	51,262

(8) Property, Plant and Equipment (Continued)

In 2018 and 2017 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 2018 and 2017 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 31 December 2018 and 2017 the Group had no commitments to acquire items of property, plant and equipment. Assets totalling Euros 1,040 thousand have been pledged as security. The Group does not have any unused property, plant and equipment for significant amounts.

In 2018 the Group recognised income from the reversal of impairment totalling Euros 859 thousand (an impairment loss of Euros 2,052 thousand in 2017) (see notes 1 and 25). Also in 2017, impairment losses of Euros 342 thousand were recognised on sales of outlets to franchisees. The impairment losses recognised and reversed are basically due to the impairment of assets used in the Group's outlets. Impairment losses have been determined based on value in use. Value in use has been calculated based on future cash flows, and details of the most significant assumptions used in the projections are provided in note 9. The impaired assets are primarily outlet fixtures.

The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

Details of the cost of fully depreciated property, plant and equipment at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Technical installations and machinery	30,664	33,186
Other	13,661	16,313
	44,325	49,499

Property, plant and equipment leased by the Group to third parties under operating leases consist of assets in sublet outlets, which were carried at the following amounts at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Cost	4,933	4,577
Accumulated depreciation at 1 January	(4,035)	(4,290)
Depreciation charge for the year	(61)	(48)
Carrying amount	837	239

The Group has entered into sublease contracts with some of its franchisees in respect of the premises where the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent is generally a fixed amount, reviewed annually in line with the consumer price index.

However, to calculate the future minimum receivables under non-cancellable operating leases, the Group has applied the same criterion as for the calculation of minimum operating lease payments, therefore taking into

(8) Property, Plant and Equipment (Continued)

account the duration of the sublease contract because the Group has committed to sub-leasing the premises to the franchisee for this period (see note 24).

In any case, from a legal standpoint, the lease contracts can generally be cancelled with prior notice of three months, on average.

Operating lease instalments recognised as income for 2018 and 2017 total Euros 9,117 thousand and Euros 7,365 thousand, respectively. They are recognised as "other income" (see note 22).

Future minimum payments receivable under non-cancellable operating subleases are as follows:

	Thousands of Euros	
	2018	2017
Up to one year	10,895	6,902
One to five years	36,878	24,810
More than five years	21,132	18,445
	68,905	50,157

(9) Intangible Assets and Goodwill

Details of goodwill and movement during the year are as follows:

	Thousands of Euros
Cost	
Balance at 31/12/2016	387,322
Goodwill on business combinations for the year (note 7)	3,918
Translation differences	(518)
Disposals	(2,570)
Impairment losses for the year (note 25)	(176)
Balance at 31/12/2017	387,976
Goodwill on business combinations for the year (note 7)	19,617
Translation differences	(380)
Disposals	(2,296)
Transfers to assets held for sale (note 6)	(6,105)
Impairment losses for the year (note 25)	(1,551)
Balance at 31/12/2018	397,261

(9) Intangible Assets and Goodwill (Continued)

Details of goodwill by country at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Spain	266,671	266,389
Portugal	62,529	61,916
Poland	—	4,620
Chile	40,413	41,723
Colombia	10,324	8,417
Panama	—	228
Switzerland	2,045	1,986
Ireland	752	752
Paraguay	581	561
Czech Republic	—	1,071
Ecuador	13,946	313
	397,261	387,976

As a result of the Pinta operation (see note 1), the Group has drawn up a new 10-year strategic plan, as all the activities, conversions and outlet opening commitments included in the agreement will be undertaken during this period. Therefore, the recoverable amount of a CGU or a group of CGUs is therefore determined based on calculations of the fair value less cost to sell. These calculations are based on cash flow projections from the financial budgets approved by the directors for a period of 10 years. Cash flows subsequent to this 10-year period are extrapolated using the estimated sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the groups of CGUs operate.

The discount rate and growth rate assumptions used when calculating the fair value in 2018 or the value in use in 2017 are as follows:

	2018			
	Spain	Portugal	Chile	Colombia
Discount rate (WACC)	7.25%	7.65%	8.95%	10.45%
Growth rate of income in perpetuity (g)	1.85%	1.75%	3.15%	3.25%

	2017			
	Spain	Portugal	Chile	Colombia
Discount rate (WACC)	6.89%	7.86%	9.37%	9.00%
Growth rate of income in perpetuity (g)	2.15%	2.20%	3.75%	4.00%

Details of the pre-tax discount rates of each CGU, taking into account the WACC used in the impairment tests if the groups of pre-tax cash flows had been considered for 2017, are as follows:

	2017			
	Spain	Portugal	Chile	Colombia
Pre-tax WACC	8.47%	9.42%	10.96%	10.35%

(9) Intangible Assets and Goodwill (Continued)

To calculate the fair value of the different groups of CGUs over the 10-year budget periods, the directors' business operating assumptions were the net annual revenue growth rates shown below, taking into account the features of each market and estimated inflation. This growth in annual sales has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

	Average sales growth rate	
	2018	2017
Spain	4.5%	4.4%
Portugal	4.9%	3.3%
Chile	4.6%	4.5%
Colombia	7.0%	3.8%
Switzerland	9.0%	8.3%

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

The income and expense growth rates have been determined based on past performance and expectations for future market development. The discount rates used reflect specific risks related to the relevant segments.

The annual impairment test was not performed on the goodwill generated in 2018 on the businesses acquired in Ecuador because they were acquired in 2018 and the business combination is provisional. The annual impairment test was also not performed on the goodwill generated in 2017 on the businesses acquired in the Czech Republic, Paraguay and Ireland because they were acquired in 2017 and the business combinations were provisional.

A sensitivity analysis of goodwill impairment per CGU group, considering reasonably possible variations of between 75 and 50 basis points in the discount rate, between 75 and 50 basis points in the growth rate of income in perpetuity and between 75 and 50 basis points in the business operating assumptions, would have had no impact on the consolidated annual accounts at 31 December 2018 and 2017.

(9) Intangible Assets and Goodwill (Continued)

Details of other intangible assets and movement are as follows:

	Thousands of Euros					
	Concessions, patents and licences	Trademarks	Contractual and other rights	Other intangible assets	Computer software	Total
Cost						
Balance at 31/12/2016	1,632	253,502	151,359	498	24,328	431,319
Additions (note 7)	137	10,202	15	—	4,553	14,907
Disposals	(2)	—	(4)	—	(70)	(76)
Translation differences	(2)	—	(18)	(6)	73	47
Balance at 31/12/2017	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 (note 6)	1	—	—	—	(744)	(743)
Additions due to business combinations (note 7)	686	—	—	—	—	686
Translation differences	24	—	—	(4)	(144)	(124)
Balance at 31/12/2018	14,539	263,704	151,352	523	32,854	462,972
Amortisation or impairment						
Amortisation at 31/12/2016	(954)	(18,526)	(62,400)	(352)	(18,856)	(101,088)
Impairment at 31/12/2016	(8)	—	—	—	—	(8)
Amortisation for the year	(4)	—	(5,749)	1	(2,353)	(8,105)
Disposals	—	—	2	—	80	82
Translation differences	(12)	—	129	—	(70)	47
Amortisation at 31/12/2017	(970)	(18,526)	(68,018)	(351)	(21,199)	(109,064)
Impairment at 31/12/2017	(8)	—	—	—	—	(8)
Amortisation for the year	—	—	(4,549)	(12)	(3,286)	(7,847)
Disposals	—	—	1	1	272	274
Transfers from/to held for sale (note 6)	—	—	—	—	617	617
Translation differences	—	—	(9)	—	136	127
Impairment	—	(5,808)	—	—	—	(5,808)
Amortisation at 31/12/2018	(970)	(18,526)	(72,575)	(362)	(23,460)	(115,893)
Impairment at 31/12/2018	(8)	(5,808)	—	—	—	(5,816)
Carrying amount						
At 31/12/2016	670	234,976	88,959	146	5,472	330,223
At 31/12/2017	787	245,178	83,334	141	7,685	337,125
At 31/12/2018	13,561	239,370	78,777	161	9,394	341,263

Additions to concessions, patents and licences in 2018 mainly reflect the Euros 11,850 thousand entry fee under the agreement with Pizza Hut (see note 1).

Under trademarks, the Company has recognised an intangible asset with an indefinite useful life, namely the "telepizza" brand, with an original value of Euros 247,028 thousand and a carrying amount at 31 December 2018

(9) Intangible Assets and Goodwill (Continued)

and 2017 of Euros 228,502 thousand (see note 4 (e)); the "Jeno's Pizza" brand, with a pre-impairment value of Euros 6,474 thousand, which has been allocated to the group of CGUs in Colombia; and the "Apache" brand, also with an indefinite useful life, with a value of Euros 10,202 thousand at 31 December 2018 and 2017, and which has been allocated to the group of CGUs in Ireland.

In 2006, the Group acquired the "telepizza" trademark through a business combination. When allocating a purchase price to the shares of Tele Pizza, S.A., owner of the trademark, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which originally totalled Euros 132,960 thousand. As a result of the Pinta operation mentioned in note 1, no events have come to light that change the consideration of this trademark as having an indefinite useful life.

In 2018 the Group recognised impairment of Euros 5,808 thousand for the "Jeno's Pizza" brand (see notes 1 and 25) inasmuch as one of the obligations included in the agreements reached with Pizza Hut was that all of the Group's outlets in Colombia be converted to the "Pizza Hut" brand within a maximum period of five years. Under these same agreements, the useful life of the "Jeno's Pizza" brand was changed from indefinite to an estimated three years.

The recoverable amount of "telepizza" brand intangible assets with an indefinite useful life is determined by calculating the fair value, considering the new scenario relating to the Pinta project (see note 1). These calculations are based on the cash flow projections of the aforementioned 10-year strategic plan, which was approved by the directors of the parent. Beyond the 10-year period, cash flows are extrapolated using specific industry growth rates in each country that do not exceed the average long-term growth rate for the business. As a result of the Pinta project, most of the value of the "telepizza" brand resides in the businesses in Spain and Portugal.

Based on the estimates and projections available to the Parent's directors, the forecast net cash flows fully justify the carrying amount of the intangible assets with an indefinite useful life that have been recognised. The discount rate assumptions used when calculating value in use in 2018 and 2017 for intangible assets with an indefinite useful life are as follows:

	2018	2017
Discount rate (WACC)	7.55%	7.12%
Growth rate of income in perpetuity (g)	2.07%	2.32%

To calculate fair value over the 10-year budget periods, the directors' operating assumptions for the business consider average growth of net revenues of 4.7%. These rates of growth of annual sales have an almost proportionate impact on the other operating assumptions of the business such as gross margin and EBITDA.

In 2017 the recoverable amount of intangible assets with indefinite useful lives was determined based on calculations of value in use. These calculations used cash flow projections based on financial budgets approved by management of the parent spanning a five-year period, and on business operating assumptions of average growth of net annual revenues, with no new store openings or acquisitions, of between 2% and 4%.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

A sensitivity analysis of impairment of intangible assets with an indefinite useful, considering reasonably possible variations of between 75 and 50 basis points in the discount rate, between 75 and 50 basis points in the growth rate of income in perpetuity and between 75 and 50 basis points in the business operating assumptions, would have no impact on the consolidated annual accounts at 31 December 2018 and 2017.

(9) Intangible Assets and Goodwill (Continued)

As regards contractual rights with franchisees subject to amortisation, there are no indications of the potential impairment of these intangible assets.

Details of remaining useful life, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

	Thousands of Euros				
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated amortisation	Impairment	Carrying amount
2018					
"telepizza" brand	Indefinite	—	18,526	—	228,502
"Jeno's Pizza" brand	3	—	—	(5,808)	666
"Apache" brand	Indefinite	—	—	—	10,202
Contractual rights	18	4,296	55,623	—	77,337
		4,296	74,149	(5,808)	316,707
2017					
"telepizza" brand	Indefinite	—	18,526	—	228,502
"Jeno's Pizza" brand	Indefinite	—	—	—	6,474
"Apache" brand	Indefinite	—	—	—	10,202
Contractual rights	19	4,296	51,326	—	81,633
		4,296	69,852	—	326,811

At 31 December 2018 and 2017 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Computer software	16,610	16,143
Other	1,802	995
	18,412	17,138

(10) Non-current Financial Assets

Details of other non-current financial assets at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Security and other deposits	5,869	6,062
Non-current trade receivables	24,702	25,424
Other loans and receivables	4,138	3,969
Impairment losses (note 12)	(2,216)	—
	32,493	35,455

These non-current financial assets are measured at amortised cost and their carrying amount does not differ significantly from their fair value.

Non-current trade receivables mainly reflect revenue receivable from franchising activities. The payment method for these sales transactions depends on what is contractually agreed with each franchisee. Deferred

(10) Non-current Financial Assets (Continued)

collection is usually agreed, with due dates falling between one and ten years, secured by the franchisees' operating businesses.

The average maturity of non-current trade receivables at 31 December 2018 and 2017 is 4.48 years and 5.27 years, respectively.

At 31 December 2018 and 2017 the Group had granted loans to the directors and personnel amounting to Euros 3,879 thousand and Euros 3,847 thousand, respectively, which fall due in 2021 and earn a market rate of interest. Interest accrued in 2018 and 2017 and capitalised with the principal totals Euros 116 thousand and Euros 84 thousand, respectively.

(11) Inventories

Details at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Merchandise	9,204	10,258
Raw materials	761	356
Finished goods	243	289
Total inventories	10,208	10,903

The cost of inventories recognised as an expense and included in the cost of goods sold is as follows:

	Thousands of Euros	
	2018	2017
Net purchases	97,958	94,033
Change in inventories	(438)	(708)
	97,520	93,325

The Group has long-term commitments to purchase certain inventories, which if breached would give rise to penalties with a negative effect of approximately Euros 2 million on the consolidated income statement. This circumstance is not expected to arise.

At 31 December 2018 and 2017 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(12) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2018	2017
Trade receivables	44,769	40,745
Other receivables	3,321	4,475
Public entities	4,227	5,117
Impairment losses	(11,401)	(9,220)
Trade and other receivables	40,916	41,117

(12) Trade and Other Receivables (Continued)

Trade and other receivables comprise financial assets at amortised cost and their carrying amount does not differ significantly from their fair value.

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

An analysis of impairment losses due to the credit risk associated with financial assets is as follows:

	Thousands of Euros		
	Assets at amortised cost		
	2018	2018	2017
	Non-current	Current	Current
Current			
Balance at 1 January	—	(8,758)	(8,232)
Transition to new standards (IFRS 9)	(2,216)	(2,993)	—
Charge	—	(1,000)	(535)
Application/reversal	—	—	9
Transfers to assets held for sale	—	1,350	—
Balance at 31 December	(2,216)	(11,401)	(8,758)

(13) Cash and Cash Equivalents

Details at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Cash in hand and at banks	56,698	87,279
Cash and cash equivalents	56,698	87,279

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

(14) Deferred Tax

Details of deferred tax assets are as follows:

	Thousands of Euros				
Deferred tax assets	Non-deductible amortisation/ depreciation	Tax credits and deductions	Finance costs	Other	Total
Balance at 31/12/2016	1,581	10,762	19,268	554	32,165
Taken to the income statement (note 26)	(166)	(1,964)	663	(260)	(1,727)
Balance at 31/12/2017	1,415	8,798	19,931	294	30,438
Taken to the income statement (note 26)	622	(1,292)	7,864	2,367	9,561
Balance at 31/12/2018	2,037	7,506	27,795	2,661	39,999

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards and finance costs to be deducted in future years generated by the Group companies Telepizza Group, S.A., Tele Pizza, S.A. and Mixor, S.A. (see note 26).

(14) Deferred Tax (Continued)

Since 2012, due to the limitations on the deductibility of finance costs laid down in tax legislation, the tax group of the companies domiciled in Spain has obtained taxable income. Therefore, the Group has recognised deferred tax assets in respect of tax credits for loss carryforwards available for offset because the directors consider these credits to be recoverable. This assumption is based on the Company's approved business plans, as the tax group in Spain, as mentioned previously, has been generating taxable income and will continue to do so in the coming years.

Based on estimated profit and loss for the coming years, the budgets approved by the board of directors, and considering the estimated tax adjustments to be applied to accounting profit/loss, the tax credits are expected to be recovered in 2022, while the tax credits associated with finance costs are expected to be recovered in 2026.

Details of deferred tax liabilities by item are as follows:

	Thousands of Euros			
Deferred tax liabilities	**Accelerated depreciation/ amortisation**	**Intangible assets**	**Other**	**Total**
Balance at 31/12/2016	261	82,244	361	82,866
Taken to the income statement (note 26)	(138)	313	334	509
Balance at 31/12/2017	123	82,557	695	83,375
Taken to the income statement (note 26)	(99)	(1,074)	(247)	(1,420)
Balance at 31/12/2018	24	81,483	448	81,955

The deferred tax liability related to intangible assets is due to the tax effect of various intangible assets, primarily trademarks, and the contractual rights that arose as a result of the business combinations in prior years, as explained in note 9. This deferred tax decreases each year in line with the amortisation of intangible assets with a finite useful life, and will not give rise to any cash outflow for the Group.

Under Royal Decree-Law 3/2017, the limits for the offset of tax loss carryforwards have been amended to 25% of the taxable income. Nevertheless, in any event tax loss carryforwards up to a maximum of Euros 1 million may be offset in each tax period.

(15) Equity

(a) Capital

At 31 December 2018 and 2017 the share capital of Telepizza Group, S.A. was represented by 100,720,679 ordinary shares, each with a par value of Euros 0.25, of a single class and series and represented by book entries. All the shares are fully subscribed and paid up and grant the shareholders the same voting and profit sharing rights.

As indicated in note 1, since 27 April 2016 the Parent's shares have been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. According to the public information registered with the Spanish Securities Market Commission, the members of the board of directors controlled approximately 0.546% of the Parent's share capital at 31 December 2018 and 2017.

The company that holds a direct or indirect interest of 10% or more in the share capital of the Parent at 31 December 2018 and 2017 is as follows:

	2018	**2017**
KKR Credit Advisors (US) LLC	26.32%	20.24%

(15) Equity (Continued)

Like other groups in the sector, the Telepizza Group, S.A. controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is the sum of financial liabilities less cash and cash equivalents. Adjusted EBITDA is the sum of the consolidated income statement items "Profit/(loss) for the year from continuing operations" plus/minus "Income tax expense", "Finance income", Finance cost, "Impairment/(Reversal) of non-current assets", "Other losses" and "Depreciation and amortisation". This debt ratio for 2018 and 2017 was calculated as follows:

	Thousands of Euros	
	2018	2017
Total bank loans and borrowings	198,705	197,582
Less: cash and cash equivalents	(56,698)	(87,279)
Net debt	142,007	110,303
Adjusted EBITDA	29,230	65,244
Debt ratio	4.86	1.69

Adjusted EBITDA for 2018 and 2017 is calculated as follows:

	Miles de euros	
	2018	2017
Adjusted EBITDA		
Profit/(loss) for the year from continuing operations	(5,508)	31,215
Income tax expense	2,503	6,371
Finance income	(1,230)	(810)
Finance costs	8,449	10,387
Impairment/(Reversal) of non-current assets	7,444	(1,876)
Other losses	1,042	1,642
Depreciation and amortisation	16,530	18,315
	29,230	65,244

(b) Share premium

At 31 December 2018 and 2017, the share premium is freely distributable. In 2016 the Company increased share capital on two occasions, raising the share premium by Euros 215,405 thousand.

In 2016, the Parent's share premium was reduced by Euros 4,130 thousand due to the costs of the capital increase and the fees of the related advisors, principally Merrill Lynch International and UBS Limited, which acted as the global coordinators of the initial public share offering (see note 1).

(c) Retained earnings

- Legal reserve

The Parent is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2018 the Parent has appropriated to this reserve more than the minimum amount required by law. The legal reserve of the Parent amounts to Euros 10,832 thousand at 31 December 2018 and 2017.

(15) Equity (Continued)

- Shareholder contributions

These consist of the monetary and non-monetary contributions received in 2014, which amounted to Euros 157,615 thousand and Euros 3,616 thousand, and the capital increase costs in 2008, 2010, 2011, 2013 and 2014, net of the tax effect.

The increase in this caption in the Parent in 2016 is due to the recognition of Euros 9,971 thousand for incentive plans relating to the initial public offering, which were approved beforehand by the then sole shareholder.

- Other retained earnings/cumulative losses

These essentially reflect the results of the Group companies and the respective consolidation adjustments.

(d) Translation differences

Translation differences primarily reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

(e) Own shares

The minutes containing the decisions of the sole shareholder dated 31 March 2018 reflect the authorisation 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%. Authorisation was granted for a five-year period effective from the date the agreement was made.

On 24 May 2018 the Company's board of directors agreed to carry out a temporary own share buy-back programme pursuant to the authorisation granted to the board on 31 March 2016. The buy-back programme will apply 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.

Movement in Parent shares in 2018 is as follows:

		Euros	
	Number	Nominal amount	Average purchase price
Balance at 1.1.2018	—	—	—
Acquisitions	2,737,979	15,500,004	5.66
Balance at 31.12.2018	2,737,979	15,500,004	5.66

These shares are earmarked to cover the commitments undertaken through share-based payment plans.

(16) Earnings per Share

(a) Basic

Basic earnings/losses per share are calculated by dividing the profit or loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares, where applicable.

	2018	2017
Profit/(loss) for the year attributable to equity holders of the Parent (in Euros)	(10,285,517)	31,843,725
Weighted average number of ordinary shares outstanding (number of shares)	99,394,488	100,720,679
Basic earnings/(losses) per share (in Euros)	(0.1035)	0.3162

The weighted average number of ordinary shares outstanding in 2018 was determined as the weighted average number of ordinary shares considering own shares purchased during the year.

(b) Diluted

At 31 December 2018 and 2017 diluted earnings/losses per share are the same as basic earnings/losses per share because the ordinary shares are not subject to any dilutive effects.

(17) Current and Non-current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2018 and 2017 are as follows:

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

2017		Thousands of Euros	
		Fair values	
		Assets	
	Notional amount	Non-current	Current
Derivatives			
Interest rate swaps	(100,000)	(126)	—
Total derivatives at fair value through consolidated profit or loss	(100,000)	(126)	—

In 2016 the Company arranged an interest rate hedge for Euros 100,000 thousand, which swapped the Euribor rate with a zero floor for a fixed rate of 0.27%. This instrument became effective on 29 April 2018 and expires on 29 April 2021. At 31 December 2018 it had a negative fair value of Euros 562 thousand (a negative Euros 126 thousand at 31 December 2017).

(17) Current and Non-current Financial Liabilities at Fair Value (Continued)

Expenses incurred on financial instruments amount to Euros 436 thousand in 2018. Interest accrued on financial instruments totalled Euros 204 thousand in 2017.

The derivative financial instrument in the form of an interest rate swap has been arranged with financial institutions with sound credit ratings and the fair value of derivatives is calculated using valuation techniques based on observable market data (level 2).

At 31 December 2017 this item included the Euros 6,973 thousand debt payable to the former shareholder of the company acquired in Ireland in 2017—The Good Food Company, Ltd. (see note 7).

(18) Interest-bearing Loans, Borrowings and Bonds

(a) Non-current loans and borrowings

On 8 April 2016, the Parent together with its subsidiary Tele Pizza, S.A. and various financial institutions, with Banco Santander acting as the agent bank, signed a syndicated loan of Euros 200,000 thousand falling due in 2021, the effective date of which was conditional upon the initial public offering, and a revolving facility with a limit of Euros 15,000 thousand. At 31 December 2018 and 2017 the fair value of this loan was Euros 197,743 thousand and Euros 196,687 thousand, respectively, and the nominal amount at those dates was Euros 200,000 thousand. The difference between the fair value and nominal amount is due to the loan origination and arrangement fees, which amounted to Euros 5,023 thousand at the outset. The loan will mature as follows: 15% of the principal 48 months from the effective date of use of the loan, 20% of the principal at 54 months from that date and the remainder at five years from that April 2016 date.

The finance costs accrued on the syndicated loan amounted to Euros 5,737 thousand and Euros 6,250 thousand in 2018 and 2017, respectively.

At 31 December 2018 and 2017 the accrued interest payable on these loans amounted to Euros 805 thousand and 895 thousand, respectively (see note 18 (b)).

Details of payments and the present value of bank loans and borrowings by maturity are as follows:

	Thousands of Euros			
	2018		2017	
	Principal	Interest	Principal	Interest
Less than one year (note 18 (b))	—	805	—	895
Two to five years	197,743	—	196,687	
	197,743	805	196,687	895

Details of non-current loans and borrowings at 31 December 2018 are as follows:

		Thousands of Euros		
Type	Final maturity date	Limit	Balance at 31/12/2017	Euribor spread
Senior				
Senior Facility	2021	200,000	200,000	EUR+ 2.25%
Revolving	2021	15,000	—	EUR+ 2.25%
Loan arrangement costs			(2,257)	
Balance at 31 December			197,743	

(18) Interest-bearing Loans, Borrowings and Bonds (Continued)

Details of non-current loans and borrowings at 31 December 2017 are as follows:

		Thousands of Euros		
Type	Final maturity date	Limit	Balance at 31/12/2017	Euribor spread
Senior				
Senior Facility	2021	200,000	200,000	EUR+ 2.50%
Revolving	2021	15,000	—	EUR+ 2.50%
Loan arrangement costs			(3,313)	
Balance at 31 December			196,687	

Although the interest rates are as listed above, the Group has arranged a variable-to-fixed interest rate swap, which is described in note 17.

The Group has pledged the shares of Tele Pizza, S.A., Telepizza Chile, S.A. and Luxtor, S.A. and has undertaken a pledge commitment with respect to the shares of Telepizza Portugal Comercio de Productos Alimentares, S.A. to secure the above-mentioned loan. The aforementioned shares directly or indirectly make up practically all of the assets and liabilities pledged as collateral.

The Group is also required to comply with a certain financial ratio. At 31 December 2018 the Group complies with this ratio.

Liability balances classified under financing activities are reconciled as follows:

	Thousands of Euros		
	Non-current financial debt	Current financial debt	Total
Balance at 1 January 2017	195,611	968	196,579
Accrued interest	—	9,311	9,311
Interest paid	—	(9,384)	(9,384)
Amortised cost (arrangement costs)	1,076	—	1,076
Balance at 31 December 2017	196,687	895	197,582
Accrued interest	—	7,393	7,393
Interest paid	—	(7,326)	(7,326)
Amortised cost (arrangement costs)	1,056	—	1,056
Balance at 31 December 2018	197,743	962	198,705

(b) Current loans and borrowings

Details of current loans and borrowings at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Accrued interest (note 18 (a))	805	895
Other payables	157	—
	962	895

(19) Provisions

Details of other provisions and their classification as current or non-current are as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Onerous contracts	3,485	1,078	—	—
Litigation, claims and inspections	200	3,655	—	—
Other provisions	85	—	85	151
Share-based payments	788	—	—	—
Total	4,558	4,733	85	151

Details of provisions and movement in 2017 and 2018 are as follows:

	Thousands of Euros				
	Litigation, claims and inspections	Onerous contracts	Other provisions	Share-based payments (note 20 (b))	Total
At 1 January 2017	—	—	335	—	335
Applications	—	—	(99)	—	(99)
At 31 December 2017	—	—	236	—	236
Allowances	3,885	4,943	—	788	9,616
Payments	—	—	(151)	—	(151)
Financial effect of discounting	—	(380)	—	—	(380)
At 31 December 2018	3,885	4,563	85	788	9,321

(a) Litigation, claims and inspections

The provision for litigation, claims and inspections primarily includes the liability resulting from a tax inspection at a foreign subsidiary, which will be taken to arbitration. Based on legal advice received, the directors do not consider that the liabilities resulting from this arbitration will differ significantly from the amounts provided for at 31 December 2018.

Moreover, the Group has certain administrative claims ongoing, which it estimates could give rise to a payable of approximately Euros 200 thousand.

(b) Onerous contracts

The Group has entered into various non-cancellable operating lease contracts for several outlets which, due to a change in activity, their location or size, are no longer used. It is hoped that they may be sub-let, but in any case the sublease rental income is expected to be lower than the rental costs paid. The provision recognised at 31 December 2018 reflects the net obligation arising from this transaction, which has been determined as the net cost of fulfilling it.

(c) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 6,052 thousand at 31 December 2018 (Euros 5,154 thousand at 31 December 2017). No significant liabilities are expected to arise from these guarantees.

(20) Employee Benefits

(a) Termination benefits

The total expense recognised in 2018 and 2017 for termination benefits is Euros 2,552 thousand and Euros 918 thousand, respectively (see note 23).

(b) Share-based payments

(i) 2016 share-based payment plan

On 31 March 2016 the board of directors of the Parent approved an incentive plan for management personnel of Telepizza Group companies (the "2016 Plan").

The term of the incentive plan was set at five years and three cycles were defined, each being a period of three years, as follows:

- 1st cycle: start date 27 April 2016 and end date 26 April 2019.
- 2nd cycle: start date 27 April 2017 and end date 26 April 2020.
- 3rd cycle: start date 27 April 2018 and end date 26 April 2021.

The beneficiaries of the incentive plan may opt to receive (percentage) of their gross annual fixed salary through the scheme, for each of the three cycles.

To comply with the terms and conditions of the plan reflected below, the share value at the start date of the first cycle was set at Euros 7.75. The share value at the start date of the second and third cycles, and at the end of each cycle, shall be calculated based on the average listed share price at the end of trading on the last 20 days prior to the start date of the second and third cycles, respectively.

Settlement shall be made, based on any amounts accrued for each cycle, by paying the beneficiary 60% of the total in cash and 40% of the total in company shares (valued at their listed price on the accrual date).

The shares delivered to the beneficiary at the settlement date for each cycle shall be subject to a 12-month blocking period.

The plan prerequisite shall be deemed to have been met if at the end of each cycle the share price has increased by 22.50% of its value at the start date of each cycle.

(ii) 2018 share-based payment plan

On 24 May 2018 the board of directors, at the proposal of the appointments and remuneration committee, approved a long-term incentive plan for 2018-2021, consisting of the delivery of shares in the Parent provided certain targets are met (hereinafter the 2018 Plan). This plan is aimed at the steering committee and certain management personnel and employees of Telepizza Group, S.A. and its subsidiaries. The plan entailed the cancellation of the third cycle of the previous 2016 Plan, which it replaces.

The plan consists of the delivery of shares in the Company provided a target increase in the price of such shares is achieved.

The plan is divided into two separate cycles ("Cycles") with a measurement period ("Measurement Period") of three years for each cycle:

- 2018 Cycle: from 1 January 2018 to 31 December 2020 ("First Cycle").
- 2019 Cycle: from 1 January 2019 to 31 December 2021 ("Second Cycle").

(20) Employee Benefits (Continued)

In each Cycle of the plan a reference amount shall be allocated to each beneficiary, determined based on their salary, which shall serve as a basis for awarding a certain number of restricted stock units (RSUs), which shall in turn be the benchmark to determine the final number of shares to be delivered to each beneficiary.

The initial reference value used in determining the RSUs to be allocated at the start of each Cycle of the plan shall be calculated as the average listed price of Telepizza shares at the end of trading for the first 30 trading sessions of the opening year of each Cycle.

The final reference value used in determining whether the target increase in the share price has been achieved shall be calculated as the average listed price of Telepizza shares at the end of trading in December 2020 for the First Cycle and December 2021 for the Second Cycle.

No more than 3,435,946 shares may be delivered under the plan, divided into a total of 1,717,973 shares for each Cycle.

Should Telepizza Group, S.A. undergo a change of control while the plan is in force, the plan would be subject to early settlement.

(iii) Measurement of share-based payment plans

	Thousands of Euros	
	2018	
Plan	Equity instruments	Liability instruments
2016 Plan, 1st Cycle	139	—
2016 Plan, 2nd Cycle	156	788
2016 Plan, 3rd Cycle	125	—
2018 Plan, 1st Cycle	1,827	—
2018 Plan, 2nd Cycle	329	—
	2,576	788

The fair value of the options granted during the year has been determined by applying a valuation methodology based on Monte Carlo simulations, using 10,000 independent trajectories to estimate the future delivery value. The simulation assumes that the shares follow the stochastic process developed by Black-Scholes.

For the three cycles of the 2016 Share Revaluation Plan, the valuation date is the award date: 27 April 2016. The main inputs in the model were a price of Euros 6.35 per share at the plan award date, the strike price for the first cycle (set at Euros 9.5), the strike price for the second cycle (122.5% of the average listed price for the 20 days preceding the start of the cycle), the annualised risk-free interest rate (-0.36%), forecast earnings per share (0.00€/share), the expected life of the option and the annualised standard deviation in the return on the shares. This deviation was set at 35%.

The third cycle of the 2016 Share Revaluation Plan was replaced by the 2018 Incentive Plan, granted at 28 May 2018, which is in turn sub-divided into two cycles, both of which have been valued at the award date. The main inputs in the model were a price of Euros 5.91 per share at the plan award date, the contractual scales of compliance with target returns on the shares, the strike prices that determine the number of RSUs (Euros 4.96 for the first cycle and the average listed price for the first 30 days of 2019 for the second), the annualised risk-free interest rate (-0.30%), forecast earnings per share (0.00€/share), the expected life of the option and the annualised standard deviation in the return on the shares. This deviation was set at 30% based on a parametric analysis of the daily share

(20) Employee Benefits (Continued)

prices from 27 April 2016 to 28 May 2018. The expected life of the option coincides with the date on which the change of control event is expected to occur, in turn giving rise to an acceleration of vesting, which the company estimates will arise at the end of the first quarter of 2019.

(21) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2018	2017
Trade payables and other payables	52,842	42,992
Public entities	7,185	3,482
Salaries payable	5,678	4,650
Current security and other deposits received	—	29
	65,705	51,153

At 31 December 2018 trade payables include Euros 14,482 thousand payable to financial institutions for reverse factoring transactions (Euros 9,816 thousand at 31 December 2017).

At 31 December 2018 salaries payable include Euros 2,187 thousand for special remuneration due to the negotiation and signing of the strategic agreement with Pizza Hut (see note 1). At 31 December 2017 this item included Euros 2,608 thousand in relation to a three-year remuneration plan arranged by the former sole shareholder as explained in the initial public offering prospectus, which applied to a certain number of employees.

Trade and other payables comprise financial liabilities at amortised cost and their carrying amount does not differ significantly from their fair value.

Average supplier payment period. "Reporting Requirement", third additional provision of Law 15/2010 of 5 July 2010

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2018
	Days
Average supplier payment period	91
Transactions paid ratio	97
Transactions payable ratio	72

	Thousands of Euros
Total payments made	147,948
Total payments outstanding	38,872

	2017
	Days
Average supplier payment period	89
Transactions paid ratio	95
Transactions payable ratio	65

(21) Trade and Other Payables (Continued)

	Thousands of Euros
Total payments made	143,670
Total payments outstanding	34,843

(22) Income

(a) Revenue from contracts with customers

Details are as follows:

	Thousands of Euros	
	2018	2017
Outlet sales to customers	162,866	184,587
Wholesale factory sales to franchisees and other sales	117,102	103,168
Royalties	35,465	28,294
Revenue from franchising activity	11,484	14,588
Other services rendered to franchisees	4,189	3,729
Revenue from initial franchise fees	48	379
	331,154	334,745

All of the revenue indicated above is generated at a specific point in time, except revenue from initial fees and royalties, which is generated over time.

Details of revenue by geographical segment are provided in note 5.

(b) Other income

Details are as follows:

	Thousands of Euros	
	2018	2017
Sublease income (note 8)	9,117	7,635
	9,117	7,635

(23) Employee Benefits Expense

Details of personnel expenses in 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Salaries, wages and similar	77,753	74,221
Social Security	13,894	14,996
Termination benefits (note 19)	2,552	918
Other employee benefits expenses	722	621
Total personnel expenses	94,921	90,756

Salaries, wages and similar include Euros 3,365 thousand relating to share-based payments (see note 20 (b)). This item also includes Euros 5,009 thousand of special remuneration due to the negotiation and signing of the strategic agreement with Pizza Hut (see note 1).

(23) Employee Benefits Expense (Continued)

The average number of full-time equivalent employees in the Group during 2018 and 2017, distributed by category, is as follows:

	Number	
	2018	2017
Management	42	42
Outlet managers	353	402
Other personnel	4,806	5,337
	5,201	5,781

At year end the distribution by gender of the Group's personnel and the Parent's directors is as follows:

	Number			
	2018		2017	
	Male	Female	Male	Female
Directors	7	—	7	—
Management	25	18	30	9
Outlet managers	195	147	175	199
Other personnel	2,674	2,012	2,708	2,384
	2,901	2,177	2,920	2,592

The average number of Company employees with a minimum disability rating of 33% (or local equivalent) in 2018 and 2017, distributed by category, is as follows:

	Number	
	2018	2017
Technicians	1	1
Outlet managers	1	—
Other personnel	66	92
	68	93

(24) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2018	2017
Operating leases	31,281	29,996
Transport	15,754	13,814
Advertising and publicity	17,839	17,091
Utilities	10,631	11,027
Other expenses	43,095	21,127
	118,600	93,055

The increase in Other expenses is mainly due to Euros 12,146 thousand of expenses incurred on the negotiation and signing of the strategic agreement with Pizza Hut (see note 1) and Euros 4,563 thousand for the provision for onerous contracts (see note 19).

(24) Other Expenses (Continued)

The Group leases most of the properties where it carries out its activity, including outlets, factories and offices. Most lease contracts for outlets stipulate payment of a fixed rent that is revised annually in line with the consumer price index. The exception are outlets located in shopping centres, for which both a fixed rent and a sales-based variable rent are paid.

The initial lease period of each contract is usually 10 years but generally, with few exceptions, the Group has the option of ending the lease contract early without having to pay any kind of penalty, giving due notice as provided for in the contract. Leases on premises located in shopping centres are subject to a mandatory period of five years during which the Group cannot cancel the contract.

The Group has entered into sublease contracts with many of its franchisees in respect of the premises at which the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent comprises a fixed amount that is increased annually in line with the consumer price index.

The Group has no obligations in respect of lease contracts that the franchisees enter into directly with the lessor or in respect of properties owned by franchisees.

Future minimum payments under operating leases at 31 December 2018 and 2017, considering the payments to be accrued based on the lease period set out in the contracts, irrespective of the fact that most of the lease contracts for premises can be cancelled subject to a short period of notice, are as follows:

	Thousands of Euros	
	2018	2017
Less than one year	31,069	28,043
One to five years	96,359	88,542
More than five years	49,831	56,068
	177,259	172,653

Future minimum payments under non-cancellable operating leases at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Less than one year	18,460	12,944
One to five years	46,919	37,163
More than five years	20,643	27,325
	86,022	77,432

(25) Impairment of Non-current Assets

Details at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Impairment of goodwill (note 9)	(1,551)	(176)
Impairment of other intangible assets (note 9)	(5,808)	—
Impairment of assets held for sale	(185)	—
Impairment losses/(reversals of impairment) on property, plant and equipment (note 8)	100	2,052
	(7,444)	1,876

(26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit/loss, with the income tax expense recognised in the consolidated income statement for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Profit/(loss) for the year before tax from continuing operations	(3,005)	37,586
Tax losses not recognised as tax credits	25,786	5,204
	22,781	42,790
Expected tax expense/(income) at the tax rate applicable to the Parent (25%)	5,695	10.698
No deductible expenses at the tax rate	729	179
Portugal tax inspection and withholding tax	7,638	—
Recognition of deferred taxes	(10,781)	(3,278)
Deductions for the year applied	(506)	(1,180)
Expense/(income) due to different tax rates	(272)	(48)
Income tax expense	2,503	6,371

Income tax payable/recoverable for 2018 and 2017 is calculated as follows:

	Thousands of Euros	
	2018	2017
Tax expense	2,503	6,371
Deductible temporary differences and tax credits (note 14)	9,140	(1,719)
Taxable temporary differences (note 14)	1,420	766
Portugal tax inspection	(6,132)	—
Payments on account	(6,038)	(4,875)
Income tax payable	893	543

In accordance with prevailing legislation in each country, losses declared may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection within the periods and limits established by applicable legislation.

(26) Income Tax (Continued)

At 31 December 2018 and 2017 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards in Spain:

	Thousands of Euros	
Year	2018	2017
2008	—	3,296
2009	5,689	7,562
2010	628	628
2011	14,366	14,366
2012	4,343	4,343
2013	1,182	1,182
2014	532	532
2016	3,312	3,312
Total	30,052	35,221

At 31 December 2018 and 2017 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies in Peru, Ecuador, Colombia and Poland:

	Thousands of Euros	
Year	2018	2017
2012	934	964
2013	1,040	1,754
2014	7,019	8,307
2015	5,146	5,288
2016	2,356	2,564
2017	2,998	3,211
2018 (estimated)	2,146	—
Total	21,639	22,088

At 31 December 2018, the Group has non-deductible interest arising from the Group companies in Spain and Portugal in amounts of Euros 143,223 thousand and Euros 4,266 thousand, respectively (Euros 150,910 thousand and Euros 14,965 thousand, respectively, at 31 December 2017, available for future offset indefinitely. Details are as follows:

	Thousands of Euros	
Year	2018	2017
2012	31,591	39,277
2013	38,045	40,173
2014	48,939	53,296
2015	15,938	20,153
2016	11,356	11,356
2017	1,620	1,620
	147,489	165,875

As mentioned in note 14 the Group has recognised deferred tax assets in relation to non-deductible interest amounting to Euros 27,795 thousand and Euros 19,931 thousand, respectively, at 31 December 2018 and 2017. It is considered probable that sufficient future taxable income will be available to allow these tax assets to be utilised.

(26) Income Tax (Continued)

Based on the tax returns filed by the Group companies in 2018 and prior years, the Group has no available deductions.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the date on which these consolidated annual accounts were authorised for issue, the principal Group companies have open to inspection by the taxation authorities all main applicable taxes and income tax since 1 January 2014.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(27) Commitments

As stated in notes 8 and 9, at 31 December 2018 and 2017 the Group has no commitments relating to investing activities.

(28) Information on the Parent's Directors and Senior Management Personnel

The Parent's directors received remuneration of Euros 3,723 thousand in 2018 (Euros 1,275 thousand in 2017). Moreover, the Group has extended loans or advances to the directors totalling Euros 1,369 thousand (Euros 1,358 thousand in 2017). These loans are secured by the directors with certain shares of the Parent. The main conditions and characteristics of the loans to the directors are described in note 10. Life insurance premiums of Euros 6 thousand were paid on behalf of the directors in 2018 (Euros 6 thousand in 2017) and the savings plan contributions made amounted to Euros 191 thousand (Euros 136 thousand in 2017).

Public liability insurance premiums paid on behalf of the directors in 2018 amounted to Euros 31 thousand (Euros 24 thousand in 2017).

The members of the Group's senior management received remuneration of Euros 7,827 thousand in 2018 (Euros 2,411 thousand in 2017). Moreover, the Group has extended loans or advances to senior management totalling Euros 2,509 thousand (Euros 2,405 thousand in 2017). These loans are secured by the senior management personnel with certain shares of the Parent. The main conditions and characteristics of the loans to senior management are described in note 10. Life insurance premiums of Euros 11 thousand were paid on behalf of senior management in 2018 (Euros 11 thousand in 2017) and the savings plan contributions made amounted to Euros 228 thousand (Euros 82 thousand in 2017).

In 2018 and 2017 the Parent's directors did not carry out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or Group companies.

Conflicts of interest concerning the directors

In 2018 and 2017 the directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(29) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and safety-in-the-workplace laws). The Group complies substantially with these laws and has established procedures designed to encourage and ensure compliance.

The Group has adopted the appropriate measures aimed at protecting the environment and minimising any environmental impact, in accordance with prevailing legislation. No provision for environment-related liabilities and charges was recognised during the year, as no contingencies exist in this regard.

(29) Environmental Information (Continued)

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group did not make any investments, incur any expenses or receive any significant grants related with these risks during the years ended 31 December 2018 and 2017.

(30) Audit Fees

KPMG Auditores, S.L., the auditor of the Group's consolidated annual accounts, invoiced the following fees and expenses for professional services during the years ended 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	330	178
Other assurance services	2	6
Other services	3	—
	335	184

The amounts detailed in the above table include the total fees for services rendered in 2018 and 2017, irrespective of the date of invoice.

Other assurance services relating to the 2018 audit mainly include agreed-upon procedures services amounting to Euros 2 thousand and provided by KPMG Auditores, S.L. to Telepizza Group, S.A., while other services comprise the translation of the authorised annual accounts for 2018.

Other entities affiliated with KPMG International invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	80	73
Other services	274	9
	354	82

(31) Events after the Reporting Period

On 8 February 2019, pursuant to article 17 of Royal Decree 1066/2007 of 27 July 2007 on the rules for takeover bids, the Spanish National Securities Market Commission (CNMV) admitted for processing the request for authorisation filed on 21 January 2019 by Tasty Bidco, S.L.U. (KKR) in relation to a voluntary takeover bid for Telepizza Group, S.A. (see note 1)

(32) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the board of directors of the Parent. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies,

(32) Risk Management Policy (Continued)

as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments, and investments of cash surpluses.

Interest rate risk

Variations in interest rates affect the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future cash flows of assets and liabilities indexed to a variable interest rate. Such variations could have a significant impact on the cost of debt and the return on investments.

The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of the debt over several years with reduced income statement volatility. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is arranged, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2018 and 2017 is as follows:

Type of financing	Interest rate	Benchmark	Thousands of Euros	
			2018	2017
Syndicated loan	Variable	Euribor	198,705	197,582
Total			198,705	197,582

The benchmark interest rates for debt arranged by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

The Group manages cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Group generally obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically (generally on a quarterly basis). The difference is calculated based on the notional principal amount arranged.

The Group has arranged a fixed interest rate swap for a three-year period to hedge a portion of the drawdowns on the syndicated loan (see note 17).

At 31 December 2018, had interest rates been 25 basis points higher or lower, with the other variables remaining constant, this would not have affected the loss for the year, mainly because borrowing costs on variable interest rate debt not hedged by the interest rate swap have a floor of 1% and, therefore, 1% was the rate paid during the year for variable interest pegged to Euribor.

Currency risk

As the Telepizza Group operates internationally, fluctuations in exchange rates for financial or commercial transactions in foreign currencies represent another fundamental financial risk to which the Group is exposed.

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency.
- Intragroup payables in foreign currency.
- Net assets deriving from net investments in foreign operations with functional currencies other than the Euro (risk of exchange rate fluctuations on translation of the financial statements of these companies in the consolidation process).

(32) Risk Management Policy (Continued)

The Group has no significant balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where the Group operates.

In 2017 the Group arranged a foreign exchange derivative to hedge a portion of the transactions conducted in Chilean Pesos, and considers that possible fluctuations in the exchange rates of the Chilean Peso, the Colombian Peso and the Polish Zloty would not have a significant impact on its consolidated equity.

At 31 December 2018, had the Euro weakened/strengthened by 10% against the Chilean Peso, the Colombian Peso and the Polish Zloty, with the other variables remaining constant, consolidated post-tax profit would have been Euros 122 thousand higher (Euros 97 thousand higher in 2017), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under other comprehensive income would have increased by Euros 4,283 thousand (Euros 6,965 thousand in 2017), mainly due to translation differences on foreign operations.

Liquidity risk

The Group's liquidity policy consists of arranging credit facilities and holding marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling it to settle market positions relating to short-term investments immediately, thus ensuring that this financial risk is minimised.

The Group's exposure to liquidity risk at 31 December 2018 and 2017 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

	Thousands of Euros					
	Amount at 31/12/2018	Future cash flow maturities	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	197,743	200,000	—	—	200,000	—
Interest	962	10,363	1,125	3,438	5,800	—
Derivatives	562	—	—	—	—	—
Trade and other payables	65,705	65,705	65,705	—	—	—
Total	264,972	276,068	66,830	3,843	205,800	—

	Thousands of Euros					
	Amount at 31/12/2017	Future cash flow maturities	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	196,687	200,000	—	—	200,000	—
Interest	895	16,847	1,250	3,819	11,678	—
Derivatives	126	—	—	—	—	—
Trade and other payables	51,153	51,153	51,153	—	—	—
Total	248,861	268,000	52,403	3,819	211,678	—

Payables to public entities are not included in suppliers and other payables.

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

(32) Risk Management Policy (Continued)

Approved investments not recognised as property, plant and equipment under construction at the reporting date are not included.

Credit risk

Credit risk is the risk of financial loss for the Group in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation, and mainly arises on the Group's trade receivables and its investments in debt instruments.

The financial instruments that are particularly exposed to credit risk mainly include trade and other receivables and cash and cash equivalents. The Group does not have significant concentrations of credit risk. This risk is distributed across a number of banks whose services the Group uses and the customers with which it operates.

Maximum exposure to credit risk through trade and other receivables and cash and cash equivalents is as follows:

	Thousands of Euros
Non-current financial assets	34,423
Trade and other receivables	40,916
Cash and cash equivalents	56,698
	132,037

(i) Trade receivables

The Group analyses receivables by type of customer. The Group operates proprietary outlets and also acts as a franchiser, organising marketing activities for the brands and the supply chain. As such, the Group has receivables associated with the franchising activity.

The Group's receivables arising from sales at its own restaurants are minimal and subject to a low level of credit risk in view of the short settlement period and the nature of the settlement, inasmuch as customers generally pay in cash or by credit card in restaurants.

Receivables arising from the franchising activity include those from franchises under proprietary brands. For these receivables, the Group performs a detailed analysis of the expected credit losses.

The Group's exposure to credit risk is influenced primarily by the individual characteristics of each customer. However, the Group also considers the factors that could affect the credit risk of its customer base, including default risk associated with the sector and the country in which the customers operate, and even the external rating of a particular country.

The Group applies the simplified approach with regard to receivables, as permitted under IFRS 9, which requires expected lifetime losses to be recognised as of the initial recognition of the receivables. The Group has defined a provision matrix based on its experience of prior credit losses, adjusted for the specific factors pertaining to the receivables and for the economic context.

(32) Risk Management Policy (Continued)

For trade receivables, the Group applies the simplified approach permitted under IFRS 9, which requires expected credit losses to be recognised at initial recognition of the accounts receivable. The Group determines lifetime expected credit losses of the financial assets on a collective basis, grouped by geographical area. The Group has established a provision matrix based on its historical credit loss experience, adjusted for factors that are specific to the borrowers and economic conditions:

	Thousands of Euros					
Maturity	Europe			Latin America		
	%	Amount	Impairment	%	Amount	Impairment
Current	1.7%	21,558	(364)	4.1%	5,459	(188)
Less than 3 months	3.0%	1,882	(56)	4.5%	3,374	(153)
3 to 6 months	33.7%	196	(66)	15.5%	1,165	(179)
6 months to 1 year	46.0%	359	(165)	45.7%	875	(400)
More than 1 year	99.3%	6,613	(6,565)	99.3%	3,288	(3,265)
	23.6%	30,608	(7,216)	29.6%	14,161	(4,185)

Nevertheless, for trade receivables that are more than 360 days overdue, the Group determines expected credit losses on an individual basis. In 2018, the Group recognised impairment of Euros 1,000 thousand in respect of receivables exposed to credit risk.

(ii) Cash and cash equivalents

Credit risk related to financial instruments in the form of cash held at banks is minimal insofar as the parties to the transaction are banks that have been awarded a high rating by international rating agencies.

Appendix I (1 of 2)

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2018

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Profit/(loss)	Total equity
Tele Pizza, S.A.[1]	Madrid	100%	16,380	504,146	(541)	519,985
Mixor, S.A.[3]	Madrid	100%	3,215	3,785	(48)	6,952
Circol, S.A.[3]	Madrid	100%	1,085	812	570	2,466
Grupo Telepizza Chile[2]	Santiago de Chile	100%	3,065	49,836	(1,545)	51,356
Telepizza Portugal Comercio de Produtos Alimentares, S.A[1]	Lisbon	100%	1,900	(8,016)	(4,048)	(10,164)
Telepizza Poland Sp. Z o.o.[1]	Warsaw	100%	14,230	(7,325)	(3,405)	3,501
Telepizza Maroc, S.A.[3][4]	Casablanca	100%	59	(765)	—	(706)
Telepizza Guatemala S.A[3]	Guatemala	100%	365	619	282	1,266
Luxtor, S.A.[1]	Avila	100%	6,128	1,428	12,445	20,001
Telepizza Ecuador S.A.[3]	Quito	100%	3,057	(2,060)	(507)	490
Inverjenos S.A.S.[1]	Bogotá	100%	1,543	1,777	(11,891)	(8,571)
Telepizza Shanghai S.A.[3]	Shanghai	100%	106	(80)	1	26
Telepizza Andina S.A.C[3]	Lima	100%	10,721	(4,808)	(2,536)	3,377
Procusto Activos, S.L.U[3]	Madrid	100%	3	(2)	—	1
Foodco Pastries Maroc[3]	Tangier	100%	28	(231)	(295)	(498)
Foodco Pastries Panamá[3]	Panama	100%	9	(395)	(660)	(1,045)
Telepizza Switzerland GmbH[3]	Berne	100%	17	(1,003)	(261)	(1,247)
Compañía de Negocios de Paraguay, SA[3]	Paraguay	100%	581	(156)	(168)	257
Fortys Pizza SRO[3]	Czech Republic	100%	1,034	(498)	(470)	66
The Good Food Company Ltd[3]	Ireland	51%	—	1,170	1,590	2,760
Mooncharm Limited[3]	Ireland	51%	—	(277)	(58)	(335)
TDS Telepizza, S.L.[1]	Spain	100%	3,601	—	(341)	3,260
Alimentos de la Costa Costahut, S.A.[3]	Ecuador	100%	1	19	(9)	11
Sociedad de Turismo Sodetur, S.A.[3]	Ecuador	100%	1,980	(429)	71	1,622

[1] Audit on statutory accounts

[2] The main companies of the subgroup have been audited of the statutory accounts

[3] Non Audit on statutory accounts

[4] Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2018, in conjunction with which it should be read.

Appendix I (2 of 2)

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2017

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Profit/(loss)	Interim dividend	Total equity
Tele Pizza S.A.[1]	Madrid	100%	16,380	73,871	11,723	(7,500)	94,474
Mixor, S.A.[3]	Madrid	100%	3,215	3,763	22	—	7,000
Circol, S.A.[3]	Madrid	100%	1,085	294	518	3,600	1,897
Grupo Telepizza Chile[2]	Santiago de Chile	100%	3,065	55,256	1,200	—	59,521
Telepizza Portugal Comercio de Produtos Alimentares, S.A[1]	Lisbon	100%	1,900	23,137	5,009	—	30,046
Telepizza Poland Sp. Z o.o.[1]	Warsaw	100%	9,319	(8,614)	(164)	—	541
Telepizza Maroc, S.A.[3][4]	Casablanca	100%	59	(765)	—	—	(706)
Telepizza Guatemala S.A[3]	Guatemala	100%	370	1,027	426	(390)	1,433
Luxtor, S.A.[1]	Avila	100%	6,128	1,403	12,303	(11,500)	8,334
Telepizza Ecuador S.A.[3]	Quito	100%	3,112	(1,358)	(738)	—	1,016
Cozicharme Comercio de Produtos Alimentares, LDA[3]	Lisbon	100%	5	—	(2,577)	—	(2,572)
Bazigual, SGPS,LDA[3]	Lisbon	100%	5	1,166	(6)	—	1,165
Inverjenos S.A.S.[1]	Bogota	100%	1,543	4,666	(1,817)	—	4,392
Telepizza Shanghai S.A.[3]	Shanghai	100%	100	(334)	(15)	—	(249)
Telepizza Andina S.A.C[3]	Lima	100%	10,225	(4,135)	(474)	—	5,616
Procusto Activos, S.L.U[3]	Madrid	100%	3	(2)	—	—	1
Foodco Pastries Maroc[3]	Tangier	100%	27	(95)	(128)	—	(196)
Foodco Pastries Panamá[3]	Panama	100%	8	(30)	(296)	—	(318)
Telepizza Switzerland GmbH[3]	Berne	100%	17	(5)	(999)	—	(987)
Compañía de Negocios de Paraguay, SA[3]	Paraguay	51%	581	4	(152)	—	433
Fortys Pizza SRO[3]	Czech Republic	100%	8	96	(435)	—	(331)
The Good Food Company Ltd[3]	Ireland	51%	1,256	—	—	—	1,256
Mooncharm Limited[3]	Ireland	51%	—	—	—	—	—

[1] Audit on statutory accounts

[2] The main companies of the subgroup have been audited of the statutory accounts

[3] Non Audit on statutory accounts

[4] Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2018, in conjunction with which it should be read.

KPMG

Telepizza Group, S.A. and Subsidiaries

Consolidated Annual Accounts 31 December 2017

Consolidated Directors’ Report 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

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

Independent Auditor's Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Telepizza Group, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Telepizza Group, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of non-current assets subject to amortisation and/or Impairment

See notes 4(g), 8 and 9 to the consolidated annual accounts

Key Audit Matter

At 31 December 2017 the Group has property plant and equipment amounting to Euros 50,456 thousand, goodwill of Euros 392,539 thousand and other intangible assets relating to trademarks and contractual rights and other assets, totalling Euros 234,976 thousand and 83,334 thousand, respectively.

There is a risk that the carrying amount of the assets allocated to the cash-generating units (CGUs) individually or grouped, depending on each case, may exceed the recoverable amount in outlets, factories or countries where there could be a temporary decline in the performance of the businesses.

In order to calculate the impairment of property, plant and equipment, these assets have been allocated to the corresponding cash-generating units, which in the case of the Telepizza Group is determined at outlet or factory level.

In the case of goodwill (and the trademark "Jeno's Pizza" for the Colombian market), these are allocated to the group of CGUs that correspond to the entity or entities in the country where generated. Therefore these entities are the groups of cash-generating units that are considered when analysing the recoverability of these intangible assets, which should be performed at least annually, irrespective of whether there are indications of impairment.

The "telepizza" trademark is considered a global asset and therefore the analysis of impairment is performed by comparing the carrying amount of all the Group's non-current assets subject to amortisation and/or impairment with the recoverable amount. Given it is an intangible asset with an indefinite useful life this should be performed at least annually, irrespective of whether there are impairment triggering events.

In the case of the contractual rights with franchisees in Spain and other intangible assets with definite useful lives, the recoverability depends on the number of franchisees and the revenues associated with the franchise contracts and the analysis should only be carried out if there are indications of impairment.

How the Matter was Addressed in Our Audit

Our audit procedures included the following:

- evaluating the design and implementation of the controls associated with the process of valuing these assets.
- analysing the impairment triggering events of the outlets and factories, as well as the contractual rights and other assets with finite useful lives identified by the Group.
- evaluating the reasonableness of the method used to calculate value in use and the main assumptions considered, with the involvement of our valuation specialists.
- contrasting the consistency of the estimated growth in future cash flows, as forecast in calculating the value in use, with the business plan approved by the board of directors.
- evaluating the adequacy of the cash flow forecasts for goodwill and the trademarks. For this purpose we contrasted s the estimated cash flows forecast in prior years with the actual cash flows obtained for a sample of outlets.
- assessing the sensitivity of certain assumptions to changes that are considered reasonable.
- evaluating whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Recoverable amount of non-current assets subject to amortisation and/or Impairment

See notes 4(g), 8 and 9 to the consolidated annual accounts

Key Audit Matter

At each reporting date the Group estimates the recoverable amount of goodwill and of the intangible assets with indefinite useful lives and when there are impairment triggering events of property, plant and equipment, the contractual rights and other assets. The recoverable amount is determined considering the value in use of the cash-generating units or groups of CGUs, as applicable. To estimate this amount, the Group has used valuation techniques that require the Directors to exercise judgement and make assumptions and estimates.

Due to the significance of the carrying amounts of these assets and the uncertainty associated with the aforementioned assumptions and estimates, we consider this to be a key matter in our audit.

How the Matter was Addressed in Our Audit

Recoverability of deferred tax assets

See notes 4 (q) and 26 to the consolidated annual accounts

Key Audit Matter

At 31 December 2017 the Group recognised deferred tax assets amounting to Euros 30,438 thousand in respect of tax losses and non-deductible interest pending offset by the Spanish tax group.

The recognition of deferred tax assets entails a high degree of judgement by the Directors in assessing the amount, probability and sufficiency of future taxable profits against which they may be offset, future reversals of existing taxable temporary differences and the tax planning opportunities considered by the Group.

Due to the uncertainty associated with the recoverability of the amounts recognised as deferred tax assets and the expected recovery period, we consider this to be a key matter in our audit.

How the Matter was Addressed in Our Audit

Our audit procedures included the following:

- evaluating the design and implementation of the controls associated with the process of estimating the recoverability of deferred tax assets.
- assessing the reasonableness of the criteria and the main assumptions considered by the Group in estimating the future taxable profits necessary for offset.
- contrasting the profit and loss forecasts used as a basis for recognising the deferred tax loss assets associated with the tax losses and non-deductible interest pending offset, with the actual results obtained this year and evaluating the reasonableness of the time period in which the Group expects to offset these assets.
- assessing whether the information disclosed in the consolidated annual accounts in relation to the aforementioned deferred tax assets meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors’ Report

Other information solely comprises the 2017 Consolidated Directors’ Report, the preparation of which is the responsibility of the Parent’s Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

a) A specific level applicable to non-financial consolidated information, as well as certain information included in the annual corporate governance report, as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely verifying that this information has been provided in the directors' report, or where applicable, in a separate report corresponding to the same year and to which reference is made in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Parent's audit committee, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with that stated in our additional report to the audit committee of Telepizza Group, S.A. dated 27 February 2018.

Contract Period

We were appointed as auditor of the Group by the shareholders of Telepizza Group, S.A. at their general meeting on 22 June 2017 for a period of one year, specifically the year ended 31 December 2017. We have been auditing the annual accounts since the year ended 31 December 2006. The Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges on 27 April 2016.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Carlos Peregrina García
On the Spanish Official Register of Auditors ("ROAC") with No. 15,765

27 February 2018

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2017 and 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	2017	2016
Property, plant and equipment (note 8)	50,456	46,042
Goodwill (note 9)	392,539	387,322
Other intangible assets (note 9)	326,923	330,223
Deferred tax assets (note 14)	30,438	32,165
Non-current financial assets (note 10)	35,455	30,627
Total non-current assets	835,811	826,379
Inventories (note 11)	10,903	11,623
Trade and other receivables (note 12)	41,117	38,445
Other current financial assets	2,730	1,789
Other current assets	3,227	3,808
Cash and cash equivalents (note 13)	87,279	63,972
Subtotal current assets	145,256	119,637
Non-current assets held for sale (note 6)	88	305
Total current assets	145,344	119,942
Total assets	981,155	946,321

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2017 and 2016

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	**2017**	**2016**
Share capital (note 15)	25,180	25,180
Share premium	533,695	533,695
Retained earnings	81,432	51,294
Translation differences	(5,070)	(3,110)
Equity attributable to equity holders of the Parent and total equity (note 15)	635,237	607,059
Minority interests	158	
Equity	635,237	607,059
Loans and borrowings (note 18 (a))	196,687	195,611
Financial liabilities at fair value (note 17)	4,212	—
Deferred tax liabilities (note 14)	82,100	82,866
Provisions	85	87
Other non-current liabilities	7,140	6,460
Total non-current liabilities	290,224	285,024
Loans and borrowings (note 18 (b))	895	968
Other financial liabilities (note 17)	500	—
Trade and other payables (note 21)	51,153	50,218
Provisions	151	248
Other current liabilities	2,756	2,719
Subtotal current liabilities	55,455	54,153
Liabilities directly associated with non-current assets held for sale (note 6)	81	85
Total current liabilities	55,536	54,238
Total equity and liabilities	981,155	946,321

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2017 and 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish, In the event of discrepancy, the Spanish-language version prevails,)

	2017	2016
Revenues (note 22)	361,003	339,587
Merchandise and raw materials used (note 11)	(99,997)	(88,634)
Personnel expenses (note 23)	(95,210)	(118,637)
Amortisation and depreciation (notes 8 and 9)	(18,945)	(17,369)
Other expenses (note 24)	(99,361)	(100,697)
Operating profit	47,490	14,250
Finance income	810	3,663
Finance costs	(10,201)	(25,451)
Other losses (note 25)	(38)	(701)
Profit/(loss) before tax from continuing operations	38,061	(8,239)
Income tax income/(expense) (note 26)	(6,379)	18,975
Profit/(loss) for the year from continuing operations	31,682	10,736
Post-tax loss on discontinued operations	—	(45)
Profit/(loss) for the year	31,682	10,691
Profit attributable to minority interest	161	—
Profit/(loss) for the year attributable to equity holders of the Parent		
Continuing operations	31,843	10,736
Discontinued operations	—	(45)
	31,843	10,691
Basic and diluted earnings/(loss) per share (Euros)		
Profit/(loss) on continuing operations	0.3162	0.1172
Loss on discontinued operations	—	(0.0005)
Profit/(loss) for the year	0.3162	0.1167

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the years ended 31 December 2017 and 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish, In the event of discrepancy, the Spanish-language version prevails,)

	2017	2016
Profit/(loss) for the year	31,682	10,691
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	(1,960)	4,990
Total comprehensive income for the year	29,722	15,681
Profit attributable to minority interest	161	—
Comprehensive profit/(loss) attributable to equity holders of the Parent	29,883	15,681

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years ended 31 December 2017 and 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish, In the event of discrepancy, the Spanish-language version prevails,)

	Share capital	Share premium	Prior years' profit and loss	Translation differences	Minority interest	Total equity
Balances at 31/12/2015	18,000	321,388	23,054	(8,100)	—	354,342
Share capital increase of 25 April 2016 (notes 1 and 15(a))	3,824	114,707	—	—	—	118,531
Share capital increase of 27 April 2016 (note 15(a))	3,356	100,698	—	—	—	104,054
Capital increase costs	—	(3,098)	—	—	—	(3,098)
Shareholder contributions (incentive plan) (note 23)	—	—	18,766	—	—	18,766
Other differences	—	—	(1,217)	—	—	(1,217)
Profit for the year	—	—	10,691	4,990	—	15,681
Balances at 31/12/2016	25,180	533,695	51,294	(3,110)	—	607,059
Combinaciones de negocios	—	—	—	—	319	319
Otras diferencias	—	—	(1,705)	—	—	(1,705)
Resultado del ejercicio	—	—	31,843	(1,960)	(161)	29,722
Saldos al 31/12/17	25,180	533,695	81,432	(5,070)	158	635,395

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the years ended 31 December 2017 and 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish, In the event of discrepancy, the Spanish-language version prevails,)

	2017	2016
Cash flows from operating activities		
Profit for the year before tax	38,061	(8,239)
Adjustments for:		
Amortisation and depreciation (notes 8 and 9)	18,945	17,369
(Reversal of) impairment losses (note 25)	(2,052)	53
Finance income	(810)	(3,663)
Finance costs	10,201	25,451
Losses on disposal of property, plant and equipment and other losses (note 25)	2,090	648
Change in fair value of financial assets	—	(215)
Expenses for share-based payments	—	18,766
	66,435	50,170
Change in working capital		
(Increase)/decrease in inventories	952	(231)
(Increase)/decrease in trade and other receivables	(1,701)	(4,015)
(Increase)/decrease in financial assets	(941)	2,727
(Increase)/decrease in other current assets	81	(136)
Increase/(decrease) in trade and other payables	191	2,703
Increase/(decrease) in provisions	(99)	165
Increase/(decrease) in other non-current liabilities	680	1,186
Increase/(decrease) in other current liabilities	37	(410)
Increase/(decrease) in other non-current financial liabilities	2,139	—
	1,339	1,989
Cash generated from operations		
Income tax paid	(5,166)	(4,437)
Net cash from operating activities	62,608	47,722
Cash flows from investing activities		
Increase/(decrease) in other non-current financial assets	(5,766)	(6,916)
Proceeds from sale of property, plant and equipment and intangible assets	6,128	3,574
Acquisition of property, plant and equipment	(19,404)	(17,302)
Acquisition of intangible assets	(4,701)	(4,039)
Acquisition of subsidiaries, net of cash and cash equivalents	(7,496)	(5,804)
Net cash from/(used in) investing activities	(31,239)	(30,487)
Cash flows from financing activities		
Proceeds/Payments from financial debt issue	—	115,433
Interest received	810	(92,629)
Interest paid	(8,293)	3,663
Proceeds from capital issue	—	(22,021)
Net cash from (used in) financing activities	(7,483)	4,446
Net cash from (used in) discontinued operations	213	—
Net increase/(decrease) in cash and cash equivalents	24,099	21,681
Cash and cash equivalents	88,071	61,627
Cash and cash equivalents acquire on business combination	113	—
Effect of exchange differences	(905)	2,345
Cash and cash equivalents at 31 December	87,279	63,972

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

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

The statutory activity of the Company consists of carrying out economic studies, promoting sales of all types of products on behalf of the Company or third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacturing, distributing and commercialising products for human consumption and leasing machinery and equipment. The aforementioned statutory activities can be entirely or partially carried out, directly or indirectly, through the holding of shares or interests in companies that perform these activities either in Spain or abroad. The Company shall not carry out any activities that are subject to specific legal conditions or requirements without complying in full therewith.

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

The principal activity of its subsidiaries consists of the management and operation of retail outlets under the brand names of "telepizza", "Pizza World" and "Jeno's pizza", which sell food for consumption at home and on the premises. At 31 December 2017, this activity is carried out through 441 own premises and 1,166 franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru, Ecuador, Switzerland, Ireland, Czech Republic and Paraguay. The Group also carries out its activity through master franchises located in Guatemala, El Salvador, Russia, Angola, Bolivia, Panama, Abu Dhabi, Iran and United Kingdom.

The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. In addition, the Group owns another six factories in other countries in which it carries out its activity and which also serve as logistics centres. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

The franchise activity consists mainly of advising on the management of third-parties' outlets that operate under the telepizza, Pizza World and Jenos Pizza brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group centralises the promotional and advertising activities for all the outlets operating under the aforementioned brand names and receives a percentage of its franchisees' sales as advertising revenues. In addition, the Group subleases some of the premises in which its franchisees carry out their activity and provides personnel management services, such as preparing the payroll for some its franchisees.

The master franchise activity includes the operations carried out in those countries in which the Group does not operate directly because it has signed a contract licensing the brand to a local operator. Master franchise contracts entitle the master franchisee to operate the 'telepizza' brand in a specific market, enabling them to open their own outlets or to establish outlets under franchise agreements.

The subsidiaries and sub-groups composing the Telepizza Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2017, are included in Appendix I attached hereto, which forms an integral part of this note. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

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

Initial public offering

Telepizza Group shares have been listed on the stock exchanges of Madrid, Barcelona and Bilbao since 27 April 2016. These shares are freely transferable. The aforementioned initial public offering was carried out as follows:

a) A capital increase on 25 April 2016 of Euros 118,531 thousand through the issue of 15,294,318 ordinary shares of Euros 0.25 par value each and a share premium of Euros 7.50 each. The new shares issued were sold via a public subscription offer (see note 15 (a).

b) A public offering of 55,673,423 shares, representing 55% of the capital, sold at Euros 7.75 each, raising a total amount of Euros 431,469 thousand.

The prospectus relating to the subscription, sale and admission to trading of the aforementioned shares was approved by the Spanish National Securities Market Commission on 15 April 2016. The capital increase was approved on 25 April 2016 by the then sole shareholder and entered on the Mercantile Register on 26 April 2016.

The Company closed the share subscription period on 25 April 2016. On 26 April 2016 the public deed was executed, the capital increase closed and the shares were allocated at the offering price of Euros 7.75 per share, with the new shares admitted to trading on 27 April 2016.

Merrill Lynch International and UBS Limited were appointed as the global coordinators of the aforementioned process. The total expense for these issues amounted to Euros 9,669 thousand in 2016, of which Euros 4,130 thousand (excluding the tax effect) was allocated to the public subscription offer and, therefore, recognised directly in consolidated equity (see note 15 (b)). The remaining Euros 5,539 thousand was allocated to the public offering and, therefore, recognised in other expenses in the consolidated income statement (see note 24).

Lastly, within the framework of the initial public offering, the Group restructured its financial debt, settling the subordinated loan and the former syndicated loan and arranged a new syndicated loan.

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Telepizza Group, S.A. and of the consolidated companies. The consolidated annual accounts for 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Telepizza Group, S.A. and subsidiaries at 31 December 2017 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, “First-time adoption of International Financial Reporting Standards”.

The directors of the Parent consider that the consolidated annual accounts for 2017, prepared on 27 February 2018, will be approved by the shareholders without significant changes.

(a) Basis of preparation of the annual accounts

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

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

(2) Basis of Presentation (Continued)

(b) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, are as follows;

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).
- The Group tests goodwill and the brand "telepizza" for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (see note 9).
- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa (see note 12).
- The Group capitalises tax credits when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see note 26). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the board of directors, considering past experience and represent the best estimate of future market performance.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2017, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(c) Consolidated group

In 2017 the Group acquired Moncharm Limited, Fortys Pizza s.r.o, The Good Food Company Ltd. and Compañía de Negocios de Paraguay, S.A.

In 2016 the Group acquired Telepizza Switzerland Gmbh, Foodco Maroc and Foodco Panamá. Moreover, Lubasto Holding was liquidated.

(2) Basis of Presentation (Continued)

(d) Standards and interpretations issued but not applied

Standards and interpretations effective since 2017

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2017 as these changes deal with types of transactions not carried out by the Group.

Standards and interpretations issued but not applied

At the date of authorisation for issue of these consolidated annual accounts, the following IFRS have come into force and been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2018 and subsequent years (depending on the effective date of each standard):

- IFRS 9 Financial Instruments.

  IFRS 9 applies to financial years starting as of 1 January 2018 and may be adopted in advance of that date. The Group will apply the standard for the first time on 1 January 2018 and onwards.

  Given the nature of the Group's financial assets and liabilities, the change in criteria for accounts submission as contained in IFRS 9 is not relevant to the Group. With regard to the new model for calculating the impairment of financial assets based on the model for expected credit loss during the life of the asset, the Group has estimated its impact and it is not significant.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 establishes an exhaustive framework for determining how much revenue to recognise and when. It replaces existing directives on the subject of revenue recognition, including IAS 18 Ordinary Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  For the sale of products, revenue is currently recognised when customers take possession of assets at the premises or at their homes, at which time risks and benefits are transferred. Revenue is recognised at this point whenever it and costs may be reliably assessed, once payment has been received through cash transactions. Therefore, there is currently no impact on revenue recognition and nor will there be in accordance with IFRS 15.

  With regard to Group loyalty programmes, we do not generally have any programme for customers, so there will be no impact.

  IFRS 15 applies to financial years starting as of 1 January 2018 and may be adopted in advance of that date. The Group will apply the standard for the first time on 1 January 2018 and onwards.

  The real impact of adopting IFRS 15 on the Group's consolidated annual accounts in 2018 will be very limited.

- IFRS 16 Leases

  IFRS 16 introduces a single model for recognising leases on the lessee's balance sheet. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional

(2) Basis of Presentation (Continued)

exemptions for short-term leases and leases when the articles are of low value. The lessor's accounting remains as it is: In other words, lessors will continue to classify its leases as operating leases or finance leases.

IFRS 16 replaces existing lease directives, including 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.

The standard will apply to financial years starting as of 1 January 2019, although it may be adopted in advance by entities that apply IFRS 15 Revenue from Contracts with Customers on or before the initial application date for IFRS 16.

The Group has begun an initial assessment of the potential impact on its consolidated financial statements and has hired an independent expert to help them with this assessment. So far, the most significant impact that has been identified is that the Group is going to recognise new assets and liabilities for its operating leases for stores and retail premises. In addition, the nature of costs in relation to these leases will now change, as IFRS 16 replaces the linear cost of the operating lease with a charge for amortisation of right-of-use assets and a cost for interest on lease liabilities.

In its capacity of lessee, the Group may apply the standard using a full retrospective approach or a modified retrospective approach with optional practical simplifications.

The Group expects to apply IFRS 16 for the first time on 1 January 2019. It has not yet decided which transition approach it is going to use. The lessee will apply the chosen option uniformly to all of its leases

In its capacity as lessor, the Group is not obliged to make any adjustment to leases in which it is a lessor, unless it is an intermediary lessor in a sub-lease.

The Group has not yet finished measuring the impact adoption of IFRS 16 will have on its reported assets and liabilities. The quantitative effect will depend, among other things, on the chosen transition method, the degree to which the Group uses the practical simplifications and exemptions from recognition, and also any additional leases it signs. The Group considers the analysis of the lease term and the discount rate to apply to be especially relevant when applying this standard. The Group expects to disclose its transition approach and its quantitative information before the standard is adopted but, in any case, it expects that the impact on consolidated annual accounts will be significant.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2017 include comparative figures for 2016, which were approved by the shareholders on 22 June 2017.

(f) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent, rounded off to the nearest thousand.

(3) Distribution of Parent´s income

The profit distribution of Telepizza Group S.A, amounting Euros 10,143,245, formulated by the holding company board of directors by the shareholders general Meeting is as shows;

	Euros
Distribution bases	
Year-end benefit	10,143,245
Distribution	
Voluntary Reserves	3,773,500
Dividends	6,369,745
	10,143,245

The application of the Euros 10,792,151 loss for 2016, approved by the former sole shareholder on 22 June 2017, consisted of carrying the entire amount forward as prior years' losses.

(4) Accounting Principles

(b) Subsidiaries

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which Group control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Transactions and balances with Group companies and significant unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Information on the subsidiaries included in the consolidated Group is presented in Appendix I to note 1.

(c) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

(4) Accounting Principles (Continued)

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the consideration given, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

(c) Foreign currency transactions and balances

(i) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was recognised.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents held.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Monetary financial assets denominated in foreign currencies classified as available for sale are measured at amortised cost in the foreign currency. Consequently, the exchange differences associated with changes in amortised cost are recognised in profit or loss.

(4) Accounting Principles (Continued)

Unrealised foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the currency risk component of non-monetary financial assets denominated in foreign currencies, classified as available-for-sale and as hedged items in fair value hedges of the component, are recognised in profit or loss.

(ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying exchange rates that approximate those prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Non-current investments in properties contracted from third parties under operating leases are measured based on the same criteria used for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The term of the lease contract is determined consistently with the classification thereof.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	33
Technical installations and machinery	3-15
Other installations, equipment and furniture	10
Information technology equipment	4
Other	4-6

The depreciable amount is the cost of an asset.

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

(4) Accounting Principles (Continued)

The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(e) Intangible assets

(i) Goodwill

Goodwill on business combinations reflects the excess of the cost of the business combination (see note 4 (b)) over the acquisition-date fair value of the assets acquired, liabilities and contingent liabilities assumed from the acquired business. Gains and losses on the sale of an entity include the carrying amount of goodwill from the sold entity.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in business combinations is their acquisition-date fair value, provided that this can be measured reliably. Subsequent costs relating to research and development projects are recognised in accordance with the criteria for internally generated intangible assets.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

  Concessions, patents and licences are measured at their cost of acquisition.

- *Computer software*

  Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

  Computer software maintenance costs are expensed as incurred.

(4) Accounting Principles (Continued)

(iv) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the "telepizza" brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a straight-line basis over the following useful lives:

Patents and licences	4
Contractual rights	31
Computer software	4
Other intangible assets	4-10
Administrative concessions	Operating term

The depreciable amount of intangible assets is measured as the cost of the asset. Contractual rights arising from the franchise agreements and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(f) Non-current assets held for sale and discontinued operations

(i) *Non-current assets held for sale*

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

The Group classifies subsidiaries that comply with the above conditions and over which the Group will lose control, irrespective of whether it continues to exercise significant influence or joint control, as a disposal group held for sale or distribution, or as a discontinued operation.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation.

(4) Accounting Principles (Continued)

Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

Gains due to increases in the fair value less costs of disposal are recognised in the income statement to the extent of the cumulative impairment previously recognised due to measurement at fair value less costs of disposal or to impairment of non-current assets.

A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held for sale if the transaction is expected to be realised within 12 months after the reporting date and the sale is considered highly probable within a short period subsequent to acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations or other comprehensive income.

The consolidated annual accounts for periods prior to the classification of a subsidiary, associate or joint venture as a disposal group or non-current asset held for sale are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 6).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

The consolidated annual accounts for periods prior to the classification of a subsidiary, associate or joint venture as a discontinued operation are restated as if they had never been classified as such. As

(4) Accounting Principles (Continued)

a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and the brand, which has an indefinite useful life, for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset’s value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

If there is an indication of impairment of a CGU to which goodwill has been unable to be allocated, the Group tests the CGU for impairment first, excluding any goodwill and recognises, where applicable, any impairment loss at CGU level. The Group then tests the group of CGUs to which goodwill has been allocated for impairment and recognises, where applicable, any impairment loss at CGU group level.

In testing a CGU for impairment, the Group identifies all the corporate assets that relate to the CGU. If a portion of the corporate assets can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the corporate asset, with its recoverable amount and, where applicable, recognises any impairment loss at CGU level. If the Group cannot allocate a portion of the corporate assets on a reasonable and consistent basis to the CGU, it compares the carrying amount of the unit, excluding the corporate asset, with its recoverable amount and recognises, where applicable, any impairment loss at CGU level. The Group identifies the smallest group of CGUs to which the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis and compares the carrying amount of the group of CGUs, including the corporate assets, with the recoverable amount and recognises, where applicable, the impairment loss at CGU group level corresponding to the country in which it is integrated.

For the purpose of verifying the impairment of intangible assets with indefinite useful lives, primarily comprising the “telepizza” brand, this is considered a global asset and the impairment analysis is therefore carried out by comparing the carrying amount of all the Group’s assets with their recoverable amount.

Impairment losses for CGUs are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

(4) Accounting Principles (Continued)

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

(h) Leases

(i) *Classification of leases*

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases.

(ii) *Lessor accounting*

The Group, as lessor, subleases the right to use certain storage facilities and commercial premises to third parties through operating leases.

Assets leased to third parties under operating lease contracts are classified according to their nature, applying the accounting policies set out in note 4 (d).

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be received.

(ii) *Lessee accounting records*

The Group, as lessee, holds the rights to use certain assets under lease contracts.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset’s carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

(4) Accounting Principles (Continued)

The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

The Group recognises initial direct costs incurred on operating leases as an expense when incurred.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(i) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading, loans and receivables and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *Financial assets and financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading or which have been designated on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(4) Accounting Principles (Continued)

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal.

The Group does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the consolidated statement of financial position, except when there is a change in the classification of hedging financial instruments.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(v) Impairment

In the case of assets carried at amortised cost, the amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less costs of foreclosing and sale, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

The Group recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed up to the amortised cost the assets would have had had the impairment loss not been recognised. The impairment loss is reversed against the allowance account.

(vi) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

(vii) Derecognition of financial assets

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

(4) Accounting Principles (Continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in other comprehensive income, is recognised in profit or loss.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised as a liability. Transaction costs are recognised in profit or loss using the effective interest method.

(viii) Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

Payables to financial institutions as a result of the sale of trade liabilities are recognised as trade payables advanced by banks under trade and other payables in the consolidated statement of financial position.

Nonetheless, when a creditor assumes primary responsibility towards the financial institutions, these debts are reclassified to financial liabilities in the consolidated statement of financial position.

(4) Accounting Principles (Continued)

The consideration given by the financial institutions in exchange for the right to finance the customers of the Group is recorded in other income in the consolidated income statement (consolidated statement of comprehensive income) when accrued.

(j) Inventories

Inventories mainly comprise food products, packaging, promotional material and smaller quantities of other materials, and are recognised at the lower of acquisition or production cost and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition.

Trade discounts are recognised as a reduction in cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised in the consolidated income statement as a decrease in the purchase.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

The production cost of inventories comprises the purchase price of raw materials and consumables, costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The cost of raw materials and other supplies, commercial inventories and transformation costs are application to the different inventory units through the weighted average cost method.

The cost of inventories is written down against profit and loss when it exceeds net realisable value. Net realisable value is considered as the following:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished goods: estimated selling price less costs to sell.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest received and paid as financing activities.

(l) Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

(4) Accounting Principles (Continued)

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

- Capital grants: Capital grants awarded as monetary assets are recognised under government grants in the consolidated statement of financial position and allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received. Government grants in the form of transfers of a non-monetary asset are recognised at fair value under government grants in the consolidated statement of financial position and are allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received.
- Operating grants: are recognised as a reduction in the expenses that they are used to finance.

(n) Employee benefits

(i) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the liability is discounted by reference to market yields on high quality corporate bonds.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(4) Accounting Principles (Continued)

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised.

(p) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. Sales discounts are recognised as a reduction in revenues.

Sales of goods to customers in cash or sales to franchises and revenue from services rendered are recognised when the Group sells the product or renders the service.

In case of Revenues from royalties and advertising are recognised when the service is rendered and are calculated as a percentage of the sales of the franchise.

Revenues from the initial franchise fee/ transfer fees largely reflect the right of the franchisee to open an outlet and are recognised upon signing the contract.

(q) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(4) Accounting Principles (Continued)

Since 1 January 2007 the Company has been the parent of a tax group, as defined by the consolidated tax regime, which comprised Tele Pizza, S.A., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2017.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income.
- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iii) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(4) Accounting Principles (Continued)

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(t) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

(5) Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units operate under different market conditions and are managed separately because they require different strategies.

At 31 December 2017 and 2016, the Group comprises the following operating segments:

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

Segment performance is measured based on the profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

The impact of the expenses recognised in the consolidated income statement of 2016 as a result of the public offering and the management incentive plans totals Euros 30,027 thousand, which has been included in the Spain segment.

(5) Segment Reporting (Continued)

Inter-segment transaction prices are established based on the normal commercial terms and conditions with unrelated third parties.

	2017					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Operating income						
Own outlet sales	99,918	42,593	52,211	—	—	194,722
Factory sales to franchisees	84,116	15,055	10,514	868	—	110,553
Royalties	22,298	2,729	2,747	829	—	28,603
Other income	15,967	1,873	9,028	257	—	27,125
To other segments	20,134	—	—	—	(20,134)	—
Total operating income	242,433	62,250	74,500	1,954	(20,134)	361,003
Gross margin	165,540	41,195	53,079	1,192	—	261,006
Amortisation and depreciation	(13,418)	(1,664)	(3,863)	—	—	(18,945)
Segment operating profit/(loss)	31,740	8,167	6,397	1,186	—	47,490
Net finance income/(cost)	(7,418)	(114)	(1,893)	34	—	(9,391)
Other gains	1,194	(109)	(1,123)	—	—	(38)
Income tax	(5,6444)	(235)	(461)	(39)	—	(6,379)
Profit/(loss) from continuing operations	19,872	7,709	2,920	1,181	—	31,682
Income attributable to external parties	—	161	—	—	—	161
Income attributable to the Parent	19,872	7,870	2,920	1,181	—	31,843
Segment assets	831,087	55,963	94,016	—	—	981,066
Assets from discontinued operations or held for sale	89	—	—	—	—	89
Group assets	831,176	55,963	94,016	—	—	981,155
Segment liabilities	47,154	11,329	7,335	—	—	65,818
Liabilities from discontinued operations or held for sale	81	—	—	—	—	81
Unassigned liabilities	—	—	—	—		915,252
Group liabilities	47,235	11,329	7,335	—	—	981,155
Investments in property, plant and equipment and intangible assets	13,776	11,992	7,444	—	—	33,213

(5) Segment Reporting (Continued)

	2016					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Operating income						
Own outlet sales	110,536	34,549	50,876	—	—	195,961
Factory sales to franchisees	74,810	14,091	8,871	247	—	98,019
Royalties	18,715	2,957	2,189	850	—	24,712
Other income	12,438	1,650	5,332	1,477	—	20,896
To other segments	12,278	—	—	—	(12,278)	—
Total operating income	228,777	53,247	67,268	2,574	(12,278)	339,588
Gross margin	162,594	35,879	50,109	2,371	—	250,953
Amortisation and depreciation	(11,886)	(1,431)	(4,052)	—	—	(17,369)
Segment operating profit/(loss)	(1,552)	7,155	6,277	2,370	—	14,250
Net finance income/(cost)	(20,479)	(357)	(952)	—	—	(21,788)
Other gains	22	10	206	—	—	238
Other losses	(394)	(174)	(371)	—	—	(939)
Income tax	21,264	(1,406)	(846)	(37)	—	18,975
Profit/(loss) from continuing operations	(109)	4,196	4,316	2,333	—	10,736
Loss after tax from discontinued operations	(45)	—	—	—	—	(45)
Loss attributable to the Parent	(109)	4,196	4,316	2,333	—	10,736
Segment assets	788,703	45,955	109,588	—	—	944,246
Assets from discontinued operations or held for sale	305	—	—	—	—	305
Group assets	789,008	45,955	109,588	—	—	944,541
Segment liabilities	43,751	8,047	8,691	—	—	60,489
Liabilities from discontinued operations or held for sale	86	—	—	—	—	86
Unassigned liabilities	—	—	—	—	—	883,969
Group liabilities	43,837	8,047	8,691	—	—	944,543
Investments in property, plant and equipment and intangible assets	13,668	4,248	9,069	—	—	26,985

(6) Non-current Assets Held for Sale and Discontinued Operations

On 31 December 2017 the Company has classified as non-current assets held for sale its non-operating subsidiary in Morocco, which currently in liquidation and whose activities have been classified as discontinued operations in the consolidated income statement. In 2016 the Company classified two outlets in Spain and its subsidiary in Morocco under non-current assets held for sale.

(7) Business Combinations

During financial year 2017, the Group acquired own-shop and franchise businesses in Ireland, the Czech Republic and Paraguay, and also several operating shops—mainly franchises—in Chile, Portugal and Colombia. These shop acquisitions were due to the Group's global strategy, where it is aiming to maximise the balance between own shops and franchises in different geographical areas, and due to entering new geographical markets.

During 2016, the group had acquired several operating shops, mainly franchises in Spain, Chile, Peru and the master franchisee of Paraguay.

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

	Thousands of Euros	
	2017	2016
Cost of the combination, cash paid	10,068	5,800
Less, fair value of net assets acquired	(1,587)	(624)
Goodwill (note 9)	8,481	5,176

The goodwill generated on the business combinations in both years is due to the outlets acquired having a good market position.

The amounts recognised in 2017 and 2016 by significant class of assets and liabilities at the date of acquisition of the assets and liabilities are as follows:

	Thousands of Euros	
	Fair value	
	2017	2016
Intangible assets	4	—
Property, plant and equipment	623	624
Inventories	232	—
Trade and other receivables	970	—
Cash and cash equivalents	113	—
Total assets	1,942	624
Trade and other payables	356	
Total net assets acquired	1,587	624
Cash paid	10,182	
Cash and cash equivalents of the acquire	(113)	—
Cash outflow for the acquisition	10,069	—

The business combination of the purchase of the franchise business in Ireland has been determined provisionally because it took place at the end of 2017 and insufficient information is available. Consequently, the identifiable net assets have been recognised initially at their provisional values. The other business combinations during the year are definitive and the fair value of the net assets acquired does not differ from their carrying amount.

The amount of the bussines combination for the acquisition of Ireland is Euros 2,573 thousand which are not paid at year end. (See note 17)

The business combination of the purchase of the franchise business in Switzerland has been determined provisionally because it took place at the end of 2016 and insufficient information is available. Consequently, the identifiable net assets have been recognised initially at their provisional values. The other business combinations

(7) Business Combinations (Continued)

during the year are definitive and the fair value of the net assets acquired does not differ from their carrying amount. No transaction costs were incurred in the aforementioned business combinations.

The businesses acquired during 2017 have generated consolidated revenues and consolidated profit for the Group for the period from the acquisition date to the reporting date of Euros 5,401 thousand and Euros 424 thousand (profit), respectively. The acquisition of the business in Ireland took place in December 2017 so it has not produced any profit or revenue for the Group in financial year 2017. The business combinations that have taken place during the year obtained losses due to the costs associated with conversion of the Fortys brand in the Czech Republic into Telepizza. The businesses acquired in 2016 generated consolidated revenues and consolidated profit for the Group for the period from the acquisition date to the 2016 reporting date of Euros 3,142 thousand and Euros 124 thousand, respectively.

Had the acquisition taken place on 1 January 2017, Group revenues and consolidated income for the year ended 31 December 2016 would have amounted to Euros 366,070 thousand and Euros 33,079 thousand (profit), respectively.

Had the acquisition taken place on 1 January 2016, Group revenues and consolidated income for the year ended 31 December 2016 would have amounted to Euros 345,540 thousand and Euros 10,789 thousand (profit), respectively.

(8) Property, Plant and Equipment

Details of and movement in property, plant and equipment are as follows:

	Thousands of Euros					
Data	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment under construction	Other property, plant and equipment	Total
Cost						
Balance at 31.12.2015	7,612	104,849	11,736	391	15,042	139,630
Additions	9	13,447	1,221	3,125	213	18,015
Disposals	(661)	(15,584)	(1,123)	—	(1,900)	(19,268)
Other transfers	5	631	210	(864)	18	—
Exchange losses	261	1,295	174	6	283	2,019
Balance at 31.12.2016	7,226	104,638	12,218	2,658	13,656	140,396
Additions	92	14,916	2,604	743	1,672	20,027
Disposals	(394)	(14,285)	(1,877)	(2)	(2,019)	(18,577)
Other transfers	46	(1,930)	1,377	(2,451)	2,661	(297)
Exchange losses	(45)	(1,617)	(180)	15	(353)	(2,180)
Balance at 31.12.2017	6,925	101,722	14,142	963	15,617	139,369
Depreciation or impairment						
Depreciation at 31.12.2015	(4,376)	(69,317)	(8,876)	—	(10,864)	(93,433)
Impairment at 31.12.2015	—	(6,027)	(12)	—	—	(6,039)
Depreciation for the year	(664)	(7,090)	(651)	—	(1,310)	(9,715)
Disposals	574	11,971	794	—	1,594	14,933
Exchange gains	(172)	(600)	(134)	—	(189)	(1,095)
Impairment	(68)	1,063	—	—	—	995
Depreciation at 31.12.2016	(4,638)	(65,036)	(8,867)	—	(10,769)	(89,310)
Impairment at 31.12.2016	(68)	(4,964)	(12)	—	—	(5,044)
Depreciation for the year	(769)	(7,665)	(747)	—	(1,659)	(10,840)
Disposals	281	10,052	1,119	—	1,628	13,080
Exchange losses	164	116	(406)	—	951	825
Impairment	(305)	3,326	(645)	—	—	2,376
Depreciation at 31.12.2017	(4,962)	(62,533)	(8,901)	—	(9,849)	(86,245)
Impairment at 31.12.2017	(373)	(1,638)	(657)	—	—	(2,668)
Carrying amount						
At 31.12.2015	3,236	29,505	2,848	391	4,178	40,158
At 31.12.2016	2,520	34,638	3,339	2,658	2,887	46,042
At 31.12.2017	1,590	37,551	4,584	963	5,768	50,456

During 2017 and 2016 significant additions were made to installations and machinery, mainly due to the investments related to new outlets opened and the purchase of franchised outlets. Additions have also been made to furniture and motorcycles.

(8) Property, Plant and Equipment (Continued)

Other property, plant and equipment mainly include the acquisition of motorcycles and IT equipment for outlets.

Disposals in 2017 and 2016 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 31 December 2017 and 2016 the Group had no commitments to acquire items of property, plant and equipment. Assets totalling Euros 1,040 thousand have been pledged as security. The Group does not have any significant unused property, plant and equipment.

During 2017 the Group recognised income from the reversal of impairment totalling Euros 2,052 thousand (an impairment loss of Euros 995 thousand in 2016) (see note 25). It has also recognised impairment losses of Euros 324 thousand on sales of outlets to franchisees (Euros 648 thousand in 2016). The impairment losses recognised and reversed are basically due to the impairment of assets used in operations in the Group's outlets. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each outlet. The main assumptions employed to project cash flows are detailed in note 9. The impaired assets comprise installations, machinery and store furniture.

The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

Details of the cost of fully depreciated property, plant and equipment at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Technical installations and machinery	33,186	39,170
Other	16,313	12,816
	49,499	51,986

Property, plant and equipment leased by the Group to third parties under operating leases consists of assets in sublet outlets, which were carried at the following amounts at 31 December 2017 and 2016:

	Thousands of Euros	
	2017	2016
Cost	4,577	4,409
Accumulated depreciation at 1 January	(4,290)	(4,113)
Depreciation charge for the year	(48)	(59)
Carrying amount	239	237

The Group has entered into sublease contracts with some of its franchisees in respect of the premises where the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent is generally a fixed amount, reviewed annually in line with the consumer price index.

However, to calculate the future minimum receivables under non-cancellable operating leases, the Group has applied the same criterion as for the calculation of minimum operating lease payments, therefore taking into account the duration of the sublease agreement because the Group has committed to sub-leasing the premises to the franchisee for this period (see note 24).

(8) Property, Plant and Equipment (Continued)

In any case, from a legal standpoint, the lease contracts can generally be cancelled with prior notice of three months, on average.

Operating lease instalments recognised as income in 2017 and 2016 total Euros 8,483 thousand and Euros 6,695 thousand, respectively. They are recognised as "other revenues" (see note 22).

Future minimum payments receivable under non-cancellable operating subleases are as follows:

	Thousands of Euros	
	2017	2016
Up to 1 year	6,902	5,685
Between 1 and 5 years	24,810	20,567
More than 5 years	18,445	14,076
	50,157	40,328

(9) Intangible Assets

Details of goodwill and movement during the year are as follows:

	Thousands of Euros
Cost	
Balance at 31.12.2015	382,694
Goodwill on business combinations for the year (note 7)	5,176
Translation differences	500
Impairment losses for the year (note 25)	(1,048)
Balance at 31.12.2016	387,322
Goodwill on business combinations for the year (note 7)	8,481
Translation differences	(518)
Disposal	(2,570)
Impairment losses for the year (note 25)	(176)
Balance at 31.12.2017	392,539

Details of goodwill by country at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Spain	266,389	268,741
Portugal	61,916	61,311
Poland	4,620	4,620
Chile	41,723	41,819
Colombia	8,417	8,371
Panama	228	260
Switzerland	1,986	1,844
Ireland	5,315	—
Paraguay	561	—
Czech Republic	1,071	—
Other	313	356
	392,539	387,322

(9) Intangible Assets (Continued)

The recoverable amount of each group of CGUs is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the groups of CGUs operate.

The discount rate assumption used when calculating value in use is as follows:

	2017				
	Spain	**Portugal**	**Chile**	**Poland**	**Colombia**
Discount rate (WACC)	6.89%	7.86%	9.37%	6.53%	9.00%
Growth rate of income in perpetuity (g)	2.15%	2.20%	3.75%	2.10%	4.00%

	2016				
	Spain	**Portugal**	**Chile**	**Poland**	**Colombia**
Discount rate (WACC)	7.00%	8.10%	8.40%	7.15%	8.75%
Growth rate of income in perpetuity (g)	2.00%	2.20%	4.15%	1.00%	3.90%

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net annual revenue growth rates of between 1% and 7%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

The income and expense growth rates have been determined based on past performance and expectations for future market development. The discount rates used reflect specific risks related to the relevant segments.

The annual impairment test was not performed on the goodwill generated in 2017 on the businesses acquisitions in Paraguay, Czech Republic and Ireland because they were acquired in 2017 and the business combination is provisional.

If a sensitivity analysis of goodwill impairment per CGU group were performed, the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity and between 50 and 25 basis points in the business operating assumptions, would not have an impact on the consolidated annual accounts at 31 December 2017 and 2016.

(9) Intangible Assets (Continued)

Details of other intangible assets and movement are as follows:

	Thousands of Euros					
	Concessions patents, Licences	Trademarks	Contractual rights and other	Other intangible assets	Computer software	Total
Cost						
Balances at 31.12.2015	1,568	253,502	151,359	528	23,347	430,304
Additions	71	—	—	26	3,697	3,794
Disposals	—	—	—	(76)	(2,866)	(2,942)
Exchange losses	(7)	—	—	20	150	163
Balances at 31.12.2016	1,632	253,502	151,359	498	24,328	431,319
Additions	137	—	15	—	4,553	4,705
Disposals	(2)	—	(4)	—	(70)	(76)
Exchange gains	(2)	—	(18)	(6)	73	47
Balances at 31.12.2017	1,765	253,502	151,352	492	28,884	435,995
Amortisation or impairment						
Amortisation at 31.12.2015	(769)	(18,526)	(56,554)	(411)	(20,054)	(96,314)
Impairment at 31.12.2015	(8)	—	—	—	—	(8)
Amortisation for the year	(181)	—	(5,815)	(9)	(1,649)	(7,654)
Disposals	—	—	—	75	2,869	2,944
Exchange gains	(4)	—	(31)	(7)	(22)	(64)
Amortisation at 31.12.2016	(954)	(18,526)	(62,400)	(352)	(18,856)	(101,088)
Impairment at 31.12.2016	(8)	—	—	—	—	(8)
Amortisation for the year	(4)	—	(5,749)	1	(2,353)	(8,105)
Disposals	—	—	2	—	80	82
Exchange losses	(12)	—	129	—	(70)	47
Amortisation at 31.12.2017	(958)	(18,526)	(68,030)	(351)	(21,199)	(109,064)
Impairment at 31.12.2017	(8)	—	—	—	—	(8)
Carrying amount						
At 31.12.2015	791	234,976	94,805	117	3,293	333,982
At 31.12.2016	670	234,976	88,959	146	5,472	330,223
At 31.12.2017	787	234,976	83,334	141	7,685	326,923

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the "telepizza" brand. The original value of this asset was Euros 247,028 thousand and its carrying amount at 31 December 2017 and 2016 is Euros 228,502 thousand (see note 4 (g)). The "Jeno's pizza" brand also has an indefinite useful life and a value of Euros 6,474 thousand at 31 December 2017 and 2016, which is allocated to the group of CGUs in Colombia

In 2006 the Group acquired the 'telepizza' brand name from Tele Pizza, S.A. through the business combination with the latter. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

(9) Intangible Assets (Continued)

The recoverable amount of intangible assets with an indefinite useful life is determined by calculating the value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows beyond the five-year period are extrapolated using specific growth rates for the sector in each country. These growth rates do not exceed the average long-term growth rate of the business.

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the carrying amount of recognised goodwill and intangible assets with an indefinite useful life. The discount rate assumption used when calculating value in use in 2017 and 2016 of intangible assets with an indefinite useful life is as follows:

	2017	2016
Discount rate (WACC)	7.12%	7.75%
Growth rate of income in perpetuity (g)	2.32%	2.00%

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net annual revenue growth rates of between 2% and 4%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

If a sensitivity analysis of impairment of intangible assets with an indefinite useful life were performed, in 2017 and 2016 the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or between 50 and 25 basis points in the business operating assumptions, would not have an impact on the consolidated annual accounts at 31 December 2017 and 2016.

As regards contractual rights with franchisees subject to amortisation, there are no indications of the potential impairment of these intangible assets.

Details of residual amortisation, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

	Euros			
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated amortisation	Carrying amount
2017				
Telepizza brand	Indefinite	—	18,526	228,502
"Jeno´s Pizza" brand	Indefinite	—	—	6,474
Contractual rights	19	4,296	54,882	81,633
		4,296	73,408	316,609
2016				
Telepizza brand	Indefinite	—	18,526	228,502
"Jeno´s Pizza" brand	Indefinite	—	—	6,474
Contractual rights	20	4,296	50,586	85,929
		4,296	69,112	320,905

(9) Intangible Assets (Continued)

At 31 December 2017 and 2016 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Computer software	16,143	15,055
Other	995	933
	17,138	15,988

(10) Non-current Financial Assets

Details of non-current financial assets at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Security deposits and guarantees	6,062	6,216
Non-current trade receivables	25,424	20,500
Other loans and receivables	3,969	3,911
	35,455	30,627

Non-current trade receivables mainly reflect amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

At 31 December 2017 and 2016 the Group extended loans to directors and personnel totalling Euros 3,871 thousand and 3,787 thousand respectively, which fall due in 2021 and accrue interest at market rates. Interest amounting to Euros 84 thousand and 35 thousand was capitalised with the principal in 2017 and 2016, respectively.

(11) Inventories

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Merchandise	10,258	10,527
Raw materials	356	865
Finished goods	289	231
Total inventories	10,903	11,623

The cost of inventories recognised as an expense and included in the cost of goods sold is as follows:

	Thousands of Euros	
	2017	2016
Net purchases	100,717	88,865
Change in inventories	(720)	(231)
	99,997	88,634

(11) Inventories (Continued)

The Group has long-term commitments to purchase certain inventories, which if breached would give rise to penalties with a negative effect of approximately Euros 3 million on the consolidated income statement.

At 31 December 2017 and 2016 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(12) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2017	2016
Trade receivables	40,745	37,384
Other receivables	4,475	3,468
Public entities	5,117	5,825
Impairment	(9,220)	(8,232)
Trade and other receivables	41,117	38,445

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

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

An analysis of impairment losses due to the credit risk associated with financial assets is as follows:

	Thousands of Euros	
	2017	2016
Current		
Balance at 1 January	(8,232)	(7,141)
Charge	(535)	(1,094)
Application/reversal	9	3
Business combination	(462)	—
Balance at 31 December	(9,220)	(8,232)

(13) Cash and Cash Equivalents

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Cash in hand and at banks	87,279	63,972
Cash and cash equivalents	87,279	63,972

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

(14) Deferred Tax

Details of deferred tax assets are as follows:

	Thousands of Euros				
Deferred tax assets	**Non-deductible amortisation/ depreciation**	**Tax credits and deductions**	**Finance costs**	**Other**	**Total**
Balances at 31.12.2015	1,769	9,430	—	660	11,859
Taken to the income statement (note 26)	(188)	1,332	19,268	(106)	20,306
Balances at 31.12.2016	1,581	10,762	19,268	554	32,165
Taken to the income statement (note 26)	(166)	(1,964)	663	(260)	(1,727)
Balances at 31.12.2017	1,415	8,798	19,931	294	30,438

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards and non-deductible finance costs generated by the Group companies Telepizza Group, S.A., Tele Pizza, S.A. and Mixor, S.A. (see note 26).

Since 2012, due to the limitations on the deductibility of finance costs laid down in tax legislation, the tax group of the companies domiciled in Spain has obtained taxable income. Therefore, the Group has recognised deferred tax assets in respect of tax credits for loss carryforwards available for offset because the directors consider these credits to be recoverable. This assumption is based on the Company's approved business plans, as the tax group in Spain, as mentioned previously, has been generating taxable income and will continue to do so in the coming years.

Details of deferred tax liabilities are as follows:

	Thousands of Euros			
Deferred tax liabilities	**Accelerated depreciation/ amortisation**	**Intangible assets**	**Other**	**Total**
Balances at 31.12.2015	367	83,790	590	84,747
Taken to the income statement (note 26)	(106)	(1,546)	(229)	(1,881)
Balances at 31.12.2016	261	82,244	361	82,866
Taken to the income statement (note 26)	(138)	(962)	334	(766)
Balances at 31.12.2017	123	81,282	695	82,100

The deferred tax liability related to intangible assets is due to the tax effect of various intangible assets, primarily the brand, and contractual rights that arose as a result of the business combinations in prior years, as explained in note 9. This deferred tax decreases each year as these assets with finite useful life are amortised and will not give rise to a cash outflow for the Group.

Spanish Income Tax Law 27/2014 of 27 November 2014, approved on 28 November 2014, incorporated wholly new legislation on corporate income tax and entered into force for tax periods beginning on or after 1 January 2015. These amendments included a reduction of the general tax rate from 30% in 2014 to 28% in 2015 and 25% from 2016 onwards.

Under Royal Decree-Law 3/2016, the limits for the offset of tax loss carryforwards have been amended to 25% of the taxable income prior to applying the capitalisation reserve. Nevertheless, in any event tax loss carryforwards up to a maximum of Euros 1 million may be offset in each tax period.

(14) Deferred Tax (Continued)

The negative tax base compensation term of 18 years has been eliminated, which implies that the term becomes unlimited.

(15) Equity

(a) Share capital

At 31 December 2017 and 2016 the share capital of Telepizza Group, S.A. represented by 100,720,679 ordinary shares, each with a par value of Euros 0.25, of a single class and series and represented by book entries. All the shares are fully subscribed and paid up and grant the shareholders the same voting and profit sharing rights.

On 17 March 2016, the sole shareholder resolved to reduce the par value of the Company's shares by performing a share split of two hundred new shares per old share and amending the articles of association.

The following capital increases were carried out in the context of the initial public offering (see note 1):

- On 25 April 2016, the Group's former sole shareholder resolved to increase the share capital by Euros 3,824 thousand through the issue and circulation of 15,294,318 new ordinary shares with a par value of Euros 0.25 each, of the same class and series and with the same rights as the previously issued shares. These shares were issued with a share premium of Euros 7.50 per share, amounting to a total share premium of Euros 114,707 thousand. As a result, the capital increase and share premium amounted to Euros 118,531 thousand.

  Merrill Lynch International and UBS Limited, acting as global coordinators of the share subscription offer (see note 1) on behalf of the final subscribers of the shares allotted through the subscription offer, underwrote each of the 15,294,318 new ordinary shares jointly equivalent to Euros 118,531 thousand, after Foodco Finance S.à.r.l. expressly waived the right to any preferential subscription rights.

- On 27 April 2016, the former sole shareholder resolved to increase the share capital by Euros 3,357 thousand, with a share premium of Euros 100,698 thousand, by issuing 13,426,361 new shares of Euros 0.25 par value each with a share premium of Euros 7.50 each. The shares were subscribed and fully paid by Foodco Finance, S.à.r.l., by partially capitalising the subordinated loan of Euros 104,054 that had been extended to the Group on 25 April 2016 (see note 1).

As indicated in note 1, since 27 April 2016 the Parent's shares have been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. In accordance with the public information registered with the Spanish Securities Market Commission, the members of the board of directors controlled approximately 0.546% of the Parent company's share capital at 31 December 2017 and 2016.

Companies with direct or indirect interests of at least 10% in the share capital of the Parent by 31 December 2017 are as follows:

	Percentage ownership
KKR Credit Advisors (US) LLC	20.24%

(15) Equity (Continued)

Like other groups in the sector, the Telepizza Group controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by EBITDA (Profit before interest, tax, depreciation and amortisation). Net debt is the sum of financial liabilities less cash and cash equivalents. EBITDA is the sum of the consolidated income statement items "Operating profit" plus "depreciation and amortisation". This debt ratio for 2017 and 2016 was calculated as follows:

	Thousands of Euros	
	2017	**2016**
Total loans and borrowings	197,582	196,579
Less: Cash and cash equivalents	(87,279)	(63,972)
Net debt	110,303	132,607
EBITDA	66,435	31,619
Debt ratio	1.66	4.19

(d) Share premium

At 31 December 2017 and 2016, the share premium is freely distributable. As mentioned in section a) of this note, during 2016 the Company has increased share capital on two occasions, raising the share premium by Euros 215,405 thousand.

During 2016, the Parent's share premium was reduced by Euros 4,130 thousand due to the costs of the capital increase and the fees of the related advisors, principally Merrill Lynch International and UBS Limited, which acted as the global coordinators of the initial public share offering (see note 1).

(c) Accumulated gains/losses

- Legal reserve

The Parent is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2017 the Parent has appropriated to this reserve more than the minimum amount required by law. The legal reserve of the Parent amounts to Euros 10,832 thousand at 31 December 2017 and 2016.

- Shareholder contributions

These consist of the monetary and non-monetary contributions received in 2014, which amounted to Euros 157,615,105 and Euros 3,615,885 and the capital increase costs in 2008, 2010, 2011, 2013 and 2014 net of the tax effect.

The increase in this Parent caption during 2016 is due to the recognition of Euros 9,971 thousand for incentive plans relating to the initial public offering, which were approved beforehand by the sole shareholder (see notes 1 and 23).

- Other cumulative gains/(losses)

These reflect mainly the results of the Group companies and the respective consolidation adjustments.

(15) Equity (Continued)

(d) Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

(16) Earnings/(Loss) per Share

(a) Basic

Basic earnings per share are calculated by dividing the profit/loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

	2017	2016
Profit for the year attributable to equity holders of the Parent (in Euros)	31,843,725	10,691,485
Weighted average number of ordinary shares outstanding (in number of securities)	100,720,679	91,583,370
Basic earnings/(losses) per share (in Euros)	0.3162	0.1167

The weighted average number of ordinary shares outstanding in 2016 was determined as the weighted average number of ordinary shares, taking into account the two capital increases carried out in 2016.

(b) Diluted

At 31 December 2017 and 2016 diluted earnings/losses per share are the same as basic earnings/losses per share because the ordinary shares are not subject to any dilutive effects.

(17) Current and Non-current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2017 and 2016 are as follows:

2017		Thousands of Euros	
		Fair values	
		Liabilities	
	Notional amount	Non-current	Current
Derivatives			
Interest rate swaps	(100,000)	(126)	—
Total derivatives at fair value through consolidated profit or loss	(100,000)	(126)	—

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

In 2016 the Group arranged a new interest rate hedge for Euros 100,000 thousand, which swapped the Euribor rate with a zero floor for a fixed rate of 0.27%. This instrument becomes effective on 29 April 2018 and

(17) Current and Non-current Financial Liabilities at Fair Value (Continued)

expires on 29 April 2021. At 31 December 2017 it has a negative fair value of Euros 126 thousand (positive fair value of Euros 78 thousand at 31 December 2016).

The Group accrued income of Euros 204 thousand in 2017 and Euros 293 thousand in 2016 in relation to its derivative financial instruments.

Furthermore this caption include debt to the former shareholder of Ireland subsidiaries acquired during 2017 named The God Food Company, Ltd for Euros 2,573 thousand.

(18) Interest-bearing Loans, Borrowings and Bonds

(a) Non-current loans and borrowings

On 12 September 2006 the Group entered into a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also arranged a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Telepizza Group to partially finance this acquisition. All loans had a single maturity date, except the Senior Facility, tranche A, which is repayable in instalments.

On 20 October 2014 the Parent together with its subsidiary Tele Pizza, S.A. signed an Amendment and Restatement Deed on refinancing the senior debt held by the Group. This refinancing was used to repay the Mezzanine debt, the borrowing costs capitalised to date and a portion of the senior debt. The only outstanding debt of this type was a single tranche amounting to Euros 285,000 thousand and a revolving credit facility for up to Euros 10,000 thousand.

On 8 April 2016, the Parent together with its subsidiary Tele Pizza, S.A. and various financial entities, with Banco Santander acting as the agent bank, signed a new syndicated loan of 200,000 thousand euros, the effective date of which was conditional upon the initial public offering, which expiry date was fixed in 2021, and a revolving facility with a limit of Euros 15,000 thousand. At 31 December 2017 and 2016 the fair value of this loan is Euros 196,687 thousand and Euros 195,611 thousand, respectively, while its nominal value at that date was Euros 200,000 thousand. The difference between the fair value and nominal value is due to the Euros 5,023 thousand arrangement fees for the loan. The loan will mature as follows: 15% of the principal 48 months from the effective date of use of the loan, 20% of the principal at 54 months from that date and the remainder at five years from that date.

On 29 April 2016 a portion of the funds obtained from the public offering and the new syndicated loan was used to cancel the former syndicated loan by repaying the Euros 285,000 thousand of outstanding principal at that date and the accrued interest of Euros 541 thousand. Also all the guarantees extended in the former financing agreement were released.

The finance costs accrued on the syndicated loan amounted to Euros 6,250 thousand and Euros 11,125 thousand in 2017 and 2016, respectively.

At 31 December 2017 and 2016 the accrued interest payable on these loans amounted to Euros 895 thousand and 968 thousand, respectively.

(18) Interest-bearing Loans, Borrowings and Bonds (Continued)

Details of payments and the present value of borrowings by maturity are as follows:

	Thousands of Euros			
	2017		2016	
	Principal	Interest	Principal	Interest
Less than one year (note 18 (b))	—	895	—	968
Two to five years	196,687		195,611	
More than 5 years	—	—	—	—
	196,687	**895**	**195,611**	**968**

Details of non-current loans and borrowings at 31 December 2017 are as follows:

Type	Final maturity	Limit	Balance at 31/12/2017	Margin over Euribor
Senior				
Senior Facility	2021	200,000	200,000	EUR+ 2,50%
Revolving	2021	15,000	—	EUR+ 2,50%
Loan arrangement fees			(3,313)	
Balance at 31 December			196,687	

Details of non-current loans and borrowings at 31 December 2016 are as follows:

Type	Final maturity	Limit	Balance at 31/12/2016	Margin over Euribor
Senior				
Senior Facility	2021	200,000	200,000	EUR+ 2,75%
Revolving	2021	15,000	—	EUR+ 2,75%
Lease payables (note 8)			(4,389)	—
Balance at 31 December			195,611	

Although the interest rates are as listed above, the Group has contracted a variable-to-fixed interest rate swap, which is described in note 17.

The Group pledged shares in the Parent and the subsidiaries, Tele Pizza, S.A., Telepizza Chile, S.A., Telepizza Portugal and Luxtor, S.A. and Luxtor, S.A. and committed to pledge shares in Telepizza Portugal Comercio de Productos Alimentares, S.A. to secure the loan described above. The assets and liabilities pledged as collateral directly or indirectly comprise practically all of the assets and liabilities consolidated financial statements.

The Parent is also required to comply with a certain financial ratio. The Group complies with this ratio at 31 December 2017 and 2016.

(18) Interest-bearing Loans, Borrowings and Bonds (Continued)

(b) Current loans and borrowings

Details of current loans and borrowings at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Accrued interest (note 18 (a))	895	968
Other payables	—	—
	895	968

(19) Employee Benefits

Termination benefits

The total expense recognised in 2017 and 2016 for termination benefits is Euros 918 thousand and Euros 950 thousand, respectively (see note 23).

(20) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 5,154 thousand at 31 December 2017 (Euros 4,589 thousand at 31 December 2016). No significant liabilities are expected to arise from these guarantees.

The Group has no significant litigation or claims of any nature. However, the Group is subject to regulatory processes and inspections by government bodies with respect to an international operation, which could result in possible risks totalling Euros 1,419 thousand. The directors do not consider that any liabilities will arise other than those recognised in these consolidated annual accounts.

(21) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2017	2016
Trade payables	42,850	40,586
Public entities	3,482	6,013
Other payables	142	300
Salaries payable	4,650	3,288
Current guarantees and deposits received	29	31
	51,153	50,218

At 31 December 2017 trade payables include Euros 9,816 thousand payable to financial institutions for reverse factoring transactions (Euros 8,131 thousand at 31 December 2016).

The balance of salaries payable at 31 December 2017 includes Euros 2,608 thousand (Euros 1,533 thousand at 31 December 2016) in relation to the three-year remuneration plan arranged by the former sole shareholder as explained in the initial public offering prospectus, which affects a certain number of employees.

Average Supplier Payment Period. “Reporting Requirement”, Third Additional Provision of Law 15/2010 of 5 July 2010”

(21) Trade and Other Payables (Continued)

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2017
	Days
Average supplier payment period	89
Transactions paid ratio	95
Transactions payable ratio	65
	Thousands of Euros
Total payments made	143,670
Total payments outstanding	34,843

	2016
	Days
Average supplier payment period	91
Transactions paid ratio	100
Transactions payable ratio	58
	Thousands of Euros
Total payments made	127,682
Total payments outstanding	32,198

(22) Revenues

Details are as follows:

	Thousands of Euros	
	2017	2016
Outlet sales to customers	194,722	195,961
Wholesale factory sales to franchisees and other sales	110,553	98,019
Royalties and advertising fees	28,603	24,712
Other income	27,125	20,895
	361,003	339,587

Other revenues in 2017 and 2016 mainly include franchise fees, which are collected when a franchise is opened or when an existing franchise agreement is renewed, income from other services provided to franchisees and the income from the subleasing of commercial premises to franchisees (see note 8).

(23) Personnel Expenses

Details of personnel expenses in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Salaries and wages	78,023	101,003
Social Security	15,637	16,196
Termination benefits (note 19)	918	950
Other employee benefits expenses	632	488
Total personnel expenses	95,210	118,637

(23) Personnel Expenses (Continued)

On 31 March 2016 and 6 April 2016, members of the Group's management team and a certain number of Group employees signed an incentive plan, whereby they would receive a series of payments related to the Parent's shares and a bonus, which would be accrued if the Company was admitted for trading. The total remuneration under this incentive plan depended on the price set in the public offering and was paid by Foodco Finance, s.a.r.l. and the Company.

At 31 December 2016 personnel expenses mainly comprise non-recurrent costs for the value of the shares and other monetary consideration received by employees in relation to the public offering and sale of shares, as well as for the Group's financial restructuring, amounting to Euros 26,488 thousand. Euros 18,766 thousand of the aforementioned remuneration was paid directly by Foodco Finance, s.a.r.l. and was recognised as a shareholder's contribution for the same amount (see note 15 (c)).

The average number of full-time equivalent employees in the Group during 2017 and 2016, distributed by category, is as follows:

	Number	
	2017	2016
Management	42	40
Outlet managers	402	424
Other personnel	5,337	5,151
	5,781	5,615

At year end the distribution by gender of the Parent's group personnel and directors is as follows:

	Number			
	2017		2016	
	Male	Female	Male	Female
Board members	7	—	7	—
Management	30	9	28	11
Outlet managers	175	199	206	210
Other personnel	2,708	2,384	2,979	2,505
	2,920	2,592	3,220	2,726

The average number of Company employees with a minimum disability rating of 33% (or local equivalent) in 2017 and 2016, distributed by category, is as follows:

	Number	
	2017	2016
Technicians	1	1
Outlet managers	—	1
Other personnel	92	97
	93	99

(24) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2017	2016
Operating leases	31,721	29,722
Transport	13,866	12,677
Advertising and publicity	18,220	17,178
Utilities	11,781	11,473
Other expenses	23,773	29,647
	99,361	100,697

At 31 December 2016 other expenses comprise non-recurrent advisory fees totalling Euros 5,539 thousand associated with the public offering (see note 1).

The Group leases most of the properties where it carries out its activity, including outlets, factories and offices. Most lease contracts for outlets stipulate payment of a fixed rent that is increased annually in line with the consumer price index. The exception are outlets located in shopping centres, for which both a fixed and sales-based variable rental fee are paid.

The initial lease period of each contract is usually 10 years but generally, with few exceptions, the Group has the option of ending the lease contract early without having to pay any kind of penalty, giving due notice as provided for in the contract. Leases on premises located in shopping centres are subject to a mandatory period of five years during which the Group cannot cancel the contract.

The Group has entered into sublease contracts with many of its franchisees in respect of the premises at which the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent comprises a fixed amount increased annually in line with the consumer price index.

The Group has no obligations in respect of lease contracts that the franchisees enter into directly with the lessor or in respect of properties owned by franchisees.

Future minimum payments under operating leases at 31 December 2017 and 2016, considering the payments to be accrued based on the lease period set out in the contracts, irrespective of the fact that most of the lease contracts for premises can be cancelled subject to a short period of notice, are as follows:

	Thousands of Euros	
	2017	2016
Less than one year	21,806	13,802
One to five years	76,588	47,588
More than 5 years	48,769	35,958
	147,163	97,348

(24) Other Expenses (Continued)

Future minimum payments under non-cancellable operating leases at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Less than one year	12,944	11,394
One to five years	37,163	32,651
More than 5 years	27,325	24,836
	77,432	68,881

(25) Other Losses

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Losses on sale of property, plant and equipment	(1,914)	(648)
Goodwill (note 9)	(176)	(1,048)
Reversals of impairment on property, plant and equipment (note 8)	2,052	995
	(38)	(701)

(26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit/loss, with the income tax expense recognised in the consolidated income statement for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Profit/Loss for the year before tax from continuing operations	38,061	(8,239)
Tax losses not recognised as tax credits	204	5,069
	43,265	(3,170)
Expected Parent tax expense/(income) at the standard tax rate (25%)	10,816	(792)
Non-deductible expenses at the standard tax rate		
Finance costs	60	2,182
Deferred tax assets recognised	(3,278)	(20,434)
Deductions applied	(1,180)	—
(Income)/expense due to different tax rates	39	69
Effective tax rate / Income tax expense/(income)	6,379	(18,975)

(26) Income Tax (Continued)

Non-deductible expenses reflect non-deductible interest of the Group companies in Spain.

Income tax payable/(recoverable) for 2017 and 2016 is calculated as follows:

	Thousands of Euros	
	2017	2016
Tax expense/(income)	6,379	(18,975)
Deductible temporary differences and tax credits (note 14)	(1,727)	20,306
Taxable temporary differences (note 14)	766	(2,338)
Deductions applied during the year	—	—
Reversal of deferred tax liability from business combinations	—	457
Adjustment for change in tax rate and other	—	550
Payments on account	(4,875)	(1,394)
Income tax payable (recoverable)	543	(1,394)

In accordance with prevailing legislation in each country, losses declared may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection during the inspection periods established by applicable legislation.

At 31 December 2017 and 2016 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards in Spain:

	Thousands of Euros	
Year	2017	2016
2008	3,081	11,025
2009	7,562	7,562
2010	628	628
2011	14,366	14,366
2012	4,343	4,343
2013	1,182	1,182
2014	532	532
2015	185	185
2016	3,312	3,312
Total	35,191	43,135

At 31 December 2017 and 2016 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies in Peru, Ecuador, Colombia and Poland:

	Thousands of Euros	
Year	2017	2016
2012	964	989
2013	1,754	1,742
2014	8,307	8,294
2015	5,288	5,625
2016	2,564	3,486
2017 (estimated)	3,211	—
Total	22,088	20,136

(26) Income Tax (Continued)

At 31 December 2017 the Group has the following non-deductible interest for future offset in an indefinite period, generated by the group companies in Spain and Portugal amounting to Euros 150,910 thousand and Euros 14,965 thousand, respectively:

	Thousands of Euros	
Year	2017	2016
2012	39,277	52,643
2013	40,173	40,173
2014	53,296	53,296
2015	20,153	20,153
2016	11,356	11,356
2017 (estimated)	1,620	—
	165,875	177,621

As mentioned in note 14 the Group has recognised deferred tax assets in relation to non-deductible interest amounting to Euros 19,931 thousand. It is considered probable that sufficient future taxable income will be available be able to use these tax assets.

Based on the tax declarations filed by the Group companies during 2017 and in prior years, the Group has no tax credits for deductions pending application.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the date of authorisation for issue of these consolidated annual accounts, the main Group companies have open to inspection by the taxation authorities all the main applicable taxes since 1 January 2013.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(27) Commitments

As stated in notes 8 and 9, at 31 December 2017 and 2016 the Group has no commitments relating to investing activities.

(28) Information on the Parent's Directors and Senior Management Personnel

The Parent's directors received remuneration of Euros 1,276 thousand in 2017 (Euros 9,533 thousand in 2016). The Group has also extended loans or advances to the directors totalling Euros 1,358 thousand (Euros 1,337 thousand in 2016). These loans are secured by the directors with certain shares of the Parent. The main conditions and characteristics of the loans to the directors are described in note 10. Life insurance premiums of Euros 6 thousand were paid to the directors in 2017 (Euros 7 thousand in 2016) and the savings plan contributions made amounted to Euros 136 thousand (Euros 120 thousand in 2016).

The amounts paid out in 2017 by Telepizza Group on Senior Management and Directors Civil Liability insurance amount to Euros 24 thousand.

Members of the Group's senior management received remuneration of Euros 2,411 thousand in 2017 (Euros 17,344 thousand in 2016). The Group has also extended loans or advances to senior management totalling Euros 2,405 thousand (Euros 2,368 thousand in 2016). These loans are secured by the directors with certain shares of the Parent. The main conditions and characteristics of the loans to senior management are described in note 10. Life insurance premiums of Euros 11 thousand were paid to senior management in 2017 (Euros 9 thousand in 2016) and the savings plan contributions made amounted to Euros 82 thousand (Euros 67 thousand in 2016).

(28) Information on the Parent's Directors and Senior Management Personnel (Continued)

During 2017 and 2016 the Parent's directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

Conflicts of Interest concerning the Directors

In 2017 and 2016 the directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(29) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and safety-in-the-workplace laws). The Group complies substantially with these laws and has established procedures designed to encourage and ensure compliance.

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2017 and 2016.

(30) Audit Fees

The auditors of the Group's consolidated annual accounts (KPMG Auditores, S.L) invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2017 and 2016:

	Thousands of Euros	
	2017	2016
Audit services	178	178
Other assurance services	6	282
	184	460

The amounts detailed in the above table for audit services include the total fees for services rendered in 2017 and 2016, irrespective of the date of invoice.

Other accounts verification services related to the 2017 audit include, essentially, work to the amount of 4 thousand euros and a report on capital increase due to the compensation of credit to the amount of 2 thousand euros provided by KPMG Auditores, S.L. to Telepizza Group, S.A. and one of its subsidiary companies during the year ended 31 December 2017.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2017 and 2016:

	Thousands of Euros	
	2017	2016
Audit services	73	73
Other services	9	49
	82	122

(31) Other information

On the date these annual accounts are being drawn up, the Company is in conversations with YUM! Brands, Inc. regarding the conditions under which it could operate Pizza Hut shops in different markets, including Latin America, and other formulas for collaboration between the Telepizza and Pizza Hut brands. However, the inclusion of YUM! Brands, Inc. in the Telepizza Group's share capital is not being considered.

(32) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the board of directors of the Parent. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

Interest rate risk

Variations in interest rates affect the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future cash flows of assets and liabilities indexed to a variable interest rate. Such variations could have a significant impact on the cost of debt and the return on investments.

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2017 and 2016 is as follows:

Type of financing	Interest rate	Benchmark	Thousands of Euros	
			2017	2016
Syndicated loan	Floating	Euribor	197,582	196,579
Total			197,582	196,579

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

The Group manages cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Group generally obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically (generally on a quarterly basis). The difference is calculated based on the contracted notional principal amount.

The Group has contracted a fixed interest rate swap facility for a two-year period to cover a portion of the drawdowns on the syndicated loan (see note 18).

(32) Risk Management Policy (Continued)

At 31 December 2017, had interest rates been 10 basis points higher or lower, with the other variables remaining constant, it would not have affected profit for the year, mainly because borrowing costs on variable interest rate debt not covered by the interest rate swap have a floor of 1% and therefore, 1% was the rate paid in 2017 for variable interest pegged to Euribor.

Currency risk

As the Telepizza Group operates internationally, variations in exchange rates for financial or commercial transactions in foreign currencies represent another fundamental financial risk to which the Group is exposed.

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency.
- Intragroup payables in foreign currency.
- Net assets deriving from net investments in foreign operations with functional currencies other than the Euro (risk of fluctuation in the exchange rate on translation of the financial statements of these companies in the consolidation process).

There are no significant Group balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where the Group operates.

During 2016 the Group arranged an exchange rate derivative instrument to hedge part of the currency risk associated with the transactions in Chilean pesos and considers that possible fluctuations in the exchange rates of the Chilean Peso, the Colombian Peso and the Polish Zloty would not have a significant impact on its consolidated equity.

At 31 December 2017, had the Euro strengthened/weakened by 10% against the Chilean Peso, the Colombian Peso and the Polish Zloty, with the other variables remaining constant, consolidated post-tax profit would have been Euros 97 thousand higher (Euros 186 thousand higher in 2016), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under other comprehensive income would have increased by Euros 6,965 thousand (Euros 7,191 thousand in 2016), mainly due to translation differences on foreign operations.

Liquidity risk

The Group's liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Parent to settle market positions in current investments immediately, thereby ensuring that this financial risk is minimised.

The Group's exposure to liquidity risk at 31 December 2017 and 2016 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

	Thousands of Euros					
	Amount at 31/12/2017	Future cash flow maturities	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	196,687	200,000	—	—	200,000	—
Interest	895	16,847	1,250	3,819	11,678	—
Derivatives	126	—	—	—	—	—
Trade and other payables	51,153	51,153	5451,153409	—	—	—
Total	248,861	268,000	52,403	3,819	211,778	—

(32) Risk Management Policy (Continued)

	Thousands of Euros					
	Amount at 31/12/2016	Future cash flow maturities	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	195,611	200,000	—	—	200,000	—
Interest	968	27,154	2,185	3,301	21,668	—
Derivatives	—	—	—	—	—	—
Trade and other payables	50,218	50,218	50,218	—	—	—
Total	246,797	277,372	52,403	3,301	221,668	—

Payables to public entities are not included in suppliers and other payables.

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

Approved investments not recognised as property, plant and equipment under construction at the reporting date are not included.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.
- Cash placements and derivative contracts are with highly solvent entities.
- The average collection period for trade receivables is very short, varying between cash collections at retail outlets and collections at one month from sale in the case of franchises and other customers.
- Customers have adequate credit records, which significantly reduces the likelihood of bad debts.

The Group has recognised impairment losses of Euros 9,220 thousand for credit risks associated with financial assets (Euros 8,232 thousand at 31 December 2016). In 2017 the amount recognised in the consolidated income statement was Euros 580 thousand (Euros 1,094 thousand at 31 December 2016).

TELEPIZZA GROUP, S,A, AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2017

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Gains/losses	Dividend	Total equity
Tele Pizza S,A,[1]	Madrid	100%	16,380	73,871	11,723	(7,500)	94,474
Mixor, S,A,[3]	Madrid	100%	3,215	3,763	22	—	7,000
Circol, S,A,[3]	Madrid	100%	1,085	294	518	—	1,897
Grupo Telepizza Chile[2]	Santiago de Chile	100%	3,065	56,456	1,200	—	59,521
Telepizza Portugal Comercio de Produtos Alimentares, S,A[2]	Lisbon	100%	1,900	23,137	5,009	—	30,046
Telepizza Poland Sp, Z o,o,[1]	Warsaw	100%	9,319	(8,614)	(164)	—	541
Telepizza Maroc, S,A,[3] [4]	Casablanca	100%	59	(765)	—	—	(706)
Telepizza Guatemala S,A[3]	Guatemala	100%	370	1,027	426	(390)	1,433
Luxtor, S,A,[1]	Avila	100%	6,128	1,403	12,303	(11,500)	8,334
Telepizza Ecuador S,A,[3]	Quito	100%	3,112	(1,358)	(738)	—	1,016
Cozicharme Comercio de Produtos Alimentares, LDA[2]	Lisbon	100%	5	—	(2,577)	—	(2,572)
Bazigual, SGPS,LDA[2]	Lisbon	100%	5	1,166	(6)	—	1,165
Inverjenos S,A,S,[1]	Bogotá	100%	1,543	4,666	(1,817)	—	4,392
Telepizza Shanghai S,A,[3]	Shanghai	100%	100	(334)	(15)	—	(249)
Telepizza Andina S,A,C[3]	Lima	100%	10,225	(4,135)	(474)	—	5,616
Procusto Activos, S,L,U[3]	Madrid	100%	3	(2)	—	—	1
Foodco Pastries Maroc[3]	Tangier	100%	27	(95)	(128)	—	(196)
Foodco Pastries Panamá[3]	Panama	100%	8	(30)	(296)	—	(318)
Telepizza Switzerland GmbH[3]	Berne	100%	17	(5)	(999)	—	(987)
Compañía de Negocios de Paraguay, SA[3]	Paraguay	51%	581	4	(152)	—	433
Fortys Pizza SRO[3]	República Checa	80%	8	96	(435)	—	(331)
The Good Food Company LTD[3]	Irlanda	49%	1,256	—	—	—	1,256
Mooncharm Limited[3]	Irlanda	51%	—	—	—	—	—

[1] Audited
[2] The main companies of the subgroup have been audited
[3] Unaudited
[4] Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2017, in conjunction with which it should be read.

Appendix I

TELEPIZZA GROUP, S,A, AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish, In the event of discrepancy, the Spanish-language version prevails,)

	Registered office	Percentage ownership	Capital	Reserves	Gains/losses	Total equity
Tele Pizza S,A,[1]	Madrid	100%	16,380	101,253	(29,154)	88,479
Mixor, S,A,[3]	Madrid	100%	3,215	3,771	(9)	6,977
Circol, S,A,[3]	Madrid	100%	1,085	3,459	435	4,979
Grupo Telepizza Chile[2]	Santiago de Chile	100%	3,065	56,653	4,012	63,730
Telepizza Portugal Comercio de Produtos Alimentares, S,A[2]	Lisboa	100%	1,900	18,997	5,143	26,040
Telepizza Poland Sp, Z o,o,[1]	Varsovia	100%	9,319	(9,858)	(1,438)	(1,976)
Telepizza Maroc, S,A,[3] [4]	Casablanca	100%	59	(803)	—	(744)
Telepizza Guatemala S,A[3]	Guatemala	100%	1	254	508	763
Luxtor, S,A,[1]	Avila	100%	6,128	12,728	10,868	29,724
Telepizza Ecuador S,A,[3]	Quito	100%	2,278	(786)	(482)	1,010
Cozicharme Comercio de Produtos Alimentares, LDA[2]	Lisboa	100%	5	—	(5,516)	(5,511)
Bazigual, SGPS,LDA[2]	Lisboa	100%	5	1,169	(3)	1,171
Inverjenos S,A,S,[1]	Bogotá	100%	1,511	4,191	(2,453)	3,249
Telepizza Shanghai S,A,[3]	Shanghai	100%	100	(217)	6	(111)
Telepizza Andina S,A,C[3]	Lima	100%	9,706	(3,155)	(452)	6,099
Procusto Activos, S,L,U[3]	Madrid	100%	3	(1)	(1)	1
Foodco Pastries Maroc[3]	Tanger	100%	28	(2)	(101)	(75)
Foodco Pastries Panamá[3]	Panamá	100%	9	—	(55)	(46)
Telepizza Switzerland GmbH[3]	Berna	100%	19	—	—	19

[1] *Audited*

[2] *The main companies of the subgroup have been audited*

[3] *Unaudited*

[4] *Dormant companies*

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2017, in conjunction with which it should be read.

Telepizza Group, S.A. and it Subsidiaries

Consolidated Annual Accounts 31 December 2016

(With Independent Auditor's Report Thereon)

31 December 2016

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Independent Auditor's Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of
Telepizza Group, S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Telepizza Group, S.A. (formerly named Foodco Pastries Spain, S.A.U.) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Telepizza Group, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Opinion

In our opinion, the accompanying consolidated annual accounts for 2016 present fairly, in all material respects, the consolidated equity and consolidated financial position of Telepizza Group, S.A. and subsidiaries at 31 December 2016 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2016 contains such explanations as the Directors of Telepizza Group, S.A. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2016. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Telepizza Group, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García

27 February 2017

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2016 and 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	2016	2015
Property, plant and equipment (note 8)	46,042	40,158
Goodwill (note 9)	387,322	382,694
Other intangible assets (note 9)	330,223	333,982
Deferred tax assets (note 14)	32,165	11,859
Non-current financial assets (note 10)	30,627	23,711
Total non-current assets	826,379	792,404
Inventories (note 11)	11,623	11,392
Trade and other receivables (note 12)	38,445	34,430
Other current financial assets	1,789	4,516
Other current assets	3,808	3,672
Cash and cash equivalents (note 13)	63,972	39,946
Subtotal current assets	119,637	93,956
Non-current assets held for sale (note 6)	305	130
Total current assets	119,942	94,086
Total assets	946,321	886,490

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
31 December 2016 and 2015

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	2016	2015
Share capital (note 15)	25,180	18,000
Share premium	533,695	321,388
Retained earnings	51,294	23,054
Translation differences	(3,110)	(8,100)
Equity attributable to equity holders of the Parent and total equity (note 15)	607,059	354,342
Loans and borrowings (note 18 (a))	195,611	286,176
Financial liabilities at fair value (note 17)	—	215
Other financial liabilities (note 29)	—	96,489
Deferred tax liabilities (note 14)	82,866	84,747
Provisions	87	87
Other non-current liabilities	6,460	5,274
Total non-current liabilities	285,024	472,988
Loans and borrowings (note 18 (b))	968	4,985
Other financial liabilities (note 29)	—	2,182
Trade and other payables (note 22)	50,218	47,515
Current tax liabilities (note 27)	—	1,181
Provisions	248	83
Other current liabilities	2,719	3,129
Subtotal current liabilities	54,153	59,075
Liabilities directly associated with non-current assets held for sale (note 6)	85	85
Total current liabilities	54,238	59,160
Total equity and liabilities	946,321	886,490

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Income Statements for the years ended 31 December 2016 and 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2016	2015
Revenues (note 23)	339,587	328,899
Merchandise and raw materials used (note 11)	(88,634)	(91,269)
Personnel expenses (note 24)	(118,637)	(91,085)
Amortisation and depreciation (notes 8 and 9)	(17,369)	(16,609)
Other expenses (note 25)	(100,697)	(88,817)
Operating profit	14,250	41,119
Finance income	3,663	1,532
Finance costs	(25,451)	(36,938)
Other losses (note 26)	(701)	(4,035)
Profit/(loss) before tax from continuing operations	(8,239)	1,678
Income tax income/(expense) (note 27)	18,975	(2,788)
Profit/(loss) for the year from continuing operations	10,736	(1,110)
Post-tax loss on discontinued operations	(45)	(39)
Profit/(loss) for the year	10,691	(1,149)
Profit/(loss) for the year attributable to equity holders of the Parent		
Continuing operations	10,736	(1,110)
Discontinued operations	(45)	(39)
	10,691	(1,149)
Basic and diluted earnings/(loss) per share (Euros)		
Profit/(loss) on continuing operations	0.1172	(3.08)
Loss on discontinued operations	(0.0005)	(0.11)
Profit/(loss) for the year	0.1167	(3.19)

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the years ended 31 December 2016 and 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2016	2015
Profit/(loss) for the year	10,691	(1,149)
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	4,990	(3,681)
Total comprehensive income for the year	15,681	(4,830)
Comprehensive profit/(loss) attributable to equity holders of the Parent	15,681	(4,830)

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years ended 31 December 2016 and 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Share capital	Share premium	Prior years' profit and loss	Translation differences	Total equity
Balances at 31/12/2014	18,000	321,388	24,951	(4,419)	359,920
Other movements	—	—	(748)	—	(748)
Loss for the year	—	—	(1,149)	(3,681)	(4,830)
Balances at 31/12/2015	18,000	321,388	23,054	(8,100)	354,342
Share capital increase of 25 April 2017 (notes 1 and 15(a))	3,824	114,707	—	—	118,531
Share capital increase of 27 April 2017 (note 15(a))	3,356	100,698	—	—	104,054
Capital increase costs	—	(3,098)	—	—	(3,098)
Shareholder contributions (incentive plan) (note 24)	—	—	18,766	—	18,766
Other differences	—	—	(1,217)	—	(1,217)
Profit for the year	—	—	10,691	4,990	15,681
Balances at 31/12/2016	25,180	533,695	51,294	(3,110)	607,059

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the years ended 31 December 2016 and 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2016	2015
Cash flows from operating activities		
Profit for the year before tax	(8,239)	1,678
Adjustments for:		
Amortisation and depreciation (notes 8 and 9)	17,369	16,609
(Reversal of) impairment losses (note 26)	53	914
Finance income	(3,663)	(1,532)
Finance costs	25,451	38,917
Losses on disposal of property, plant and equipment and other losses (note 26)	648	3,121
Deferred capital grants	—	(471)
Change in fair value of financial assets	(215)	(1,979)
Expenses for share-based payments	18,766	—
	50,170	57,257
Change in working capital		
(Increase)/decrease in inventories	(231)	(1,536)
(Increase)/decrease in trade and other receivables	(5,106)	9,487
(Increase)/decrease in financial assets	2,727	(4,250)
(Increase)/decrease in other current assets	(136)	(291)
Increase/(decrease) in trade and other payables	2,703	577
Increase/(decrease) in provisions	165	(1,523)
Increase/(decrease) in other non-current liabilities	1,186	345
Increase/(decrease) in other current liabilities	(410)	(449)
	898	2,360
Cash generated from operations		
Income tax paid	(2,314)	(5,042)
Net cash from operating activities	48,754	54,575
Cash flows from investing activities		
Increase/(decrease) in other non-current financial assets	(6,916)	(2,681)
Proceeds from sale of property, plant and equipment and intangible assets	3,685	3,527
Acquisition of property, plant and equipment (note 8)	(17,391)	(19,058)
Acquisition of intangible assets (note 9)	(3,794)	(2,100)
Acquisition of subsidiaries, net of cash and cash equivalents (note 7)	(5,800)	(9,734)
Net cash from/(used in) investing activities	(30,216)	(30,046)
Cash flows from financing activities		
Proceeds from capital issue	114,401	—
Proceeds from financial debt issue	194,977	
Payments to settle financial debt	(288,240)	
Interest received	3,663	1,532
Interest paid	(21,387)	(28,077)
Net cash from (used in) financing activities	3,414	(26,545)
Net cash from (used in) discontinued operations		(85)
Net increase/(decrease) in cash and cash equivalents	21,952	(2,101)
Cash and cash equivalents	61,626	42,804
Effect of exchange differences	2,074	(2,858)
Cash and cash equivalents at 31 December	63,972	39,946

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2016

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

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

The statutory activity of the Company consists of carrying out economic studies, promoting sales of all types of products on behalf of the Company or third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacturing, distributing and commercialising products for human consumption and leasing machinery and equipment. The aforementioned statutory activities can be entirely or partially carried out, directly or indirectly, through the holding of shares or interests in companies that perform these activities either in Spain or abroad. The Company shall not carry out any activities that are subject to specific legal conditions or requirements without complying in full therewith.

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

The principal activity of its subsidiaries consists of the management and operation of retail outlets under the brand names of "telepizza", "Pizza World" and "Jeno's pizza", which sell food for consumption at home and on the premises. At 31 December 2016, this activity is carried out through 454 own premises and 935 franchises located mainly in Spain, Portugal, Poland, Chile, Colombia, Peru and Ecuador. The Group also carries out its activity through master franchises located in Guatemala, El Salvador, Russia, Angola, Bolivia, Panama and Abu Dhabi.

The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Tele Pizza, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. In addition, the Group owns another six factories in other countries in which it carries out its activity and which also serve as logistics centres. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

The franchise activity consists mainly of advising on the management of third-parties' outlets that operate under the telepizza, Pizza World and Jenos Pizza brand names. The Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group centralises the promotional and advertising activities for all the outlets operating under the aforementioned brand names and receives a percentage of its franchisees' sales as advertising revenues. In addition, the Group subleases some of the premises in which its franchisees carry out their activity and provides personnel management services, such as preparing the payroll for some its franchisees.

The master franchise activity includes the operations carried out in those countries in which the Group does not operate directly because it has signed a contract licensing the brand to a local operator. Master franchise contracts entitle the master franchisee to operate the telepizza brand in a specific market, enabling them to open their own outlets or to establish outlets under franchise agreements.

The subsidiaries and sub-groups composing the Telepizza Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2016, are included in Appendix I attached hereto, which forms an integral part of this note. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

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

Initial public offering

Telepizza Group shares have been listed on the stock exchanges of Madrid, Barcelona and Bilbao since 27 April 2016. These shares are freely transferable. The aforementioned initial public offering was carried out as follows:

a) A capital increase on 25 April 2016 of Euros 118,531 thousand through the issue of 15,294,318 ordinary shares of Euros 0.25 par value each and a share premium of Euros 7.5 each. The new shares issued were sold via a public subscription offer (see note 15) at a price of Euros 7.75 per share.

b) A public offering of 55,673,423 shares, representing 55% of the capital, sold at Euros 7.75 each, raising a total amount of Euros 431,469 thousand.

The prospectus relating to the subscription, sale and admission to trading of the aforementioned shares was approved by the Spanish National Securities Market Commission on 15 April 2016. The capital increase was approved on 25 April 2016 by the then sole shareholder and entered on the Mercantile Register on 26 April 2016.

The Company closed the share subscription period on 25 April 2016. On 26 April 2016 the public deed was executed, the capital increase closed and the shares were allocated at the offering price of Euros 7.75 per share, with the new shares admitted to trading on 27 April 2016.

Merrill Lynch International and UBS Limited were appointed as the global coordinators of the aforementioned process. The total expense for these issues amounted to Euros 9,669 thousand, of which Euros 4,130 thousand (excluding the tax effect) was allocated to the public subscription offer and, therefore, recognised directly in consolidated equity (see note 15 (b)). The remaining Euros 5,539 thousand was allocated to the public offering and, therefore, recognised in other expenses in the consolidated income statement (see note 25).

Lastly, within the framework of the initial public offering, the Group restructured its financial debt, settling the subordinated loan and the former syndicated loan and arranged a new syndicated loan (see notes 18 and 29).

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Telepizza Group, S.A. and of the consolidated companies. The consolidated annual accounts for 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to present fairly the consolidated equity and consolidated financial position of Telepizza Group, S.A. and subsidiaries at 31 December 2016 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1, “First-time adoption of International Financial Reporting Standards”.

The directors of the Parent consider that the consolidated annual accounts for 2016, prepared on 22 February 2017, will be approved by the shareholders without significant changes.

(a) Basis of preparation of the annual accounts

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

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

(2) Basis of Presentation (Continued)

(b) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, are as follows;

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets. Some of these assumptions changed at the start of 2009 and the Group has therefore re-estimated the useful lives of certain intangible assets, with the aid of a report drawn up by independent experts (see note 4 (e)).
- The Group tests goodwill and the brand "telepizza" for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (see note 9).
- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa (see note 12).
- The Group capitalises tax credits when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see note 27). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the board of directors, considering past experience and represent the best estimate of future market performance.
- The Group has made a number of judgements and estimates relating to the valuation of the capital increase entailing a debt-for-equity swap carried out in 2016 (see notes 15 and 29). These judgements primarily consisted of determining the fair values of the equity instruments issued and the financial liabilities cancelled.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2016, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(2) Basis of Presentation (Continued)

(c) Consolidated group

During 2016 Telepizza Switzerland Gmbh, Foodco Maroc and Foodco Panamá were incorporated. Also in 2016 Lubasto Holding was liquidated.

In 2015 all the shares of Burmasa Delivery, S.L. were acquired.

(d) Standards and interpretations issued but not applied

Standards and interpretations effective since 2016

The Group's accounting policies have not been modified as a result of any amendments to standards and interpretations or new standards introduced since 1 January 2016 as these changes deal with types of transactions not carried out by the Group.

Standards and interpretations issued but not applied

At the date of authorisation for issue of these consolidated annual accounts, the following IFRS have come into force and been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2017 and subsequent years (depending on the effective date of each standard):

- IFRS 9 Financial instruments. Effective for annual periods beginning on or after 1 January 2018. At present the Group plans to apply this standard for the first time on 1 January 2018.

  The actual impact of applying IFRS 9 to the Group's consolidated financial statements in 2018 is not known and it cannot be reliably estimated because it will depend on the financial instruments held by the Group and the financial terms at that time, as well as the accounting decisions and value judgements that it adopts in the future.

- IFRS 15 Revenue from Contracts with Customers. Effective for periods beginning on or after 1 January 2018. IFRS 15 establishes a comprehensive framework for determining and recognising revenue. It replaces the existing guidelines on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  At present revenues from the sale of products are recognised when the goods are delivered to customers in establishments or at home, at which time the customer accepts the goods and all the risks and rewards are transferred. Revenues are recognised at this point of time provided that they and the costs can be measured reliably, it is probable that the consideration will be received (or has already been received in the case of cash transactions) and management has no ongoing involvement with the goods.

  In accordance with IFRS 15 revenues are recognised when the customer obtains control of the goods, which also occurs when they are delivered to the customers in the commercial establishments.

  No liability is recognised for the loyalty programmes managed by the Group because the discounts are granted and applied at the time of the transaction and are recognised as a reduction in revenues. IFRS 15 is not expected to have any impact.

  The Group plans to adopt IFRS 15 for its consolidated financial statements for the year ended 31 December 2018, using a prospective approach.

  The conclusion obtained from the Group's initial assessment of the potential impact of applying IFRS 15 to its consolidated financial statements is that it will be very limited.

(2) Basis of Presentation (Continued)

The following are standards or interpretations that have not yet been adopted by the European Union that will be obligatory in coming years and are expected to have a greater impact for the Group:

- IFRS 16 Leases. Effective for periods beginning on or after 1 January 2019. IFRS 16 introduces a single accounting model for the recognition of leases in the balance sheet by lessees. The lessee recognises 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 continue to classify leases as finance leases or operating leases.

  The standard is effective for annual periods beginning on or after 1 January 2019, although early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers, on or before the date of first application of IFRS 16.

  The Group has started an initial assessment of the possible impact on its consolidated financial statements. To date, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases for factories and commercial premises. Furthermore, the nature of these lease expenses will now change, as IFRS 16 replaces the straight-line expensing of operating leases with an amortisation charge for the right-of-use assets and an expense for interest on the lease liabilities.

  As the lessee, the Group can apply the standard with a retrospective approach or a modified retrospective approach with optional practical expedients.

  The lessee shall apply the chosen option consistently to all leases. At the present date, the Group plans to apply IFRS 16 for the first time on 1 January 2019. It has not yet decided which transition approach it will use.

  As the lessor, the Group is not obliged to make any adjustments to leases in which it is the lessor, except when it is an intermediary lessor in a sublease.

  The Group has not yet quantified the impact of adopting IFRS 16 on the assets and liabilities recognised. The quantitative impact will depend, inter alia, on the transition method selected, the degree to which the Group uses the practical expedients and the recognition exemptions, as well as all the additional leases entered into by the Group. The Group considers that the analysis to be made of the lease term and the discount rate to be used are especially relevant in the application and quantification of this standard. The Group expects to disclose its transition approach and quantitative information before adoption, and in any case expects that applying this standard will have a significant impact on the Group's financial statements.

(e) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2016 include comparative figures for 2015, which were approved by the sole shareholder on 25 June.

(f) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent, rounded off to the nearest thousand.

(3) Application of the Parent's loss

The Parent's board of directors proposes that the loss of Euros 9,759,708 incurred by the Telepizza Group, S.A. for the year ended 31 December 2016 be carried forward as accumulated losses. This proposal is pending approval by the shareholders at their general meeting.

The application of the Euros 12,046,749 loss for 2015, approved by the former sole shareholder on 15 April 2016, consisted of carrying the entire amount forward as prior years' losses.

(4) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly, through subsidiaries. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which Group control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Transactions and balances with Group companies and significant unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Information on the subsidiaries included in the consolidated Group is presented in Appendix I to note 1.

(b) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

(4) Accounting Principles (Continued)

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the consideration given, plus the value assigned to any non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

The initial measurement is only adjusted when correcting errors.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

(c) Foreign currency transactions and balances

(i) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was recognised.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents held.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Monetary financial assets denominated in foreign currencies classified as available for sale are measured at amortised cost in the foreign currency. Consequently, the exchange differences associated with changes in amortised cost are recognised in profit or loss.

Unrealised foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the currency risk component of non-monetary financial assets denominated in foreign currencies, classified as available-for-sale and as hedged items in fair value hedges of the component, are recognised in profit or loss.

(ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.

(4) Accounting Principles (Continued)

- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying exchange rates that approximate those prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Non-current investments in properties contracted from third parties under operating leases are measured based on the same criteria used for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The term of the lease contract is determined consistently with the classification thereof.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	33
Technical installations and machinery	3-15
Other installations, equipment and furniture	10
Information technology equipment	4
Other	4-6

The depreciable amount is the cost of an asset.

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable.

The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(4) Accounting Principles (Continued)

(e) Intangible assets

(i) Goodwill

Goodwill on business combinations reflects the excess of the cost of the business combination (see note 4 (b)) over the acquisition-date fair value of the assets acquired, liabilities and contingent liabilities assumed from the acquired business. Gains and losses on the sale of an entity include the carrying amount of goodwill from the sold entity.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Telepizza Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in business combinations is their acquisition-date fair value, provided that this can be measured reliably. Subsequent costs relating to research and development projects are recognised in accordance with the criteria for internally generated intangible assets.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

- *Concessions, patents and licences*

  Concessions, patents and licences are measured at their cost of acquisition.

- *Computer software*

  Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

  Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Due to its market leadership and potential as an umbrella brand for new sales concepts through the extension of its range of products, the Telepizza brand has an indefinite useful life, which is in line with sector practice for brands with similar characteristics.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

(4) Accounting Principles (Continued)

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a straight-line basis over the following useful lives:

Patents and licences	4
Contractual rights	31
Computer software	4
Other intangible assets	4-10
Administrative concessions	Operating term

The depreciable amount of intangible assets is measured as the cost of the asset.

Contractual rights arising from the franchise agreements and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) of this note.

(f) Non-current assets held for sale and discontinued operations

(i) *Non-current assets held for sale*

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

The Group classifies subsidiaries that comply with the above conditions and over which the Group will lose control, irrespective of whether it continues to exercise significant influence or joint control, as a disposal group held for sale or distribution, or as a discontinued operation.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

Gains due to increases in the fair value less costs of disposal are recognised in the income statement to the extent of the cumulative impairment previously recognised due to measurement at fair value less costs of disposal or to impairment of non-current assets.

A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held for sale if the transaction is expected to be realised within 12 months after the reporting date and the sale is considered highly probable within a short period subsequent to acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

(4) Accounting Principles (Continued)

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations or other comprehensive income.

The consolidated annual accounts for periods prior to the classification of a subsidiary, associate or joint venture as a disposal group or non-current asset held for sale are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement. The consolidated income statement for the prior year has been restated to facilitate comparison with the accompanying consolidated annual accounts (see note 6).

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

The consolidated annual accounts for periods prior to the classification of a subsidiary, associate or joint venture as a discontinued operation are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and the brand, which has an indefinite useful life, for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset’s value in use is measured based on the future cash flows the Group expects to derive from use

(4) Accounting Principles (Continued)

of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

If there is an indication of impairment of a CGU to which goodwill has been unable to be allocated, the Group tests the CGU for impairment first, excluding any goodwill and recognises, where applicable, any impairment loss at CGU level. The Group then tests the group of CGUs to which goodwill has been allocated for impairment and recognises, where applicable, any impairment loss at CGU group level.

In testing a CGU for impairment, the Group identifies all the corporate assets that relate to the CGU. If a portion of the corporate assets can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the corporate asset, with its recoverable amount and, where applicable, recognises any impairment loss at CGU level. If the Group cannot allocate a portion of the corporate assets on a reasonable and consistent basis to the CGU, it compares the carrying amount of the unit, excluding the corporate asset, with its recoverable amount and recognises, where applicable, any impairment loss at CGU level. The Group identifies the smallest group of CGUs to which the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis and compares the carrying amount of the group of CGUs, including the corporate assets, with the recoverable amount and recognises, where applicable, the impairment loss at CGU group level.

For the purpose of verifying the impairment of intangible assets with indefinite useful lives, primarily comprising the “telepizza” brand, this is considered a global asset and the impairment analysis is therefore carried out by comparing the carrying amount of all the Group’s assets with their recoverable amount.

Impairment losses for CGUs are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

(4) Accounting Principles (Continued)

(h) Leases

(i) *Classification of leases*

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases.

(ii) *Lessor accounting*

The Group, as lessor, subleases the right to use certain storage facilities and commercial premises to third parties through operating leases.

Assets leased to third parties under operating lease contracts are classified according to their nature, applying the accounting policies set out in note 4 (d).

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be received.

(ii) *Lessee accounting records*

The Group, as lessee, holds the rights to use certain assets under lease contracts.

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method. Contingent rents are recognised as an expense when it is probable that they will be incurred.

  The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in note 4 (d). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

  The Group recognises initial direct costs incurred on operating leases as an expense when incurred.

  Contingent rents are recognised as an expense when it is probable that they will be incurred.

(4) Accounting Principles (Continued)

(i) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading, loans and receivables and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading or which have been designated on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal.

The Group does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the consolidated statement of financial position, except when there is a change in the classification of hedging financial instruments.

(iv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(4) Accounting Principles (Continued)

(v) *Impairment*

In the case of assets carried at amortised cost, the amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less costs of foreclosing and sale, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

The Group recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed up to the amortised cost the assets would have had had the impairment loss not been recognised. The impairment loss is reversed against the allowance account.

(vi) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

(vii) Derecognition of financial assets

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in other comprehensive income, is recognised in profit or loss.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised as a liability. Transaction costs are recognised in profit or loss using the effective interest method.

(viii)Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(4) Accounting Principles (Continued)

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

Payables to financial institutions as a result of the sale of trade liabilities are recognised as trade payables advanced by banks under trade and other payables in the consolidated statement of financial position.

Nonetheless, when a creditor assumes primary responsibility towards the financial institutions, these debts are reclassified to financial liabilities in the consolidated statement of financial position.

The consideration given by the financial institutions in exchange for the right to finance the customers of the Group is recorded in other income in the consolidated income statement (consolidated statement of comprehensive income) when accrued.

The issue of equity instruments by the Group to settle a financial liability is part of the consideration paid to settle the financial liability. Consequently, the equity instruments issued to fully or partially settle a financial liability are measured at fair value, unless the fair value of the settled liability can be measured more reliably. If the Group settles only a part of the financial liability, a portion of the fair value of the equity instruments issued is allocated to determine whether the remaining part of the financial liability has changed. The difference between the fair value of the equity instruments issued to settle the financial liability or, where appropriate, the fair value of the liability and the carrying amount is recognised in gains/losses on settlement of financial liabilities through the issue of equity instruments in the consolidated income statement.

(j) Inventories

Inventories mainly comprise food products, packaging, promotional material and smaller quantities of other materials, and are recognised at the lower of acquisition or production cost and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition.

(4) Accounting Principles (Continued)

Trade discounts are recognised as a reduction in cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised in the consolidated income statement as a decrease in the purchase.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

The production cost of inventories comprises the purchase price of raw materials and consumables, costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials and other supplies: weighted average cost.
- Finished goods and work in progress: the weighted average cost of raw materials and other supplies, including the costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.
- Goods for resale: weighted average acquisition cost.

The cost of inventories is written down against profit and loss when it exceeds net realisable value. Net realisable value is considered as the following:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished goods: estimated selling price less costs to sell.
- Work in progress: the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and the revised net realisable value of the inventories.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest received and paid as financing activities.

(l) Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction

(4) Accounting Principles (Continued)

costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Government grants may comprise the following:

- Capital grants: Capital grants awarded as monetary assets are recognised under government grants in the consolidated statement of financial position and allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received. Government grants in the form of transfers of a non-monetary asset are recognised at fair value under government grants in the consolidated statement of financial position and are allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received.
- Operating grants: are recognised as a reduction in the expenses that they are used to finance.

(n) Employee benefits

(i) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee’s decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group’s ability to withdraw the offer takes effect.

In the case of involuntary termination benefits, the Group can no longer withdraw the offer when it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the liability is discounted by reference to market yields on high quality corporate bonds.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.

Short-term employee benefits are reclassified to long term if the characteristics of the benefit change or if there is a non-temporary change in expectations of the timing of settlement.

(4) Accounting Principles (Continued)

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised.

(p) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax and any other taxes. Sales discounts are recognised as a reduction in revenues

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Sales of goods to customers in cash or sales to franchises and revenue from services rendered are recognised when the Group sells the product or renders the service.

Revenues from royalties and advertising are recognised when the service is rendered and are calculated as a percentage of the sales of the franchise.

Revenues from the initial franchise fee/ transfer fees largely reflect the right of the franchisee to open an outlet and are recognised upon signing the contract.

Revenues from leases to franchisees and revenues for personnel management are also recognised when the service is rendered.

The Group does not have significant volumes of product returns.

(q) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

(4) Accounting Principles (Continued)

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Since 1 January 2007 the Company has been the parent of a tax group, as defined by the consolidated tax regime, which comprised Tele Pizza, S.A., Circol, S.A., Mixor, S.A. and Luxtor, S.A. at 31 December 2016.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income.
- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(4) Accounting Principles (Continued)

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(4) Accounting Principles (Continued)

(t) Share-based payment transactions

The Group recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. It recognises an increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability with a balancing entry in profit or loss or assets if the goods or services were acquired in a cash-settled share-based payment transaction.

Equity instruments granted as consideration for services rendered by Group employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments offered.

- *Equity-settled share-based payment transactions*

  Equity-settled payment transactions are recognised as follows:

  - If the equity instruments granted vest immediately on the grant date, the services received are recognised in full, with a corresponding increase in equity;
  - If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a charge to profit and loss and the corresponding increase in equity.

  The Group determines the fair value of the instruments granted to employees at the grant date.

  Market conditions and other non-vesting conditions are taken into account when measuring the fair value of the instrument. The remaining vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Group recognises the amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate according to the equity instruments expected to vest.

  Once the services received and the corresponding increase in equity have been recognised, no additional adjustments are made to equity after the vesting date, although any necessary reclassifications in equity may be made.

  In accordance with prevailing tax legislation in Spain, costs settled through the delivery of equity instruments are deductible in the tax period in which delivery takes place, in which case a temporary difference arises as a result of the time difference between the accounting recognition of the expense and its tax-deductibility.

(u) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group’s activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

(5) Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units operate under different market conditions and are managed separately because they require different strategies.

At 31 December 2016 and 2015, the Group comprises the following operating segments:

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

Segment performance is measured based on the profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

The impact of the expenses recognised in the consolidated income statement as a result of the public offering and the management incentive plans totals Euros 32,027 thousand, which has been included in the Spain segment.

Inter-segment transaction prices are established based on the normal commercial terms and conditions with unrelated third parties.

	2016					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Operating income						
Own outlet sales	110,536	34,549	50,876	—	—	195,961
Factory sales to franchisees	74,810	14,091	8,871	247	—	98,019
Royalties	18,716	2,957	2,189	850	—	24,712
Other income	12,436	1,650	5,332	1,477	—	20,895
To other segments	12,278	—	—	—	(12,278)	—
Total operating income	228,777	53,247	67,268	2,574	(12,278)	339,587
Gross margin	162,594	35,879	50,109	2,371	—	250,953
Amortisation and depreciation	11,886	1,431	4,052	—	—	17,369
Segment operating profit/(loss)	(1,552)	7,155	6,277	2,370	—	14,250
Net finance income/(cost)	(20,479)	(357)	(952)	—	—	(21,788)
Other gains	22	10	206	—	—	238
Other losses	(394)	(174)	(371)	—	—	(939)
Income tax	21,264	(1,406)	(846)	(37)	—	18,975
Profit/(loss) from continuing operations	(109)	4,196	4,316	2,333	—	10,736
Loss after tax from discontinued operations	(45)	—	—	—	—	(45)
Loss attributable to the Parent	(109)	4,196	4,316	2,333	—	10,736

(5) Segment Reporting (Continued)

	2016					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Segment assets	790,473	45,955	109,588	—	—	946,016
Assets from discontinued operations or held for sale	305	—	—	—	—	305
Group assets	790,778	45,955	109,588	—	—	946,321
Segment liabilities	43,751	8,047	8,691	—	—	60,489
Liabilities from discontinued operations or held for sale	86	—	—	—	—	85
Unassigned liabilities	—	—	—	—	—	885,747
Group liabilities	43,836	8,047	8,691	—	—	946,321
Investments in property, plant and equipment and intangible assets	13,668	4,248	9,069	—	—	26,985

	2015					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Operating income						
Own outlet sales	116,361	32,577	51,174	—	—	200,112
Factory sales to franchisees	69,157	13,042	7,694	667	—	90,560
Royalties	15,879	1,713	1,815	892	—	20,299
Other income	10,076	2,035	5,192	625	—	17,928
To other segments	9,474	—	—	—	(9,474)	—
Total operating income	220,946	49,367	65,875	2,184	(9,474)	328,899
Gross margin	154,083	33,780	48,079	1,689	—	237,631
Amortisation and depreciation	(11,064)	(1,425)	(4,120)	—	—	(16,609)
Segment operating profit/(loss)	27,028	7,065	5,341	1,685	—	41,119
Net finance income/(cost)	(33,729)	(211)	(1,466)	—	—	(35,406)
Other gains	9	57	1	—	—	67
Other losses	(3,412)	(424)	(266)	—	—	(4,102)
Income tax	(1,941)	491	(1,293)	(45)	—	(2,788)
Profit/(loss) from continuing operations	(12,045)	6,978	2,317	1,640	—	(1,110)
Loss after tax from discontinued operations	(39)	—	—	—	—	(39)
Loss attributable to the Parent	(12,084)	6,978	2,317	1,640	—	(1,149)
Segment assets	754,458	39,944	91,958	—	—	886,360
Assets from discontinued operations or held for sale	130	—	—	—	—	130
Group assets	754,588	39,944	91,958	—	—	886,490

(5) Segment Reporting (Continued)

	2015					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of world	Eliminations	Total
Segment liabilities	44,784	6,678	5,662	—	—	57,124
Liabilities from discontinued operations or held for sale	85	—	—	—	—	85
Unassigned liabilities	—	—	—	—	—	829,281
Group liabilities	44,869	6,678	5,662	—	—	886,490
Investments in property, plant and equipment and intangible assets	18,455	2,524	9,209	—	—	30,188

(6) Non-current Assets Held for Sale and Discontinued Operations

The Company has classified two outlets in Spain and its subsidiary in Morocco, which is currently in liquidation, under non-current assets held for sale and their operations are included in discontinued operations in the consolidated income statement.

(7) Business Combinations

In 2016, the Group acquired various outlets that were in operation, mainly from franchisees in Spain, Chile and Peru, the master franchisee business in Panama and a franchise business in Switzerland. These outlets were acquired as part of the Group's global strategy, which involves operating outlets as own stores in various geographic regions rather than as franchises and also due to entry in new geographic markets.

On 30 December 2015, through Tele Pizza, S.A., the Group acquired a 100% interest in Burmasa Delivery, S.L., the franchisee of three stores in Burgos. During 2015 the Group acquired several outlets, mainly in Spain.

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

	Thousands of Euros	
	2016	2015
Cost of the combination, cash paid	5,800	9,734
Less, fair value of net assets acquired	(624)	(1,636)
Goodwill (note 9)	5,176	8,098

The goodwill generated on the business combinations in both years is due to the outlets acquired having a good market position.

Net assets acquired during 2016 total Euros 624 thousand and consist entirely of the property, plant and equipment of the stores acquired from franchisees.

(7) Business Combinations (Continued)

The amounts recognised in 2015 by significant class at the date of acquisition of the assets and liabilities are as follows:

	Thousands of Euros
	Fair value
Intangible assets	940
Property, plant and equipment	1,584
Other non-current assets	20
Inventories	33
Trade and other receivables	105
Cash and cash equivalents	188
Total assets	2,870
Trade and other payables	(1,046)
Total net assets acquired	1,824
Cash paid	9,922
Cash and cash equivalents of the acquiree	(188)
Cash outflow for the acquisition	9,734

The business combination of the purchase of the franchise business in Switzerland has been determined provisionally because it took place at the end of 2016 and insufficient information is available. Consequently, the identifiable net assets have been recognised initially at their provisional values. The other business combinations during the year are definitive and the fair value of the net assets acquired does not differ from their carrying amount. No transaction costs were incurred in the aforementioned business combinations.

The businesses acquired during 2016 have generated consolidated revenues and consolidated profit for the Group for the period from the acquisition date to the reporting date of Euros 3,142 thousand and Euros 124 thousand (profit), respectively. The businesses acquired in 2015 generated consolidated revenues and consolidated profit for the Group for the period from the acquisition date to the 2015 reporting date of Euros 3,533 thousand and Euros 259 thousand, respectively.

Had the acquisition taken place on 1 January 2016, Group revenues and consolidated loss for the year ended 31 December 2015 would have amounted to Euros 345.540 thousand and Euros 10.789 thousand (profit), respectively.

(8) Property, Plant and Equipment

Details of and movement in property, plant and equipment are as follows:

	Thousands of Euros					
Data	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment under construction	Other property, plant and equipment	Total
Cost						
Balance at 31.12.2014	8,848	107,671	13,204	223	15,016	144,962
Additions	32	13,811	1,679	1,259	2,277	19,058
Disposals	(1,115)	(16,346)	(2,956)	—	(2,106)	(22,523)
Other transfers	5	977	170	(1,091)	(61)	—
Exchange losses	(158)	(1,264)	(361)	—	(84)	(1,867)
Balance at 31.12.2015	7,612	104,849	11,736	391	15,042	139,630
Additions	9	13,447	1,221	3,125	213	18,015
Disposals	(661)	(15,584)	(1,123)	—	(1,900)	(19,268)
Other transfers	5	631	210	(864)	18	—
Exchange losses	261	1,295	174	(6)	283	2,019
Balance at 31.12.2016	7,226	104,638	12,218	2658	13,656	140,396
Depreciation or impairment						
Depreciation at 31.12.2014	(4,613)	(76,763)	(9,224)	—	(11,285)	(101,885)
Impairment at 31.12.2014	(350)	(6,811)	(14)	—	—	(7,175)
Depreciation for the year	(390)	(6,046)	(1,303)	—	(1,300)	(9,039)
Disposals	511	12,768	1,460	—	1,618	16,357
Exchange gains	116	724	191	—	103	1,134
Impairment	349	786	—	—	—	1,135
Depreciation at 31.12.2015	(4,376)	(69,317)	(8,876)	—	(10,864)	(93,433)
Impairment at 31.12.2015	—	(6,027)	(12)	—	—	(6,039)
Depreciation for the year	(664)	(7,090)	(651)	—	(1,310)	(9,715)
Disposals	574	11,971	794	—	1,594	14,933
Exchange losses	(172)	(600)	(134)	—	(189)	(1,095)
Impairment	(68)	1,063	—	—	—	995
Depreciation at 31.12.2016	(4,638)	(65,036)	(8,867)	—	(10,769)	(89,310)
Impairment at 31.12.2016	(68)	(4,964)	(12)	—	—	(5,044)
Carrying amount						
At 31.12.2014	3,885	24,097	3,966	223	3,731	35,902
At 31.12.2015	3,236	29,505	2,848	391	4,178	40,158
At 31.12.2016	2,520	34,638	3,339	2,658	2,887	46,042

During 2016 and 2015 significant additions were made to installations and machinery, mainly due to the investments related to new outlets opened and the purchase of franchised outlets. Additions have also been made to furniture and motorcycles. Similarly, in 2015, significant investments were made in lighting, energy efficiency measures and air conditioning.

(8) Property, Plant and Equipment (Continued)

Other property, plant and equipment mainly include the acquisition of motorcycles and IT equipment for outlets.

Disposals in 2016 and 2015 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 31 December 2016 and 2015 the Group had no commitments to acquire items of property, plant and equipment. Assets totalling Euros 831 thousand and Euros 1,040 thousand have been pledged as security, respectively. The Group does not have any significant unused property, plant and equipment.

During 2016 the Group recognised income from the reversal of impairment totalling Euros 995 thousand (an impairment loss of Euros 536 thousand in 2015). It has also recognised impairment losses of Euros 648 thousand on sales of outlets to franchisees (Euros 1,697 thousand in 2015). The impairment losses recognised and reversed are basically due to the impairment of assets used in operations in the Group's outlets. Impairment losses have been determined based on value in use. Value in use is calculated based on future cash flows, projected up to the expiry date of the lease contract for each outlet. The main assumptions employed to project cash flows are detailed in note 9. The impaired assets comprise installations, machinery and store furniture.

The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

Details of the cost of fully depreciated property, plant and equipment at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Technical installations and machinery	39,170	44,422
Other	12,816	14,082
	51,986	58,504

At 31 December 2015 property, plant and equipment includes the following amounts for items leased by the Group under finance leases:

	Thousands of Euros	
	2016	2015
Cost of items held under finance leases	—	2,535
Accumulated depreciation and impairment losses	—	(846)
Carrying amount	—	1,689

All of the finance leases were cancelled in 2016 and the Group has acquired all the property, plant and equipment leased under these agreements.

Details of the main terms of finance leases in force at 31 December 2015 are as follows:

			Thousands of Euros		
Asset	Agreement date	Number of monthly instalments	Cash value	Amount of the instalment	Purchase option
Machinery (several agreements)	Between May 2012 and June 2014	60	2,535	85	71
Less, accumulated depreciation			(846)		
Total			1,689		

(8) Property, Plant and Equipment (Continued)

A summary of the liabilities resulting from these operations at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Total liability under the contracts	—	2,947
Payments made		
In prior years	—	(482)
During the year	—	(414)
Finance lease payables (note 18 (a) and (b))	—	2,051

Property, plant and equipment leased by the Group to third parties under operating leases consists of assets in sublet outlets, which were carried at the following amounts at 31 December 2016 and 2015:

	Thousands of Euros	
	2016	2015
Cost	4,409	4,947
Accumulated depreciation at 1 January	(4,113)	(4,510)
Depreciation charge for the year	(59)	(91)
Carrying amount	237	346

The Group has entered into sublease contracts with some of its franchisees in respect of the premises where the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent is generally a fixed amount, reviewed annually in line with the consumer price index.

However, to calculate the future minimum receivables under non-cancellable operating leases, the Group has applied the same criterion as for the calculation of minimum operating lease payments, therefore taking into account the duration of the sublease agreement because the Group has committed to sub-leasing the premises to the franchisee for this period (see note 25).

In any case, from a legal standpoint, the lease contracts can generally be cancelled with prior notice of three months, on average.

Operating lease instalments recognised as income in 2016 and 2015 total Euros 6,695 thousand and Euros 2,413 thousand, respectively. They are recognised as “other revenues” (see note 23).

Future minimum payments receivable under non-cancellable operating subleases are as follows:

	Thousands of Euros	
	2016	2015
Up to 1 year	5,685	5,095
Between 1 and 5 years	20,567	18,036
More than 5 years	14,076	13,153
	40,328	36,284

(9) Intangible Assets

Details of goodwill and movement during the year are as follows:

	Thousands of Euros
Cost	
Balance at 31.12.2014	376,239
Goodwill on business combinations for the year (note 7)	8,098
Additions on first consolidation	932
Translation differences	(115)
Disposals	(2,082)
Impairment losses for the year (note 26)	(378)
Balance at 31.12.2015	382,694
Goodwill on business combinations for the year (note 7)	5,176
Translation differences	500
Impairment losses for the year (note 26)	(1,048)
Balance at 31.12.2016	387,322

Details of goodwill by country at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Spain	268,741	267,601
Portugal	61,311	61,311
Poland	4,620	4,620
Chile	41,819	40,672
Colombia	8,371	8,144
Panama	260	—
Switzerland	1,844	—
Other	356	346
	387,322	382,694

The recoverable amount of each group of CGUs is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the sector growth rates in each country, which do not exceed the average long-term growth for the home delivery business in which the groups of CGUs operate.

The discount rate assumption used when calculating value in use is as follows:

	2016				
	Spain	Portugal	Chile	Poland	Colombia
Discount rate (WACC)	7.00%	8.10%	8.40%	7.15%	8.75%
Growth rate of income in perpetuity (g)	2.00%	2.20%	4.15%	1.00%	3.90%

	2015				
	Spain	Portugal	Chile	Poland	Colombia
Discount rate (WACC)	7.70%	8.10%	8.40%	7.15%	8.75%
Growth rate of income in perpetuity (g)	1.70%	1.40%	3.20%	1.00%	4.00%

(9) Intangible Assets (Continued)

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net annual revenue growth rates of between 2% and 4%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

The income and expense growth rates have been determined based on past performance and expectations for future market development. The discount rates used reflect specific risks related to the relevant segments.

The annual impairment test was not performed on the goodwill generated in 2016 on the businesses acquired in Panama and Switzerland because they were acquired in 2016 and the business combination is provisional.

If a sensitivity analysis of goodwill impairment per CGU group were performed, the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity and between 50 and 25 basis points in the business operating assumptions, would not have an impact on the consolidated annual accounts at 31 December 2016.

The result of the sensitivity analysis of goodwill impairment per CGU group for 2015 was as follows (in thousands of Euros):

	WACC		g		Business operating assumptions	
2015	> 0.5%	>0.25%	<0.5%	<0.25%	> 0.5%	<0.25%
Poland	250	—	112	—	733	200
Chile	4,097	1,968	3,287	1,545	5,989	2,813
Portugal	—	—	—	—	—	—
Colombia	—	—	—	—	1,190	812
Spain	—	—	—	—	—	—
Impairment	4,347	1,968	3,399	1,545	7,912	3,825

(9) Intangible Assets (Continued)

Details of other intangible assets and movement are as follows:

	Thousands of Euros					
	Concessions patents, Licences	Trademarks	Contractual rights and other	Other intangible assets	Computer software	Total
Cost						
Balances at 31.12.2014	1,585	253,502	151,359	771	21,765	428,982
Additions	140	—	—	45	1,915	2,100
Disposals	(155)	—	—	(271)	(234)	(660)
Exchange losses	(2)	—	—	(17)	(99)	(118)
Balances at 31.12.2015	1,568	253,502	151,359	528	23,347	430,304
Additions	71	—	—	26	3,697	3,794
Disposals	—	—	—	(76)	(2,866)	(2,942)
Exchange gains	(7)	—	—	20	150	163
Balances at 31.12.2016	1,632	253,502	151,359	498	24,328	431,319
Amortisation or impairment						
Amortisation at 31.12.2014	(874)	(18,526)	(50,736)	(566)	(18,731)	(89,433)
Impairment at 31.12.2014	(8)	—	—	—	—	(8)
Amortisation for the year	(181)	—	(5,818)	(6)	(1,565)	(7,570)
Disposals	155	—	—	271	163	589
Other transfers	129	—	—	(129)	—	—
Exchange gains	2	—	—	19	79	100
Amortisation at 31.12.2015	(769)	(18,526)	(56,554)	(411)	(20,054)	(96,314)
Impairment at 31.12.2015	(8)	—	—	—	—	(8)
Amortisation for the year	(181)	—	(5,815)	(9)	(1,649)	(7,654)
Disposals	—	—		75	2,869	2,944
Exchange losses	(4)	—	(31)	(7)	(422)	(64)
Amortisation at 31.12.2016	(954)	(18,526)	(62,400)	(352)	(18,856)	(101,088)
Impairment at 31.12.2016	(8)	—	—	—	—	(8)
Carrying amount						
At 31.12.2014	703	234,976	100,623	205	3,034	339,541
At 31.12.2015	791	234,976	94,805	117	3,293	333,982
At 31.12.2016	670	234,976	88,959	146	5,472	330,223

The Company has recognised an intangible asset with an indefinite useful life under patents, licences and trademarks in relation to the "telepizza" brand. The original value of this asset was Euros 247,028 thousand and its carrying amount at 31 December 2016 and 2015 is Euros 228,502 thousand (see note 4 (g)). The "Jeno's pizza" brand also has an indefinite useful life and a value of Euros 6,474 thousand at 31 December 2016 and 2015, which is allocated to the group of CGUs in Colombia.

In 2006 the Group acquired the Telepizza brand name from Tele Pizza, S.A. through the business combination with the latter. When allocating a purchase price to the shares, this brand name was measured at its fair value of Euros 247,028 thousand. In the aforementioned business combination, the Group also recognised the rights arising from the franchise contracts at their fair value, which totalled Euros 132,960 thousand.

(9) Intangible Assets (Continued)

The recoverable amount of intangible assets with an indefinite useful life is determined by calculating the value in use. These calculations are based on cash flow projections from the financial budgets approved by Parent management over a period of five years. Cash flows beyond the five-year period are extrapolated using specific growth rates for the sector in each country. These growth rates do not exceed the average long-term growth rate of the business.

Based on the estimates and projections available to the Parent's directors, the expected future economic benefits of these CGUs fully justify the carrying amount of recognised goodwill and intangible assets with an indefinite useful life. The discount rate assumption used when calculating value in use in 2016 and 2015 of intangible assets with an indefinite useful life is as follows:

	2016	2015
Discount rate (WACC)	7.75%	7.35% - 8.35%
Growth rate of income in perpetuity (g)	2.00%	1.50% - 2.00%

The Group applied the upper figure of the discount rate range for its impairment analysis in 2015.

To calculate the value in use of the different groups of CGUs over the five-year budget period, the directors' business operating assumptions were net annual revenue growth rates of between 2% and 4%, without considering any outlet openings or acquisitions and taking into account the features of each market and estimated inflation. This growth in annual income has a practically proportional impact on other business operating assumptions, such as the gross margin and EBITDA.

Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

If a sensitivity analysis of impairment of intangible assets with an indefinite useful life were performed, in 2016 and 2015 the result, in thousands of Euros, of reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or between 50 and 25 basis points in the business operating assumptions, would not have an impact on the consolidated annual accounts at 31 December 2016.

The result of the sensitivity analysis of impairment of intangible assets with an indefinite useful life for 2015 was as follows (in thousands of Euros):

	WACC		g		Business operating assumptions	
	> 0.5%	>0.25%	<0.5%	<0.25%	+/- 0.50%	+/- 0.25%
Impairment 2015	10,597	—	473	—	1,938	—

As regards contractual rights with franchisees subject to amortisation, there are no indications of the potential impairment of these intangible assets.

(9) Intangible Assets (Continued)

Details of residual amortisation, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December are as follows:

	Euros			
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated amortisation	Carrying amount
2016				
Telepizza brand	Indefinite	—	18,526	228,502
"Jeno's Pizza" brand	Indefinite	—	—	6,474
Contractual rights	20	4,296	50,586	85,929
		4,296	69,112	320,905
2015				
Telepizza brand	Indefinite	—	18,526	228,502
"Jeno's Pizza" brand	Indefinite	—	—	6,474
Contractual rights	21	4,296	46,290	90,225
		4,296	64,816	325,201

At 31 December 2016 and 2015 the Group has no commitments to purchase intangible assets.

Details of the cost of fully amortised intangible assets at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Computer software	15,055	16,009
Other	933	1,156
	15,988	17,165

(10) Non-current Financial Assets

Details of non-current financial assets at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Security deposits and guarantees	6,216	6,119
Non-current trade receivables	20,500	16,390
Other loans and receivables	3,911	1,202
	30,627	23,711

Non-current trade receivables mainly reflect amounts receivable for franchising activities and from the sale of non-current assets to franchisees.

In 2016 the Group extended loans to directors and personnel totalling Euros 3,787 thousand, which fall due in 2021 and accrue interest at market rates. Interest amounting to Euros 35 thousand was capitalised with the principal in 2016.

(11) Inventories

Details at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Merchandise	10,527	10,138
Raw materials	865	978
Finished goods	231	276
Total inventories	11,623	11,392

The cost of inventories recognised as an expense and included in the cost of goods sold is as follows:

	Thousands of Euros	
	2016	2015
Net purchases	88,865	92,805
Change in inventories	(231)	(1,536)
	88,634	91,269

The Group has long-term commitments to purchase certain inventories, which if breached would give rise to penalties with a negative effect of approximately Euros 3 million on the consolidated income statement.

At 31 December 2016 and 2015 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(12) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2016	2015
Trade receivables	37,384	34,724
Other receivables	3,468	3,661
Public entities	5,825	3,186
Impairment	(8,232)	(7,141)
Trade and other receivables	38,445	34,430

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

Other receivables mainly include volume discounts on purchases from suppliers and advertising promotions.

An analysis of impairment losses due to the credit risk associated with financial assets is as follows:

	Thousands of Euros	
	2016	2015
Current		
Balance at 1 January	(7,141)	(7,881)
Charge	(1,094)	(914)
Application/reversal	3	1,654
Balance at 31 December	(8,232)	(7,141)

(13) Cash and Cash Equivalents

Details at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Cash in hand and at banks	63,972	39,946
Cash and cash equivalents	63,972	39,946

Cash surpluses have been invested in daily and weekly deposits in monetary assets (REPOS, Eurodeposits and promissory notes) at average market interest rates.

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

(14) Deferred Tax

Details of deferred tax assets are as follows:

	Thousands of Euros				
Deferred tax assets	Non-deductible amortisation/ depreciation	Tax credits and deductions	Finance costs	Other	Total
Balances at 31.12.2014	2,219	7,563	—	1,690	11,472
Taken to the income statement (note 27)	(450)	1,867	—	(1,030)	387
Balances at 31.12.2015	1,769	9,430	—	660	11,859
Taken to the income statement (note 27)	(188)	1,332	19,268	(106)	20,306
Balances at 31.12.2016	1,581	10,762	19,268	554	32,165

The deferred tax assets recognised in the consolidated statement of financial position mainly reflect tax loss carryforwards and non-deductible finance costs generated by the Group companies Telepizza Group, S.A., Tele Pizza, S.A. and Mixor, S.A. (see note 27).

As a result of the merger of Tele Pizza, S.A and Burmasa Delivery, S.L., in 2016 deferred tax assets of Euros 185 thousand were recognised for tax losses incurred by the latter. In 2015, the merger of Tele Pizza S.A and A Tu Hora S.A, led to the recognition of deferred tax assets totalling Euros 3,576 thousand for tax losses incurred by A Tu Hora S.A,.

Since 2012, due to the limitations on the deductibility of finance costs laid down in tax legislation, the tax group of the companies domiciled in Spain has obtained taxable income. Therefore, the Group has recognised deferred tax assets in respect of tax credits for loss carryforwards available for offset because the directors consider these credits to be recoverable. This assumption is based on the Company's approved business plans, as the tax group in Spain, as mentioned previously, has been generating taxable income and will continue to do so in the coming years.

Due to the significant reduction in its financial debt, in 2016 the Group recognised deferred tax assets of Euros 19,628 thousand for prior years' non-deductible interest. This amount was out of a total of Euros 41,073 thousand available for recognition (see note 27), as it was considered probable that the Group will have future taxable profits to apply these assets.

(14) Deferred Tax (Continued)

Details of deferred tax liabilities are as follows:

	Thousands of Euros			
Deferred tax liabilities	**Accelerated depreciation/ amortisation**	**Intangible assets**	**Other**	**Total**
Balances at 31.12.2014	573	85,449	883	86,905
Taken to the income statement (note 27)	(206)	(1,659)	(293)	(2,158)
Balances at 31.12.2015	367	83,790	590	84,747
Taken to the income statement (note 27)	(106)	(1,546)	(229)	(1,881)
Balances at 31.12.2016	261	82,244	361	82,866

The deferred tax liability related to intangible assets is due to the tax effect of various intangible assets, primarily the brand, and contractual rights that arose as a result of the business combinations in prior years, as explained in note 9. This deferred tax decreases each year as these assets are amortised and will not give rise to a cash outflow for the Group.

Spanish Income Tax Law 27/2014 of 27 November 2014, approved on 28 November 2014, incorporated wholly new legislation on corporate income tax and entered into force for tax periods beginning on or after 1 January 2015. These amendments included a reduction of the general tax rate from 30% in 2014 to 28% in 2015 and 25% from 2016 onwards.

Furthermore, the limit of 25% for offsetting tax loss carryforwards in 2015 was raised to 60% for 2016 and 70% for 2017 and subsequent years. The deadline of 18 years for offsetting tax loss carryforwards was also eliminated and there is now no time limit for their offset.

Under Royal Decree-Law 3/2016, the limits for the offset of tax loss carryforwards have been amended to 25% of the taxable income prior to applying the capitalisation reserve. Nevertheless, in any event tax loss carryforwards up to a maximum of Euros 1 million may be offset in each tax period.

(15) Equity

(a) Share capital

At 31 December 2016 the share capital of Telepizza Group, S.A. is represented by 100,720,679 ordinary shares, each with a par value of Euros 0.25, of a single class and series and represented by book entries. All the shares are fully subscribed and paid up and grant the shareholders the same voting and profit sharing rights.

At 31 December 2015 the share capital comprised 360,000 shares of Euros 50 par value each, fully subscribed by Foodco Finance, S.à.r.l., with registered office in Luxembourg (see note 1).

On 17 March 2016, the sole shareholder resolved to reduce the par value of the Company’s shares by performing a share split of two hundred new shares per old share and amending the articles of association.

The following capital increases were carried out in the context of the initial public offering (see note 1):

- On 25 April 2016, the Group’s former sole shareholder resolved to increase the share capital by Euros 3,824 thousand through the issue and circulation of 15,294,318 new ordinary shares with a par value of Euros 0.25 each, of the same class and series and with the same rights as the previously issued shares. These shares were issued with a share premium of Euros 7.50 per share,

(15) Equity (Continued)

amounting to a total share premium of Euros 114,707 thousand. As a result, the capital increase and share premium amounted to Euros 118,531 thousand (see note 1).

Merrill Lynch International and UBS Limited, acting as global coordinators of the share subscription offer (see note 1) on behalf of the final subscribers of the shares allotted through the subscription offer, underwrote each of the 15,294,318 new ordinary shares jointly equivalent to Euros 118,531 thousand, after Foodco Finance S.à.r.l. expressly waived the right to any preferential subscription rights.

- On 27 April 2016, the former sole shareholder resolved to increase the share capital by Euros 3,357 thousand, with a share premium of Euros 100,698 thousand, by issuing 13,426,361 new shares of Euros 0.25 par value each with a share premium of Euros 7.50 each. The shares were subscribed and fully paid by Foodco Finance, S.à.r.l., by partially capitalising the subordinated loan of Euros 104,054 that had been extended to the Group on 25 April 2016 (see notes 1 and 29).

As indicated in note 1, since 27 April 2016 the Parent's shares have been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. In accordance with the public information registered with the Spanish Securities Market Commission, the members of the board of directors controlled approximately 0.546% of the Parent company's share capital at 31 December 2016.

Companies with direct or indirect interests of at least 10% in the share capital of the Parent are as follows:

	Percentage ownership
KKR Credit Advisors (US) LLC	15.5%
Foodco Finance S.à.r.l.	11.2%

Like other groups in the sector, the Telepizza Group controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by EBITDA (Profit before interest, tax, depreciation and amortisation). Net debt is the sum of financial liabilities less cash and cash equivalents. EBITDA is the sum of the consolidated income statement items "Operating profit" plus "depreciation and amortisation". This debt ratio for 2016 and 2015 was calculated as follows:

	Thousands of Euros	
	2016	2015
Total loans and borrowings	196,579	389,832
Less: Cash and cash equivalents	(63,972)	(39,946)
Net debt	132,607	349,886
EBITDA	31,619	57,728
Debt ratio	4.19	6.06

(b) Share premium

At 31 December 2016 and 2015, the share premium is freely distributable. As mentioned in section a) of this note, during 2016 the Company has increased share capital on two occasions, raising the share premium by Euros 215,405 thousand.

At 31 December 2016, the Parent's share premium was reduced by Euros 4,130 thousand due to the costs of the capital increase and the fees of the related advisors, principally Merrill Lynch International and UBS Limited, which acted as the global coordinators of the initial public share offering (see note 1).

(15) Equity (Continued)

(c) Accumulated gains/losses

- Legal reserve

The Parent is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2016 the Parent has appropriated to this reserve more than the minimum amount required by law. The legal reserve of the Parent amounts to Euros 10,832 thousand at 31 December 2016.

- Shareholder contributions

These consist of the monetary and non-monetary contributions received in 2014, which amounted to Euros 157,615,105 and Euros 3,615,885 and the capital increase costs in 2008, 2010, 2011, 2013 and 2014 net of the tax effect.

The increase in this Parent caption during 2016 is due to the recognition of Euros 9,971 thousand for incentive plans relating to the initial public offering, which were approved beforehand by the sole shareholder (see notes 1 and 24).

- Other cumulative gains/(losses)

These reflect the results of the Group companies and the respective consolidation adjustments.

(d) Translation differences

Translation differences reflect differences generated since the inclusion of the Telepizza subgroup in the Group in September 2006.

(16) Earnings/(Loss) per Share

(a) Basic

Basic earnings/losses per share are calculated by dividing the profit/loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares if applicable.

	2016	2015
Profit/(loss) for the year attributable to equity holders of the Parent (in Euros)	10,691,485	(1,148,968)
Weighted average number of ordinary shares outstanding (in number of securities)	91,586,370	360,000
Basic earnings/(losses) per share (in Euros)[1]	0.1167	(3.1916)

[1] The par value of the shares is Euros 0.25 and Euros 50 at 31 December 2016 and 2015, respectively.

The weighted average number of ordinary shares outstanding was determined as the weighted average number of ordinary shares, taking into account the two capital increases carried out in 2016.

(b) Diluted

At 31 December 2016 and 2015 diluted earnings/losses per share are the same as basic earnings/losses per share because the ordinary shares are not subject to any dilutive effects.

(17) Current and Non-current Financial Liabilities at Fair Value

Details of derivative financial instruments measured at fair value at 31 December 2016 and 2015 are as follows:

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

2015	Thousands of Euros		
	Fair values		
	Notional amount	Liabilities	
		Non-current	Current
Derivatives			
Interest rate swaps	(205,000)	(215)	—
Foreign currency swaps	(1,625)	—	—
Total derivatives at fair value through consolidated profit or loss	(206,625)	(215)	—

In 2016 the Group arranged a new interest rate hedge for Euros 100,000 thousand, which swapped the Euribor rate with a zero floor for a fixed rate of 0.27%. This instrument becomes effective on 29 April 2018 and expires on 29 April 2021. At 31 December 2016 it has a positive fair value of Euros 78 thousand.

In 2014 the Group arranged a new interest rate hedge for Euros 205,000 thousand, which swapped the Euribor rate with a 1% floor for a fixed rate of 1.06%. This instrument became effective on 22 December 2014 and expires on 22 December 2017. At 31 December 2015 it had a negative fair value of Euros 215 thousand. On 4 May 2016 the Group cancelled this hedge (no additional fees were applied on the early cancellation), which had a negative fair value at the date of cancellation of Euros 278 thousand. The difference between the value recognised and fair value at the cancellation date resulted in a loss of Euros 63 thousand.

The Group also arranged an exchange rate hedge for Euros 1,625 thousand effective as of 15 April 2015 and with an expiry date of 15 April 2016 to hedge part of the Group's transactions in Chilean pesos.

The Group accrued income of Euros 293 thousand in 2016 and Euros 1,964 thousand in 2015 in relation to its derivative financial instruments.

(18) Interest-bearing Loans, Borrowings and Bonds

(a) Non-current loans and borrowings

On 12 September 2006 the Group entered into a credit facility (hereinafter Senior Facility), which provided a total of Euros 591 million to subsequently finance the acquisition of Tele Pizza, S.A. shares and convertible bonds. On that date, the Group also arranged a subordinated loan (hereinafter Mezzanine Facility), providing a maximum of Euros 100 million to the Telepizza Group to partially finance this acquisition. All loans had a single maturity date, except the Senior Facility, tranche A, which is repayable in instalments.

On 20 October 2014 the Parent together with its subsidiary Tele Pizza, S.A. signed an Amendment and Restatement Deed on refinancing the senior debt held by the Group. This refinancing was used to repay the Mezzanine debt, the borrowing costs capitalised to date and a portion of the senior debt. The only

(18) Interest-bearing Loans, Borrowings and Bonds (Continued)

outstanding debt of this type was a single tranche amounting to Euros 285,000 thousand and a revolving credit facility for up to Euros 10,000 thousand.

On 8 April 2016, the Parent together with its subsidiary Tele Pizza, S.A. and various financial entities, with Banco Santander acting as the agent bank, signed a new syndicated loan of Euros 200,000,000, the effective date of which was conditional upon the initial public offering, and a revolving facility with a limit of Euros 15,000 thousand. At 31 December 2016 the fair value of this loan was Euros 195,611 thousand, while its nominal value at that date was Euros 200,000 thousand. The difference between the fair value and nominal value is due to the Euros 5,023 thousand arrangement fees for the loan. The loan will mature as follows: 15% of the principal 48 months from the effective date of use of the loan, 20% of the principal at 54 months from that date and the remainder at five years from that date.

On 29 April 2016 a portion of the funds obtained from the public offering and the new syndicated loan was used to cancel the former syndicated loan by repaying the Euros 285,000 thousand of outstanding principal at that date and the accrued interest of Euros 541 thousand. Also all the guarantees extended in the former financing agreement were released.

The finance costs accrued on the syndicated loan amounted to Euros 11,125 thousand and Euros 20,227 thousand in 2016 and 2015, respectively.

At 31 December 2016 and 2015 the accrued interest payable on these loans amounted to Euros 968 thousand and 4,101 thousand, respectively.

Details of payments and the present value of borrowings by maturity are as follows:

	Thousands of Euros			
	2016		2015	
	Principal	Interest	Principal	Interest
Less than one year (note 18 (b))	—	968	884	4,101
Two to five years	195,611		286,176	—
More than 5 years	—	—	—	—
	195,611	968	287,060	4,101

Details of non-current loans and borrowings at 31 December 2016 are as follows:

		Thousands of Euros		
Type	Final maturity	Limit	Balance at 31/12/2016	Margin over Euribor
Senior				
Senior Facility	2021	200,000	200,000	Euribor + 2.75%
Revolving	2021	15,000		Euribor + 2.75%
Loan arrangement fees		—	(4,389)	—
Balance at 31 December			195,611	

(18) Interest-bearing Loans, Borrowings and Bonds (Continued)

Details of non-current loans and borrowings at 31 December 2015 are as follows:

		Thousands of Euros		
Type	Final maturity	Limit	Balance at 31/12/2015	Margin over Euribor
Senior				
Senior Facility	2020	285,000	285,000	Euribor + 6%
Revolving	2020	10,000	—	Euribor + 5.75%
Lease payables (note 8)			1,176	—
Balance at 31 December			286,176	

Although the interest rates are as listed above, the Group has contracted a variable-to-fixed interest rate swap, which is described in note 17.

The Group pledged shares in the Parent and the subsidiaries, Tele Pizza, S.A., Telepizza Chile, S.A., Telepizza Portugal and Luxtor, S.A. and Luxtor, S.A. and committed to pledge shares in Telepizza Portugal Comercio de Produtos Alimentares, S.A. to secure the loan described above. The assets and liabilities pledged as collateral directly or indirectly comprise practically all of the assets and liabilities consolidated financial statements.

The Parent is also required to comply with a certain financial ratio. The Group complies with this ratio at 31 December 2016.

At 31 December 2015 the finance lease liabilities were effectively secured as the rights to leased assets revert to the lessor in the event of default. The agreements that gave rise to the finance lease liabilities were cancelled in 2016.

(b) Current loans and borrowings

Details of current loans and borrowings at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Finance lease payables (note 8)	_	875
Accrued interest (note 18 (a))	968	4,101
Other payables	—	9
	968	4,985

(19) Employee Benefits

Termination benefits

The total expense recognised in 2016 and 2015 for termination benefits is Euros 950 thousand and Euros 443 thousand, respectively (see note 24).

(20) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 4,589 thousand at 31 December 2016 (Euros 3,547 thousand at 31 December 2015). No significant liabilities are expected to arise from these guarantees.

(20) Contingencies (Continued)

The Group has no significant litigation or claims of any nature. However, the Group is subject to regulatory processes and inspections by government bodies with respect to an international operation, which could result in possible risks totalling Euros 1,200 thousand. The directors do not consider that any liabilities will arise other than those recognised in these consolidated annual accounts.

(21) Government Grants

Movement in non-refundable government grants is as follows:

	Thousands of Euros	
	2016	2015
Grants received	—	7,369
Grants taken to income		
In prior years	—	(7,175)
During the year	—	(194)
Balance at 31 December	—	—

The Group received certain government grants to finance items of property, plant and equipment, principally a grant from the Madrid regional government extended in 2002 to finance improvement of the preparation and commercialisation of dough and other pizza-related products manufactured in the Daganzo factory (Madrid).

The Group estimates that the conditions initially established for the grants will remain unchanged.

(22) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2016	2015
Trade payables	40,586	35,664
Public entities	6,013	6,249
Other payables	300	1,377
Salaries payable	3,288	4,176
Current guarantees and deposits received	31	49
	50,218	47,515

At 31 December 2016 trade payables include Euros 8,131 thousand payable to financial institutions for reverse factoring transactions (Euros 8,614 thousand at 31 December 2015).

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

Average Supplier Payment Period. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010"

(22) Trade and Other Payables (Continued)

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2016
	Days
Average supplier payment period	91
Transactions paid ratio	100
Transactions payable ratio	58

	Thousands of Euros
Total payments made	127,682
Total payments outstanding	32,198

	2015
	Days
Average supplier payment period	107
Transactions paid ratio	119
Transactions payable ratio	55

	Thousands of Euros
Total payments made	121,445
Total payments outstanding	30,339

(23) Revenues

Details are as follows:

	Thousands of Euros	
	2016	2015
Outlet sales to customers	195,961	200,112
Wholesale factory sales to franchisees and other sales	98,019	90,560
Royalties and advertising fees	24,712	20,299
Other income	20,895	17,928
	339,587	328,899

Other revenues in 2016 and 2015 mainly include franchise fees, which are collected when a franchise is opened or when an existing franchise agreement is renewed, income from other services provided to franchisees and the income from the subleasing of commercial premises to franchisees.

(24) Personnel Expenses

Details of personnel expenses in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Salaries and wages	101,003	74,321
Social Security	16,196	15,819
Termination benefits (note 19)	950	443
Other employee benefits expenses	488	502
Total personnel expenses	118,637	91,085

(24) Personnel Expenses (Continued)

On 31 March 2016 and 6 April 2016, members of the Group's management team and a certain number of Group employees signed an incentive plan, whereby they would receive a series of payments related to the Parent's shares and a bonus, which would be accrued if the Company was admitted for trading. The total remuneration under this incentive plan depended on the price set in the public offering and was paid by Foodco Finance, s.a.r.l. and the Company.

At 31 December 2016 personnel expenses mainly comprise non-recurrent costs for the value of the shares and other monetary consideration received by employees in relation to the public offering and sale of shares, as well as for the Group's financial restructuring, amounting to Euros 26,488 thousand. Euros 18,766 thousand of the aforementioned remuneration was paid directly by Foodco Finance, s.a.r.l. and was recognised as a shareholder's contribution for the same amount (see note 15 (c)).

The average number of full-time equivalent employees in the Group during 2016 and 2015, distributed by category, is as follows:

	Number	
	2016	2015
Management	40	37
Outlet managers	424	419
Other personnel	5,151	4,765
	5,615	5,221

At year end the distribution by gender of the Parent's personnel and directors is as follows:

	Number			
	2016		2015	
	Male	Female	Male	Female
Board members	7	—	9	—
Management	28	11	29	6
Outlet managers	206	210	210	211
Other personnel	2,979	2,505	2,908	1,996
	3,220	2,726	3,156	2,213

The average number of Company employees with a minimum disability rating of 33% (or local equivalent) in 2016 and 2015, distributed by category, is as follows:

	Number	
	2016	2015
Technicians	1	
Outlet managers	1	1
Other personnel	97	108
	99	109

(25) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2016	2015
Operating leases	29,722	25,987
Transport	12,677	11,865
Advertising and publicity	17,178	15,531
Utilities	11,473	12,046
Other expenses	29,647	23,388
	100,697	88,817

At 31 December 2016 other expenses comprise non-recurrent advisory fees totalling Euros 5,539 thousand associated with the public offering (see note 1).

The Group leases most of the properties where it carries out its activity, including outlets, factories and offices. Most lease contracts for outlets stipulate payment of a fixed rent that is increased annually in line with the consumer price index. The exception are outlets located in shopping centres, for which both a fixed and sales-based variable rental fee are paid.

The initial lease period of each contract is usually 10 years but generally, with few exceptions, the Group has the option of ending the lease contract early without having to pay any kind of penalty, giving due notice as provided for in the contract. Leases on premises located in shopping centres are subject to a mandatory period of five years during which the Group cannot cancel the contract.

The Group has entered into sublease contracts with many of its franchisees in respect of the premises at which the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent comprises a fixed amount increased annually in line with the consumer price index.

The Group has no obligations in respect of lease contracts that the franchisees enter into directly with the lessor or in respect of properties owned by franchisees.

Future minimum payments under operating leases at 31 December 2016 and 2015, considering the payments to be accrued based on the lease period set out in the contracts, irrespective of the fact that most of the lease contracts for premises can be cancelled subject to a short period of notice, are as follows:

	Thousands of Euros	
	2016	2015
Less than one year	13,802	14,082
One to five years	47,588	49,523
More than 5 years	35,958	39,337
	97,348	102,942

(25) Other Expenses (Continued)

Future minimum payments under non-cancellable operating leases at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Less than one year	11,394	13,159
One to five years	32,651	30,184
More than 5 years	24,836	20,386
	68,881	63,729

(26) Other Losses

Details at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Losses on sale of property, plant and equipment	(648)	(3,121)
Goodwill (note 9)	(1,048)	(378)
Impairment losses/(reversals of impairment) on property, plant and equipment (note 8)	995	(536)
	(701)	(4,035)

(27) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit/loss, with the income tax expense recognised in the consolidated income statement for 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Profit/Loss for the year before tax from continuing operations	(8,239)	1,678
Tax losses not recognised as tax credits	5,069	7,477
	(3,170)	9,155
Expected Parent tax expense/(income) at the standard tax rate (25%)/(28%)	(792)	2,563
Non-deductible expenses at the standard tax rate Finance costs	2182	4,463
Tax credits recognised	(20,434)	(3,576)
Deductions applied	—	(439)
(Income)/expense due to different tax rates	69	(223)
Effective tax rate / Income tax expense/(income)	(18,975)	2,788

Non-deductible expenses reflect non-deductible interest of the Group companies in Spain.

(27) Income Tax (Continued)

Income tax payable/(recoverable) for 2016 and 2015 is calculated as follows:

	Thousands of Euros	
	2016	2015
Tax expense/(income)	(18,975)	2,788
Deductible temporary differences and tax credits (note 14)	20,306	387
Taxable temporary differences (note 14)	(2,338)	1,701
Deductions applied during the year	—	(439)
Reversal of deferred tax liability from business combinations (note 14)	457	457
Adjustment for change in tax rate and other	550	183
Payments on account	(1,394)	(3,896)
Income tax payable (recoverable)	(1,394)	1,181

In accordance with prevailing legislation in each country, losses declared may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection during the inspection periods established by applicable legislation.

At 31 December 2016 and 2015 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards in Spain:

	Thousands of Euros	
Year	2016	2015
2001	—	3,103
2002	—	717
2003	—	286
2004	—	285
2005	—	88
2008	11,025	6,036
2009	7,562	7,562
2010	628	628
2011	14,366	14,466
2012	4,343	4,782
2013	1,182	—
2014	532	532
2015	185	—
2016 (estimated)	3,224	—
Total	43,047	38,485

At 31 December 2016 and 2015 the Group has recognised the following deferred tax assets in respect of tax loss carryforwards of Telepizza Portugal:

	Thousands of Euros	
Year	2016	2015
2012	—	2,544
2013	—	37
Total	—	2,581

(27) Income Tax (Continued)

At 31 December 2016 and 2015 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies in Peru, Ecuador, Colombia and Poland:

	Thousands of Euros	
Year	2016	2015
2009	—	536
2010	—	588
2011	—	3,743
2012	989	1,814
2013	1,742	1,369
2014	8,294	6,376
2015	5,625	5,120
2016 (estimated)	3,486	—
Total	20,136	19,546

At 31 December 2016 the Group has the following non-deductible interest for future offset in an indefinite period:

	Thousands of Euros	
Year	2016	2015
2012	52,643	52,643
2013	38,045	38,045
2014	48,939	48,939
2015	15,938	15,938
2016 (estimated)	8,727	—
	164,292	155,565

As mentioned in note 14 the Group has recognised deferred tax assets in relation to non-deductible interest amounting to Euros 19,628 thousand. It is considered probable that sufficient future taxable income will be available be able to use these tax assets.

Based on the tax declarations filed by the Group companies during 2016 and in prior years, the Group has the following tax credits for deductions pending application:

	Thousands of Euros		Applicable until
	2016	2015	
R&D&i	263	—	2034
	263	—	

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the date of authorisation for issue of these consolidated annual accounts, the main Group companies have open to inspection by the taxation authorities all the main applicable taxes since 1 January 2012.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(28) Commitments

As stated in notes 8 and 9, at 31 December 2016 and 2015 the Group has no commitments relating to investing activities.

(29) Related Party Balances and Transactions

In 2014 the Parent obtained a subordinated loan from its sole shareholder, details of which are as follows:

	Thousands of Euros	
	31.12.16	
	Non-current	Current
Subordinated loan	—	—

	Thousands of Euros	
	31.12.15	
	Non-current	Current
Subordinated loan	96,489	2,182

(i) Subordinated loan

On 20 October 2014 the Company arranged a subordinated loan with its sole shareholder for an amount of Euros 84,825 thousand, which accrues interest of 14.5% and falls due in 2021. This loan reflected the subordinated loan obtained by the former sole shareholder from third parties.

On 27 April 2016, through the minutes of the decisions taken, the former sole shareholder approved that this subordinated loan, together with the accrued interest payable at that date, be contributed to a capital increase through a debt-for-equity swap of Euros 104,054 thousand (see note 1). This capital increase was carried out through the issue of 13,426,361 new shares, each with a par value of Euros 0.25 and a share premium of Euros 7.50 per share. All of these shares have the same rights and class as the shares already existing and subscribed by Foodco Finance S.à.r.l. (see note 15). The remaining Euros 1,180 thousand payable was repaid in cash to the former sole shareholder.

The total interest incurred on the subordinated loan in 2016 and 2015 amounted to Euros 7,063 thousand and Euros 12,868 thousand, respectively.

The Group has not entered into any other contracts with the former sole shareholder of the Parent.

(30) Information on the Parent's Directors and Senior Management Personnel

The Parent's directors received remuneration of Euros 9,533 thousand in 2016 (Euros 838 thousand in 2015). The Group has also extended loans or advances to the directors totalling Euros 1,337 thousand (Euros 200 thousand in 2015). These loans are secured by the directors with certain shares of the Parent. The main conditions and characteristics of the loans to the directors are described in note 10. Life insurance premiums of Euros 7 thousand were paid to the directors in 2016 (Euros 8 thousand in 2015) and the savings plan contributions made amounted to Euros 120 thousand (Euros 75 thousand in 2015).

Members of the Group's senior management received remuneration of Euros 17,344 thousand in 2016 (Euros 1,577 thousand in 2015). The Group has also extended loans or advances to senior management totalling Euros 2,368 thousand (Euros 1,000 thousand in 2015). These loans are secured by the directors with certain shares of the Parent. The main conditions and characteristics of the loans to senior management are described in note 10. Life insurance premiums of Euros 9 thousand were paid to senior management in 2016 (Euros 7 thousand in 2015) and the savings plan contributions made amounted to Euros 67 thousand (Euros 57 thousand in 2015).

(30) Information on the Parent's Directors and Senior Management Personnel (Continued)

During 2016 and 2015 the Parent's directors have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

(31) Conflicts of Interest concerning the Directors

In 2016 the directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

During 2015 the director Mr. Steve Winegar, who represents the company Ebitda Consulting, S.L., reported a conflict of interest relating to the operations carried out by the Group in Poland, as Ebitda Consulting, S.L. is the shareholder of Amrest Z.o.o., a company whose statutory activity (the restaurant business) is similar or identical to that of the Group, and he is on the board of directors of various subsidiaries of Amrest Z.o.o.

(32) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and safety-in-the-workplace laws). The Group complies substantially with these laws and has established procedures designed to encourage and ensure compliance.

The Group has adopted appropriate measures for protecting and improving the environment and minimising the effect of its activities thereon and complies with prevailing environmental legislation. During the year the Group has considered that no significant contingencies exist concerning the environment and, accordingly, no provision has been made for environmental liabilities and charges.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group has not incurred any expenses, made investments or received significant grants related with these risks during the year ended 31 December 2016 and 2015.

(33) Audit Fees

KPMG Auditores, S.L., the auditors of the Group's consolidated annual accounts, invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2016 and 2015:

	Thousands of Euros	
	2016	2015
Audit services	178	150
Other assurance services	282	5
	460	155

The amounts detailed in the above table for audit services include the total fees for services rendered in 2016 and 2015, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2016 and 2015:

	Thousands of Euros	
	2016	2015
Audit services	73	71
Other services	49	29
	122	100

(35) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the board of directors of the Parent. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

Interest rate risk

Variations in interest rates affect the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future cash flows of assets and liabilities indexed to a variable interest rate. Such variations could have a significant impact on the cost of debt and the return on investments.

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is contracted, where necessary, to minimise the risk, assuring a reasonable interest rate.

The structure of financial risk at 31 December 2016 and 2015 is as follows:

Type of financing	Interest rate	Benchmark	Thousands of Euros	
			2016	2015
Syndicated loan	Floating	Euribor	196,579	289,101
Subordinated loan	Fixed	—	—	98,671
Credit facilities	Floating	Euribor	—	9
Finance leases	Floating	DTF	—	2,051
Total			196,579	389,832

The benchmark interest rates for the debt contracted by the Group companies are mainly one-month, three-month and one-year Euribor plus a spread, depending on the conditions established for each of the financial transactions.

The Group manages cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Group generally obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically (generally on a quarterly basis). The difference is calculated based on the contracted notional principal amount.

The Group has contracted a fixed interest rate swap facility for a two-year period to cover a portion of the drawdowns on the syndicated loan (see note 17).

(35) Risk Management Policy (Continued)

At 31 December 2016, had interest rates been 10 basis points higher or lower, with the other variables remaining constant, it would not have affected profit for the year, mainly because borrowing costs on variable interest rate debt not covered by the interest rate swap have a floor of 1% and therefore, 1% was the rate paid for variable interest pegged to Euribor.

Currency risk

As the Telepizza Group operates internationally, variations in exchange rates for financial or commercial transactions in foreign currencies represent another fundamental financial risk to which the Group is exposed.

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency
- Intragroup payables in foreign currency
- Net assets deriving from net investments in foreign operations with functional currencies other than the Euro (risk of fluctuation in the exchange rate on translation of the financial statements of these companies in the consolidation process).

There are no significant Group balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where the Group operates.

During 2016 the Group has arranged an exchange rate derivative instrument to hedge part of the currency risk associated with the transactions in Chilean pesos and considers that possible fluctuations in the exchange rates of the Chilean Peso, the Colombian Peso and the Polish Zloty would not have a significant impact on its consolidated equity.

At 31 December 2016, had the Euro strengthened/weakened by 10% against the Chilean Peso, the Colombian Peso and the Polish Zloty, with the other variables remaining constant, consolidated post-tax profit would have been Euros 186 thousand higher (Euros 465 thousand higher in 2015), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under other comprehensive income would have increased by Euros 7,191 thousand (Euros 5,981 thousand in 2015), mainly due to translation differences on foreign operations.

Liquidity risk

The Group’s liquidity policy consists of contracting credit facilities and maintaining marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling the Parent to settle market positions in current investments immediately, thereby ensuring that this financial risk is minimised.

(35) Risk Management Policy (Continued)

The Group's exposure to liquidity risk at 31 December 2016 and 2015 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

	Thousands of Euros					
	Amount at 31/12/2016	Future cash flow maturities	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	195,611	200,000	—	—	200,000	—
Interest	968	27,154	2,185	3,301	21,668	—
Loans and borrowings, related parties						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—
Trade and other payables	50,218	50,218	50,218	—	—	—
Total	246,797	277,372	52,403	3,301	221,668	—

	Thousands of Euros					
	Amount at 31/12/2015	Future cash flow maturities	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Loans and borrowings						
Principal	287,060	287,060	9	875	286,176	—
Interest	4,101	86,993	5,240	15,607	66,146	—
Loans and borrowings, related parties						
Principal	96,489	96,489	—	—	—	96,489
Interest	2,182	119,059	—	—	—	119,059
Derivatives	215	215	—	—	215	—
Trade and other payables	41,266	41,266	41,266	—	—	—
Total	431,313	631,082	46,515	16,482	352,537	215,548

Payables to public entities are not included in suppliers and other payables.

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

Approved investments not recognised as property, plant and equipment under construction at the reporting date are not included.

Credit risk

The Group is not exposed to significant credit risk considering the following parameters:

- Credit risk is not significantly concentrated.
- Cash placements and derivative contracts are with highly solvent entities.
- The average collection period for trade receivables is very short, varying between cash collections at retail outlets and collections at one month from sale in the case of franchises and other customers.
- Customers have adequate credit records, which significantly reduces the likelihood of bad debts.

(35) Risk Management Policy (Continued)

The Group has recognised impairment losses of Euros 8,232 thousand for credit risks associated with financial assets (Euros 7,141 thousand at 31 December 2015). In 2016 the amount recognised in the consolidated income statement was Euros 1,094 thousand (Euros 914 thousand at 31 December 2015).

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2016

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Gains/losses	Total equity
Tele Pizza S.A.[1]	Madrid	100%	16,380	101,253	(29,154)	88,479
Mixor, S.A.[3]	Madrid	100%	3,215	3,771	(9)	6,977
Circol, S.A.[3]	Madrid	100%	1,085	3,459	435	4,979
Grupo Telepizza Chile[2]	Santiago de Chile	100%	3,065	56,653	4,012	63,730
Telepizza Portugal Comercio de Produtos Alimentares, S.A[2]	Lisbon	100%	1,900	18,997	5,143	26,040
Telepizza Poland Sp. Z o.o.[1]	Warsaw	100%	9,319	(9,858)	(1,438)	(1,977)
Telepizza Maroc, S.A.[3][4]	Casablanca	100%	59	(803)	—	(744)
Telepizza Guatemala S.A[3]	Guatemala	100%	1	254	508	763
Luxtor, S.A.[1]	Avila	100%	6,128	12,728	10,868	29,724
Telepizza Ecuador S.A.[3]	Quito	100%	2,278	(786)	(482)	1,010
Cozicharme Comercio de Produtos Alimentares, LDA[2]	Lisbon	100%	5	—	(5,516)	(5,511)
Bazigual, SGPS, LDA[2]	Lisbon	100%	5	1,169	(3)	1,171
Inverjenos S.A.S.[1]	Bogotá	100%	1,511	4,191	(2,453)	3,249
Telepizza Shanghai S.A.[3]	Shanghai	100%	100	(217)	6	(111)
Telepizza Andina S.A.C[3]	Lima	100%	9,706	(3,155)	(452)	6,099
Procusto Activos, S.L.U[3]	Madrid	100%	3	(1)	(1)	1
Foodco Pastries Maroc[3]	Tangier	100%	28	(2)	(101)	(75)
Foodco Pastries Panama[3]	Panama	100%	9	—	(55)	(4,446)
Telepizza Switzerland GmbH[3]	Berne	100%	19	—	—	19

[1] *Audited*

[2] *The main companies of the subgroup have been audited*

[3] *Unaudited*

[4] *Dormant companies*

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2016, in conjunction with which it should be read.

TELEPIZZA GROUP, S.A. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2015

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered office	Percentage ownership	Capital	Reserves	Gains/losses	Total equity
Tele Pizza S.A.[(1)]	Madrid	100%	7,800	333,978	33,116	374,895
Mixor, S.A.[(3)]	Madrid	100%	3,215	3,783	(12)	6,987
Circol, S.A.[(3)]	Madrid	100%	1,085	3,233	226	4,544
Grupo Telepizza Chile[(2)]	Santiago de Chile	100%	3,065	45,245	6,039	54,349
Telepizza Portugal Comercio de Produtos Alimentares, S.A[(2)]	Lisbon	100%	1,900	15,498	4,600	22,038
Telepizza Poland Sp. Z o.o.[(1)]	Warsaw	100%	9,319	(9,435)	(439)	(554)
Telepizza Maroc, S.A.[(3)(4)]	Casablanca	100%	59	(793)	—	(735)
Burmasa Delivery S.L[(3)]	Burgos	100%	355	(24)	—	331
Lubasto Holding B.V[(3)]	Amsterdam	100%	27	—	(32)	(1)
Telepizza Guatemala, S.A.C[(3)]	Guatemala	100%	1	184	555	739
Luxtor, S.A.[(1)]	Avila	100%	6,128	12,675	10,258	29,061
Telepizza Ecuador S.A.[(3)]	Quito	100%	1,548	(556)	(204)	787
Cozicharme Comercio de Produtos Alimentares, LDA[(2)]	Lisbon	100%	5	(28,145)	(3,827)	(31,977)
Bazigual, SGPS,Unipessoal LDA[(2)]	Lisbon	100%	5	(141)	695	559
Inverjenos S.A.S.[(1)]	Bogotá	100%	1,471	6,935	(6,257)	2,149
Telepizza Shanghai S.A.[(3)]	Shanghai	100%	100	20	(25)	95
Telepizza Andina S.A.C[(3)]	Lima	100%	8,043	(2,627)	(630)	4,786

(1) Audited
(2) The main companies of the subgroup have been audited
(3) Unaudited
(4) Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2016, in conjunction with which it should be read.

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OFFERING MEMORANDUM

Joint Bookrunners

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The date of this Offering Memorandum is May 3, 2019