Wszystko Jest Możliwe!

Consolidated Directors' Report
for the year ended 31 December 2018

AmRest Holdings SE
27 FEBRUARY 2019

AmRest

CONTENTS

Letter to the shareholders

Dear Shareholders,

It is a pleasure to present the financial report of AmRest Group for 2018. Similar to previous years, we have continued dynamic expansion of the business, strengthening the leadership position in our core markets and marking another milestones on the path to becoming #1 European restaurant operator.

As evidenced by the financial results, AmRest maintained its high growth profile during the last year. With consolidated revenues up by 25% and EBITDA profit higher by 17%, we continued realization of our mid-term vision of doubling the size of the business within three years (2017-2019). Even more, recent developments in the business reinforced our beliefs in continuation of the growth trends beyond 2019. In 2018, AmRest opened unprecedented number of 280 new restaurants and is ready to accelerate the pace of organic expansion. We see substantial space for growth in each major market and we are confident that our teams are capable to support this expansion.

In the past year, AmRest remained active in the area of acquisitions. Through successful completion of M&A projects, the Group entered new categories of sushi and premium burgers, at the same time strengthening its portfolio of proprietary brands. In the future, this should support our plans of expanding the franchise network.

In addition to the investment in proprietary brands, AmRest continued further consolidation of European restaurant markets within the franchise brands. At the same time, we remained focused on the integration of acquired businesses to ensure they can serve as a solid platform for future growth of the Company. In particular, we were pleased to observe Starbucks business in Germany turning positive in Q3 2018 and KFC business in France exceeding our initial expectations. Going forward, we will continue working towards successful turnaround of other recently acquired businesses, unlocking additional synergy effects.

The year 2018 also brought positive developments in digital and delivery segments. The revenues of our aggregator Pizzaportal almost doubled, while delivery service remained the fastest growing part of AmRest. In Poland, the revenues in delivery channel grew by 34% compared to 2017 and we see this solid trend continue. In July 2018 AmRest also invested in Glovo – a leading aggregator in Spanish market. We are happy to be a part of this dynamically growing segment and intend to stay at the forefront of technology innovations in the foodservice industry.

Last November we celebrated the 25th anniversary of AmRest. 25 years of spectacular growth, full of successes and valuable learnings. It is important to realize that today, with more than 2,100 restaurants in 26 countries, AmRest Group is much more than just a restaurant operator. A strong portfolio of multi-brand restaurant operations, well-integrated supply system, growing franchise network as well as recent investments into digital, make us uniquely positioned European foodservice operator. We strongly believe that such a diversified platform is well-positioned to deliver above-industry results in a long term.

As a final note, we would like to recognize the efforts of our Employees, who serve thousands of customers in our restaurants every day. It is thanks to their positive energy, passion for excellence and unmatched hospitality that our guests receive the best-in-class service. Using this opportunity, we would like to thank the whole Team for making AmRest such a great Company. At the same time, we would like to express appreciation to all our Shareholders, who support the Company.

Board of Directors of AmRest Holdings SE

(all figures in EUR millions unless stated otherwise)

Financial highlights (consolidated data)

	year ended		3 months ended	
	31 December 2018	31 December 2017 (*restated**)	31 December 2018	31 December 2017 (*restated**)
Revenue	1 546.9	1 237.9	442.9	359.1
EBITDA**	173.2	148.2	49.3	38.7
EBITDA margin	11.2%	12.0%	11.1%	10.8%
Adjusted EBITDA***	187.8	162.2	56.4	46.5
Adjusted EBITDA margin	12.1%	13.1%	12.7%	13.0%
Operating profit (EBIT)	71.6	62.7	19.6	10.7
Operating margin (EBIT margin)	4.6%	5.1%	4.4%	3.0%
Profit before tax	57.5	49.5	16.2	6.8
Net profit	41.3	42.7	11.1	9.5
Net margin	2.7%	3.4%	2.5%	2.6%
Net profit attributable to non-controlling interests	-1.7	-0.2	-0.6	-0.8
Net profit attributable to equity holders of the parent	43.0	42.9	11.7	10.3
Cash flows from operating activities	163.8	149.6	46.2	58.3
Cash flows from investing activities	-421	-230.1	-277.0	-118.9
Cash flows from financing activities	241.9	139.3	236	74.3
Total cash flows, net	-15.3	58.8	5.2	13.7
Equity (as at 31 December 2018 and 2017 respectively)	430.6	322.6	430.6	322.6
Return on equity (ROE)****	10.0%	13.3%	2.7%	3.2%
Total assets (as at 30 December 2018 and 2017 respectively)	1 441.3	1 037.3	1 441.3	1 037.3
Return on assets (ROA)*****	3.0%	4.1%	0.8%	1.0%
Average weighted number of ordinary shares in issue	213 707 541	212 138 930	218 413 375	212 138 930
Average weighted number of ordinary shares for diluted earnings per shares	213 707 541	212 138 930	218 413 375	212 138 930
Basic earnings per share (EUR)	0.20	0.20	0.05	0.05
Diluted earnings per share (EUR)	0.20	0.20	0.05	0.05
Declared or paid dividend per share	-	-	-	-

**The restatement was described in the note 41 to the Consolidated Annual Financial Statements for 2018.*
*** EBITDA – Operating profit before depreciation, amortization and impairment losses*
**** Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses: all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).*
***** ROE – net profit to equity*
****** ROA – net profit to assets*

(all figures in EUR millions unless stated otherwise)

	As at 31 December 2018	As at 31 December 2017 (*restated**)
Total assets	1 441.3	1 037.3
Total liabilities	1 010.7	714.7
Non-current liabilities	745.4	482.0
Current liabilities	265.3	232.7
Equity attributable to shareholders of the parent	420.7	313.7
Non-controlling interests	9.9	8.9
Total equity	430.6	322.6
Share capital	22.0	0.2
Number of restaurants	2 126	1 639

**The restatement was described in the note 41 to the Consolidated Annual Financial Statements for 2018.*

Group Business Overview

Basic services provided by the Group

AmRest Holdings SE ("AmRest", "Company") with its subsidiaries (the "Group") is one of the leading publicly listed European restaurant operators, present in 26 countries of Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and five proprietary brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop).

As at 31 December 2018, AmRest managed the network of 2 126 restaurants. Given the current scale of the business, every day almost 49 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with the "Wszystko Jest Możliwe!" ("Anything Is Possible!") culture.

Nowadays, the Group manages the network of restaurants across four segments, which are aligned with the main geographical regions of its operations:

1) Central and Eastern Europe ("CEE"), where historically the Company was founded and opened its first restaurant under the name of Pizza Hut; today CEE division covers the region of 10 countries (Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Romania, Austria, Slovenia and Slovakia) and with 873 restaurants under umbrella it accounts for ca. 45% of revenues of the Group;
2) Russia, where AmRest manages the network of KFC and Pizza Hut restaurants. The segment includes also Pizza Hut restaurants located in Armenia and Azerbaijan;
3) Western Europe ("WE"), a segment which primarily consists of Spain, France and Germany, where both franchised and proprietary brands are operated; as a result of dynamic organic expansion supported by recent acquisitions, division of Western Europe has become a significant operating segment of the Group consisting of 12 countries and generating ca. 35% of AmRest's revenues;
4) China, where the networks of two proprietary brands are operated: Blue Frog and Kabb.

The detailed description of the segments is included in Note 5 of the Consolidated Financial Statements.

The operations of AmRest are well-diversified across four main categories of restaurant industry:

1) Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2) Fast Casual Restaurants ("FCR"), represented by Pizza Hut Delivery and Express, Bacoa and Sushi Shop,
3) Casual Dining Restaurants ("CDR"), represented by Pizza Hut Dine-in, La Tagliatella, Blue Frog and KABB
4) Coffee category, represented by Starbucks.

Within the current business model of the Group, AmRest operates its network of restaurants as a franchisee (for the brands of KFC, Pizza Hut, Starbucks and Burger King), as well as a brand owner and franchisor (for the brands of La Tagliatella, Blue Frog, Sushi Shop and Bacoa). In addition, within the concepts of Pizza Hut Delivery and Pizza Hut Express the Company acts as a master-franchisee, having the rights to sub-license these brands to third parties.

AmRest restaurants provide on-site catering services, take-away services, drive-in services at special sales points ("Drive Thru"), as well as deliveries of orders placed online or by telephone. Nowadays, food delivery is the fastest growing segment of AmRest operations.

Activity in aggregator area

On 31 March 2017 AmRest signed the Investment Agreement with Delivery Hero GmbH and Restaurant Partner Polska ("RPP"). As a result of the agreement, on 31 August 2017 AmRest acquired 51% of shares in RPP, becoming its majority shareholder. RPP operates a platform of PizzaPortal.pl – an aggregator collecting offers from almost 4 000 different restaurants in ca. 400 cities in Poland and enabling online ordering and subsequent delivery of the meals to the customers.

On 17 July 2018 AmRest signed agreements aimed at becoming co-lead investor in Glovoapp23, S.L., based in Barcelona, Spain. As a result, the Group acquired 10% of total number of Glovo shares (effectively on 23 July 2018). Glovo is one of the key players in digital food delivery on the Spanish market. It is an application that allows to buy, collect and send any product within the same city at a time. With more than 1 million users and more than 5 thousand associated partners, it serves ca. 14 million transactions yearly. In Spain, the service is available in more than 20 major urban areas. Internationally, Glovo operates in the main capital cities in Europe and EMEA, as well as LATAM region.

Structure of revenues

Consolidated revenues of AmRest Group amounted to EUR 1 546.9 million in 2018, which represented a 25% growth compared with the previous year (EUR +309 million). Main drivers of such a dynamic growth were:

- Positive sales trends in comparable restaurants ("LFL") in all major brands and markets of AmRest's operations,
- Accelerated expansion of restaurant network through organic growth. In 2018 AmRest delivered a record-high number of new openings, adding 280 new restaurants to its portfolio (vs 213 in 2017),
- consolidation of revenues from major M&A projects, executed in the years of 2017-2018 (i.e. acquisition of Pizza Hut and KFC businesses in Germany, France and Russia, acquisition of Bacoa brand in Spain, acquisition of Sushi Shop chain and purchase of 51% stake in Pizzaportal.pl). Consolidated revenues of abovementioned businesses amounted to EUR 228 million in 2018.

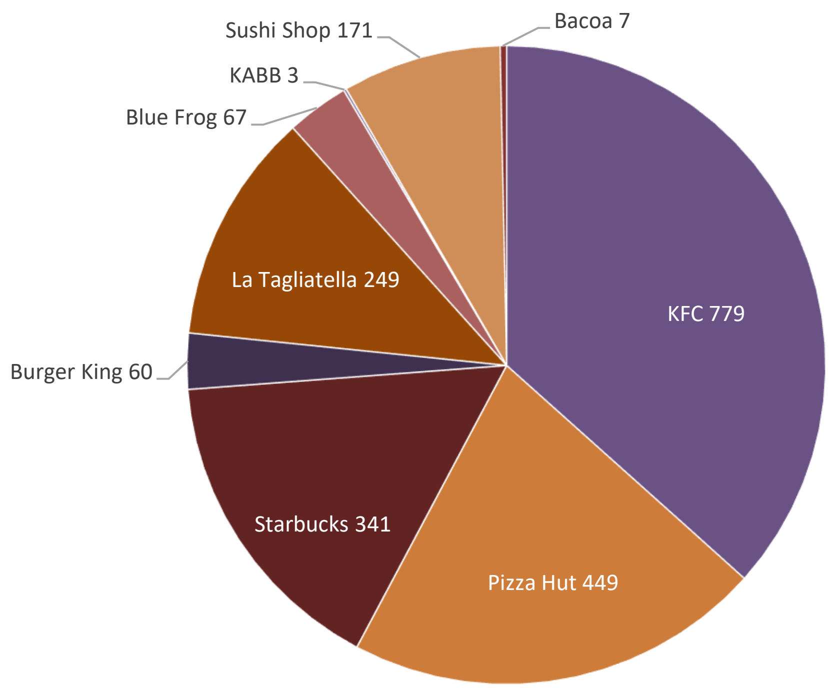
(all figures in EUR millions unless stated otherwise)

	year ended			
	31 December 2018		31 December 2017	
Revenue	Amount	Share	Amount	Share
Central and Eastern Europe	717.6	46.39%	619.2	50.02%
Western Europe	569.8	36.83%	400.4	32.35%
Russia	168.6	10.90%	142.4	11.50%
China	73.6	4.76%	62.3	5.03%
Other*	17.3	1.12%	13.6	1.10%
Total	**1 546.9**	**100.00%**	**1 237.9**	**100.00%**

**Revenues of SCM Group and Pizzaportal.pl*

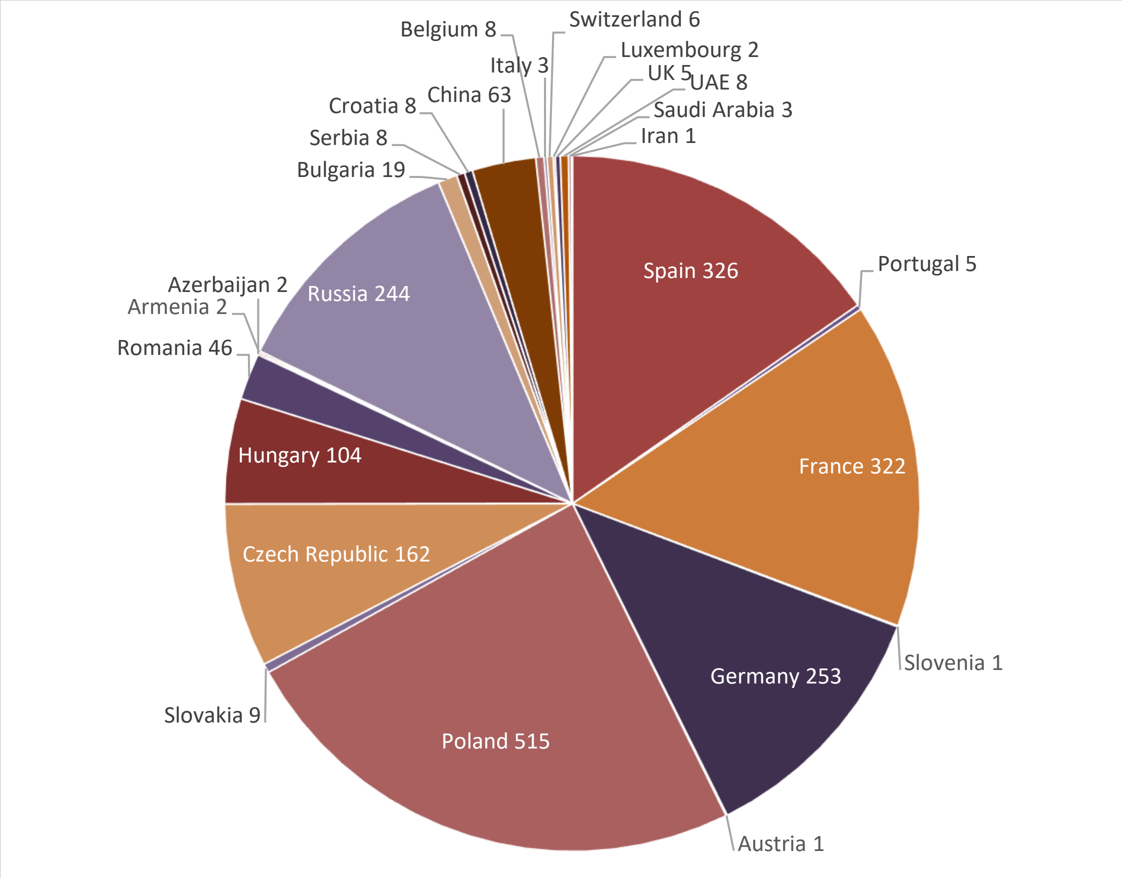
The seasonality of sales and inventories of AmRest Group is not significant which is typical for the whole restaurant industry. In the CEE region restaurants achieve lower revenues in the first half of the year, which is the result of lower number of days of sales in February as well as relatively less frequent visits of customers in restaurants.

Number of AmRest restaurants broken down by brands as at 31 December 2018*



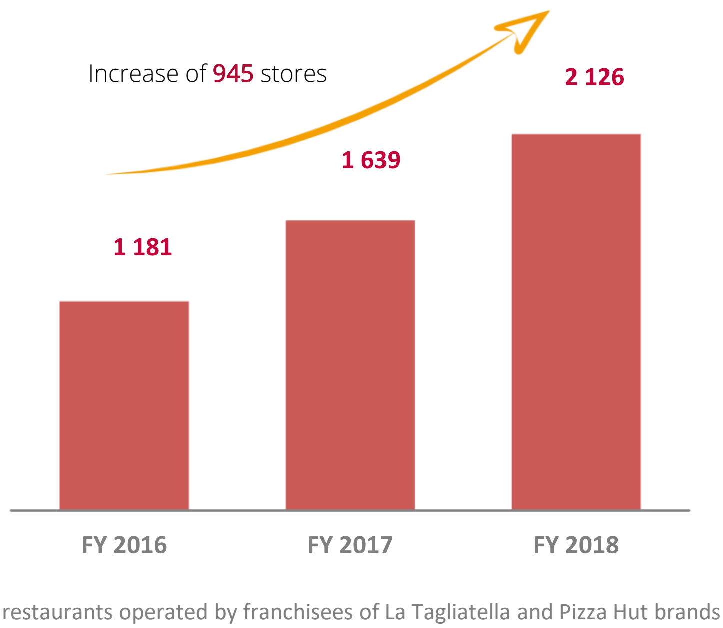
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa and Sushi Shop brands.*

Number of AmRest restaurants broken down by countries as at 31 December 2018*



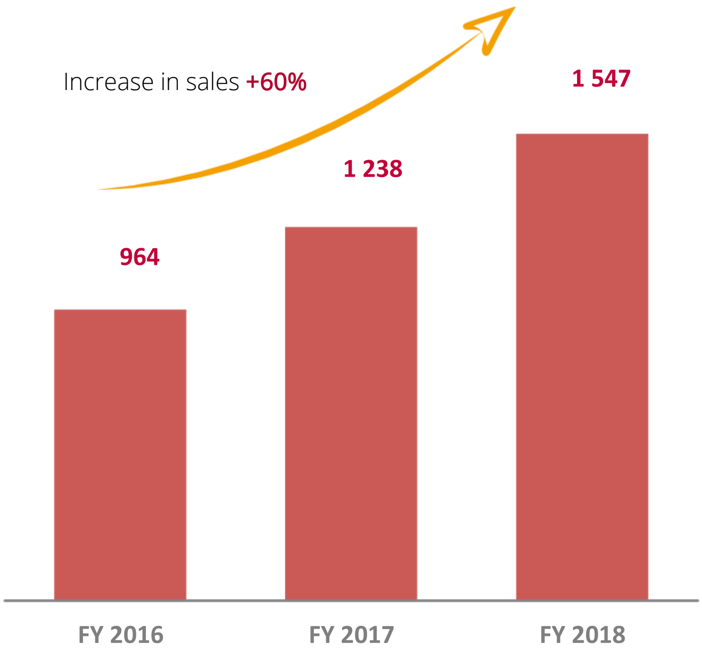
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa and Sushi Shop brands.*

Number of AmRest Group restaurants as at 31 December 2016-2018

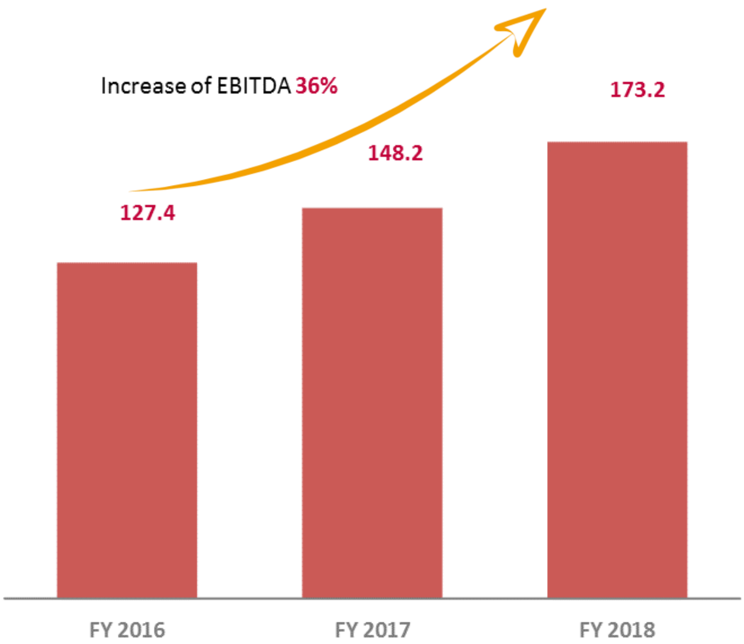


** Including restaurants operated by franchisees of La Tagliatella and Pizza Hut brands.*

The AmRest Group revenue for the 12 months ended 31 December 2016-2018



The AmRest Group EBITDA for the 12 months ended 31 December 2016-2018



Financial and asset position of the Group

Revenue

Consolidated revenues of the AmRest Group amounted to EUR 1 546.9 million in 2018 and were 25% higher compared to the previous year (EUR +309 million). Solid top line growth was primarily driven by continued positive sales trends in comparable restaurants ("like-for-like", "LFL") and a dynamic pace of new openings across all major brands and markets of AmRest's operations (280 restaurants opened in 2018). In 2018 AmRest also benefited from the consolidation of the businesses acquired in 2017-2018. The revenues of the Group, adjusted by the impact of all major M&As since the acquisition of KFC in Germany (March 2017), amounted to EUR 1 318.9 million in 2018, representing a 11.9% growth over the year.

In Q4 2018 the revenues of AmRest increased by 23.3% compared to Q4 2017 and amounted to EUR 442.9m

The revenues in Central Europe (CEE) amounted to EUR 717.6 million in 2018, growing by 15.9% compared to the previous year. Most of business units in the region reported positive LFL sales in 2018. At the same time, the Group opened 140 new restaurants in CEE.

In Russia, a solid growth of sales in 2018 was observed. In local currency, the revenues of Russian division increased by 33.1% compared to 2017. Due to weakening ruble in 2018, consolidated revenues amounted to EUR 168.6 million, which represented a 18.4% growth over the year. Improvement in sales was driven by positive LFL trends, accelerated organic growth (42 restaurants opened in 2018) as well as consolidation of KFC and Pizza Hut businesses acquired by AmRest in 2017 and 2018 respectively.

The most dynamic growth of revenues was reported in the Western Europe division, where sales increased by 42.3% to EUR 569.8 million in 2018, largely driven by new businesses acquired in 2017-2018 and positive LFL trends in the core business. The revenues in Spain grew by 12.5% in 2018 on the back of solid LFL trends of La Tagliatella and KFC chains. Additionally, 27 new stores were opened in the region in 2018. In the meantime, AmRest acquired premium burger concept Bacoa. In Germany the revenues grew by 8.5% to EUR 170.4 million in 2018, primarily driven by expansion the restaurant network (25 new stores opened in 2018) and acquired businesses of KFC and Pizza Hut in 2017. Significant increase of revenues in France (EUR 153.9 million in 2018 vs EUR 25.7 million in 2017) resulted mainly from the acquisition of KFC and Sushi Shop businesses in 2017 and 2018.

In China, the revenues grew by 18.1% to EUR 73.6 million in 2018. The Company continued further expansion of Blue Frog brand and opened 17 new restaurants in China in 2018.

The segment Other comprised the sales of SCM Group realized from the non-related entities and the revenues of pizzaportal.pl. In 2018 the revenues of this segment amounted to EUR 17.3 million, which was 26.9% higher than year ago.

Profitability

In 2018 AmRest operations continued to grow at a double-digit pace. On the back of positive sales trends and strong performance of its core business, the Group reported EBITDA profit of EUR 173.2 million, which was 16.8% higher than in 2017. At the same time EBITDA margin stood at 11.2%, being 0.8pp below LY's level.

While most of the major markets of AmRest reported solid profitability improvement, in 2018 total margins of the Group were impacted by consolidation and integration of recently acquired businesses. The EBITDA margin of core operations of AmRest, i.e. adjusted by 2017-2018 M&As activities, reached 13.2% in 2018 and was 0.4pp higher than in 2017.

In Q4 2018 the EBITDA of AmRest reached EUR 49.3 million, representing a substantial growth of 27.4% over the year. At the same time EBITDA margin was 0.4pp higher than year ago and reached 11.1% in Q4 2018. Apart from improved profitability of the Core, in Q4 2018 the results of the Group were strengthened by newly acquired businesses, mainly KFC Russia, KFC France and Sushi Shop.

In 2018 AmRest benefited from relatively lower cost of rent (-0.5pp) and continued positive trends in cost of sales (-0.4pp), being a result of increased efficiency in supply system, innovations in food processing and new product development as well as cost optimization. At the same time, our endeavors around product and cost of food were aimed at maintaining the great quality of food for our customers. The savings in abovementioned areas allowed to partially offset relatively higher cost of labor (+1.5pp) driven by rising salaries in Central Europe and relatively higher payroll costs in Western European businesses than were recently acquired. As a result, the operating profit (EBIT) of the Group amounted to EUR 71.6 million in 2018 and was 14.1% higher than year ago. EBIT margin stood at 4.6% and was 0.5pp below last year.

The net profit attributable to AmRest shareholders amounted to EUR 43 million in 2018, while the net margin declined from 3.5% to 2.8%.

Profitability of CEE region in 2018 was to high extent driven by outstanding performance of Czech and Hungarian markets (29.3% and 28.5% increase in EBITDA, respectively), where solid top line growth and maintained cost discipline resulted in further strengthening of EBITDA margins (to 20.8% and 16.6%, respectively). At the same time, the results in Poland were impacted by increase in cost of labor and G&A, partially offset by relatively lower food costs. The EBITDA in Poland grew by 3.2%, while EBITDA margin declined by 0.8pp to 11.8%. In 2018 the Company continued development of delivery services, which was the fastest growing segment of AmRest operations. In Poland, delivery sales grew by 34% compared to 2017. In total, the EBITDA profit generated in Central Europe amounted to EUR 104.5 million in 2018, which was a 12.9% increase over the year.

Russian division witnessed significant profitability improvement, with EBITDA growing by 29.1% in 2018 to EUR 21.7 million. The EBITDA margin strengthened by 1.1pp to 12.9%, primarily driven by a solid performance of KFC business, which continued to expand in scale while significantly improving margins at the same time.

The EBITDA of Western Europe division amounted to EUR 57.6 million in 2018 and was 24% higher than year ago. Spanish market reported EUR 53.7 million EBITDA in 2018, which represented a 9.4% growth over the year. EBITDA margin in Spain declined by 0.6pp to 22% as a result of an evolution in brand portfolio. In addition to expansion of La Tagliatella, in 2018 AmRest accelerated development of KFC brand, by opening 14 new restaurants in Spain, as well as continued growth of Blue Frog network (5 stores added in 2018) and Bacoa (1 restaurant opened in 2018), which had dilutive impact on margins. In Germany, the Company continued integration of acquired businesses. Starbucks chain reported positive EBITDA both in Q4 and full year of 2018, which was offset by the losses incurred in the new KFC and Pizza Hut businesses, requiring further restructuring. As a result EBITDA in Germany was EUR 1.7 million negative in 2018. French market reported EUR 6 million EBITDA profit in 2018, driven primarily by consolidation of Sushi Shop and solid performance of KFC business which exceeded initial expectations.

Chinese business continued steady improvement in profitability, with EBITDA margin increased to 9.7% in 2018. As communicated in the past, the intention of AmRest is to develop Blue Frog business in China at the pace allowing for moderate expansion in scale while continuing margins improvement at the same time. Going forward, solid sales and margin growth of the Blue Frog business gives us great optionality for this prospective market.

(all figures in EUR millions unless stated otherwise)

Revenues and margins generated in the particular markets
for the years ended 31 December 2018 and 2017

	year ended 31 December 2018			year ended 31 December 2017		
	Amount	Share	Margin	Amount	Share	Margin
Revenue	**1 546.9**			**1 237.9**		
Poland	*409.4*	*26.5%*		*370.2*	*29.9%*	
Czechia	*169.6*	*11.0%*		*139.0*	*11.2%*	
Hungary	*89.7*	*5.8%*		*70.6*	*5.7%*	
Other CEE	*48.9*	*3.2%*		*39.4*	*3.2%*	
Total CEE	717.6	46.4%		619.2	50.0%	
Russia	168.6	10.9%		142.4	11.5%	
Spain	*244.3*	*15.8%*		*217.3*	*17.6%*	
Germany	*170.4*	*11.0%*		*157.0*	*12.7%*	
*France**	*153.9*	*10.0%*		*25.7*	*2.1%*	
Other Western Europe	*1.2*	*0.1%*		*0.4*	*0.0%*	
Western Europe	569.8	36.8%		400.4	32.3%	
China	73.6	4.8%		62.3	5.0%	
Other	17.3	1.1%		13.6	1.1%	
EBITDA	**173.2**		11.2%	**148.2**		12.0%
Poland	*48.3*		*11.8%*	*46.8*		*12.6%*
Czechia	*35.3*		*20.8%*	*27.3*		*19.6%*
Hungary	*14.9*		*16.6%*	*11.6*		*16.4%*
Other CEE	*6.0*		*12.3%*	*6.9*		*17.6%*
Total CEE	104.5		14.6%	92.6		15.0%
Russia	21.7		12.9%	16.8		11.8%
Spain	*53.7*		*22.0%*	*49.1*		*22.6%*
Germany	*-1.7*		*-*	*-0.6*		*-*
*France**	*6.0*		*3.9%*	*-1.6*		*-*
Other Western Europe	*-0.4*		*-*	*-0.4*		*-*
Western Europe	57.6		10.1%	46.5		11.6%
China	7.1		9.7%	5.9		9.5%
Other	-17.7		-	-13.6		-
Adjusted EBITDA	**187.8**		12.1%	**162.2**		13.1%
Poland	*48.9*		*11.9%*	*49.4*		*13.3%*
Czechia	*37.0*		*21.9%*	*28.3*		*20.4%*
Hungary	*16.4*		*18.3%*	*12.4*		*17.6%*
Other CEE	*7.3*		*14.7%*	*7.7*		*19.5%*
Total CEE	109.6		15.3%	97.8		15.8%
Russia	22.7		13.4%	17.9		12.6%
Spain	*55.5*		*22.7%*	*50.4*		*23.2%*
Germany	*-0.1*		*-*	*-0.1*		*-*
*France**	*9.5*		*6.1%*	*-1.1*		*-*
Other Western Europe	*-0.3*		*-*	*-0.4*		*-*
Western Europe	64.6		11.3%	48.8		12.2%
China	8.1		11.0%	6.6		10.5%
Other	-17.2		-	-8.9		-
EBIT	**71.6**		4.6%	**62.7**		5.1%
Poland	*19.6*		*4.8%*	*21.5*		*5.8%*
Czechia	*26.0*		*15.3%*	*19.7*		*14.2%*
Hungary	*8.9*		*10.0%*	*6.7*		*9.5%*
Other CEE	*0.6*		*1.6%*	*3.4*		*9.0%*
Total CEE	55.1		7.7%	51.3		8.3%
Russia	10.4		6.2%	6.7		4.7%
Spain	*38.1*		*15.6%*	*34.4*		*15.9%*
Germany	*-11.2*		*-*	*-10.5*		*-*
*France**	*-3.6*		*-*	*-4.2*		*-*
Other Western Europe	*-0.5*		*-*	*-0.8*		*-*
Western Europe	22.8		4.0%	18.9		4.7%
China	1.7		-	-0.2		-
Other	-18.4		-	-14		-

** "France" includes results of Sushi Shop business in all markets of its operations*

(all figures in EUR millions unless stated otherwise)

Revenues and margins generated in the particular markets a for 3 months ended 31 December 2018 and 2017

	3 months ended 31 December 2018			3 months ended 31 December 2017		
	Amount**	Share	Margin	Amount**	Share	Margin
Revenue	**442.9**			**359.1**		
Poland	*108.6*	*24.5%*		*102.2*	*28.5%*	
Czechia	*48*	*10.8%*		*41.6*	*11.6%*	
Hungary	*24.9*	*5.6%*		*20.8*	*5.8%*	
Other CEE	*13.9*	*3.1%*		*11.6*	*3.2%*	
Total CEE	195.4	44.1%		176.2	49.1%	
Russia	44.1	10.0%		41.8	11.6%	
Spain	*67.9*	*15.3%*		*59.3*	*16.5%*	
Germany	*44.7*	*10.1%*		*43.4*	*12.1%*	
*France**	*66.4*	*15.0%*		*18.7*	*5.2%*	
Other Western Europe	*0.5*	*0.1%*		*0.3*	*0.1%*	
Western Europe	179.5	40.5%		121.7	33.9%	
China	18.8	4.3%		15.3	4.3%	
Other	5.1	1.1%		4.1	1.2%	
EBITDA	**49.3**		11.1%	**38.7**		10.8%
Poland	*11.2*		*10.3%*	*13.2*		*12.9%*
Czechia	*10*		*20.8%*	*8.1*		*19.4%*
Hungary	*3.6*		*14.5%*	*2.8*		*13.3%*
Other CEE	*2.1*		*15.0%*	*1.8*		*16.6%*
Total CEE	26.9		13.8%	25.9		14.7%
Russia	6.0		13.6%	4.9		11.7%
Spain	*16.0*		*23.5%*	*14.7*		*24.8%*
Germany	*0.1*		*0.1%*	*1.1*		*2.6%*
*France**	*4.8*		*7.4%*	*-1.0*		-
Other Western Europe	*0.0*		-	*-0.1*		-
Western Europe	20.9		11.7%	14.7		12.1%
China	1.2		6.4%	0.9		6.0%
Other	-5.7		-	-7.7		-
Adjusted EBITDA	**56.4**		12.7%	**46.5**		13.0%
Poland	*12.5*		*11.5%*	*14.4*		*14.1%*
Czechia	*11.1*		*23.0%*	*8.6*		*20.7%*
Hungary	*4.4*		*17.7%*	*3.2*		*15.5%*
Other CEE	*2.6*		*19.3%*	*2.4*		*20.2%*
Total CEE	30.6		15.7%	28.6		16.2%
Russia	6.0		13.7%	5.3		12.6%
Spain	*16.8*		*24.7%*	*15.2*		*25.6%*
Germany	*0.7*		*1.5%*	*1.5*		*3.4%*
*France**	*6.6*		*9.9%*	*-0.6*		-
Other Western Europe	*0.0*		*4.9%*	*-0.1*		-
Western Europe	24.1		13.4%	16		13.1%
China	1.5		8.2%	1		6.7%
Other	-5.8		-	-4.4		-
EBIT	**19.6**		4.4%	**10.7**		3.0%
Poland	*2.9*		*2.7%*	*5.7*		*5.5%*
Czechia	*7.8*		*16.3%*	*5.9*		*14.2%*
Hungary	*1.8*		*7.1%*	*1.4*		*6.9%*
Other CEE	*0.5*		*3.1%*	*0.9*		*7.5%*
Total CEE	13.0		6.6%	13.9		7.9%
Russia	2.8		6.4%	2		4.7%
Spain	*12.5*		*18.4%*	*10*		*16.9%*
Germany	*-2.8*		-	*-3.1*		-
*France**	*0.9*		*1.2%*	*-3.1*		-
Other Western Europe	*-0.1*		-	*-0.1*		-
Western Europe	10.5		5.8%	3.7		3.0%
China	-0.7		-	-0.9		-
Other	-6.0		-	-8		-

** "France" includes results of Sushi Shop business in all markets of its operations*

*** Data not audited*

(all figures in EUR millions unless stated otherwise)

Reconciliation of the net profit and adjusted EBITDA for years ended 31 December 2018 and 2017

	year ended 31 December 2018		year ended 31 December 2017		FY / FY	
	Amount	% of sales	Amount	% of sales	change	% of change
Restaurant sales	1 460.6	94.4%	1 162.3	93.9%	298.3	25.7%
Franchise and other sales	86.3	5.6%	75.6	6.1%	10.7	14.1%
Total sales	**1 546.9**		**1 237.9**		**309.0**	**25.0%**
Profit/(loss) for the period	**41.3**	**2.7%**	**42.7**	**3.4%**	**-1.4**	**-3.4%**
+ Finance costs	16.8	1.1%	14.0	1.1%	2.7	19.4%
– Finance income	-2.7	-0.2%	-0.8	-0.1%	-1.9	242.0%
+ Income tax expense	16.2	1.0%	6.8	0.6%	9.5	141.5%
+ Depreciation and Amortisation	92.1	6.0%	77.7	6.3%	14.4	18.5%
+ Impairment losses	9.5	0.6%	7.8	0.6%	1.7	21.2%
EBITDA	**173.2**	**11.2%**	**148.2**	**12.0%**	**25**	**16.9%**
+ Start-up expenses	13.2	0.9%	9.2	0.7%	4.0	43.8%
+ M&A related expenses	3.1	0.2%	2.9	0.2%	0.2	7.7%
+/– Effect of SOP exercise method modification	0.8	0.1%	1.9	0.1%	-1.0	-57.2%
+/– Indirect taxes adjustments	-2.5	-0.2%	0.0	0.0%	-2.5	n/a
Adjusted EBITDA	**187.8**	**12.1%**	**162.2**	**13.1%**	**25.6**	**15.8%**

Liquidity analysis

	31 December 2018	31 December 2017
Current assets	250.3	222.4
Inventory	25.7	22.4
Current liabilities	265.3	232.7
Quick ratio	0.85	0.86
Current ratio	0.94	0.96
Cash and cash equivalents	118.4	131.2
Cash ratio	0.45	0.56
Inventory turnover (in days)	5.27	5.83
Trade and other receivables	61.9	38.7
Trade receivables turnover (in days)	9.95	8.54
Operating ratio (cycle) (in days)	15.21	14.37
Trade and other accounts payable	246.9	188.7
Trade payables turnover (in days)	46.12	42.28
Cash conversion ratio (in days)	-30.91	-27.91

Definitions:

- *Quick ratio – current assets net of inventories to current liabilities*
- *Current ratio – current assets to current liabilities*
- *Cash ratio – cash and cash equivalents to current liabilities*
- *Inventory turnover ratio – average inventories to revenue multiplied by the number of days in the period*

(all figures in EUR millions unless stated otherwise)

- *Trade receivables turnover ratio – average trade and other receivables to revenue multiplied by the number of days in the period*
- *Operating ratio (cycle) – total of inventories turnover and receivables turnover*
- *Trade payables turnover ratio – average trade and other accounts payable to revenue multiplied by the number of days in the period*
- *Cash conversion ratio – difference between the operating ratio and the trade payables turnover ratio*

Leverage analysis

	31 December 2018	31 December 2017
Non-current assets	1 191.0	814.9
Liabilities	1 010.7	714.7
Non-current liabilities	745.4	482.0
Debt	661.8	471.6
Share of inventories in current assets (%)	0.10	0.10
Share of trade receivables in current assets (%)	0.25	0.17
Share of cash and cash equivalents in current assets (%)	0.47	0.59
Equity to non-current assets ratio	0.36	0.40
Gearing ratio	0.70	0.69
Long-term liabilities to equity ratio	1.73	1.49
Liabilities to equity ratio	2.35	2.22
Debt/equity	1.54	1.46

Definitions:

- *Share of inventories, trade and other receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets;*
- *Equity to non-current assets ratio – equity to non-current assets;*
- *Gearing – liabilities and provisions to total assets;*
- *Non-current liabilities to equity – non-current liabilities to equity;*
- *Liabilities to equity – liabilities and provisions to equity;*
- *Debt/equity – total non-current and current interest bearing loans and borrowings.*

Debt ratios

The debt and liquidity ratios of the Group were at levels ensuring smooth operating activities and reflected the specifics of restaurant industry.

The Group's equity increased by EUR 107.9 million compared to the balance at the end of 2017 and amounted to EUR 430.5 million at the end of 2018. The change in equity resulted mainly from the increase of retained earnings (EUR +40.7 million in 2018) and a new capital issued in October 2018 (EUR 69.2 million). The net debt to EBITDA ratio amounted to 2.97 as at the end of 2018, as a net effect of growing profitability, mentioned raise of capital and increased debt financing needed for accelerated organic growth and M&A activities.

Brands operated by the Group

As at the date of publication of the Report, the portfolio of AmRest consisted of nine brands: KFC, Pizza Hut, Starbucks, Burger King, La Tagliatella, Blue Frog, Kabb, Bacoa and Sushi Shop.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Starting from 1 October 2016 the Group as a master-franchisee has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees.

Burger King restaurants are operated on a franchise basis following an agreement concluded with Burger King Europe GmbH.

Starbucks restaurants in Poland, the Czech Republic and Hungary are opened by the companies AmRest Coffee (owned in 82% by AmRest and in 18% by Starbucks). These companies have the rights and licenses to develop and manage Starbucks restaurants in respective countries. Starbucks restaurants in Romania, Bulgaria, Germany and Slovakia are operated by the Group on a franchise basis.

La Tagliatella is the proprietary brand of AmRest and became a part of its portfolio in April 2011. La Tagliatella restaurants are operated directly by AmRest as well as by third party entities which operate restaurants on a franchise basis.

Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of acquisition of majority stake in Blue Horizon Hospitality Group LTD.

Bacoa brand was acquired by AmRest on 31 July 2018 from Bloom Motion, S.L. and Mr. Johann Spielthenner, The chain represents seven premium burger restaurants operated in Spain through equity and franchise model.

Sushi Shop, a leading European sushi concept, is a proprietary brand of AmRest and became a part of its portfolio through the acquisition of Sushi Shop Group SAS finalized on 31 October 2018. Sushi Shop restaurants are operated by both AmRest (equity stores) and AmRest's franchisees. Sushi Shop network is present in 12 countries and reported within the Western Europe segment.

Quick Service Restaurants (QSR)

Established in 1952, the KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are currently more than 20 000 KFC restaurants in 125 countries worldwide.

As at 31 December 2018 the Group operated 779 KFC restaurants: 264 in Poland, 97 in the Czech Republic, 58 in Hungary, 178 in Russia, 67 in Spain, 27 in Germany, 65 in France, 8 in Serbia, 5 in Bulgaria, 8 in Croatia, 1 in Austria and 1 in Slovenia.

The beginnings of Burger King date back to 1954. Today, Burger King ("Home of the Whopper") operates about 15 500 restaurants, serving about 11 million customers in 100 countries every day. Almost 100% of Burger King restaurants are run by independent franchisees and many of them have been managed for decades as family businesses. Burger King brand is owned by 3G Capital.

As at 31 December 2018 AmRest ran the total of 60 Burger King restaurants – 40 in Poland, 17 in the Czech Republic, 1 in Bulgaria and 2 in Slovakia.

Casual Dining and Fast Casual Restaurants (CDR, FCR)

La Tagliatella arose from the experience of more than two decades of specialization in the traditional cuisine of the regions of El Piemonte, La Liguria and La Reggio Emilia. Over the past year the brand has entertained more than 9 million customers, who delighted in the most authentic flavours of Italian cuisine.

As at 31 December 2018 AmRest operated 249 La Tagliatella restaurants — 237 in Spain, 8 in France, 2 in Germany and 2 in Portugal.

Pizza Hut is one of the largest casual dining restaurant chains in Europe. Inspired by the Mediterranean cuisine, it promotes the idea of having a good time while enjoying a meal together with family and friends. It is also the biggest brand in the Polish casual dining segment in terms of sales and the number of transactions. Pizza Hut's strong position results from consistently implemented "Pizza and much more!" strategy which assumes extending the brand's offer by adding new categories such as pastas, salads, desserts and starters while retaining the position of a leader and "pizza expert".

In addition to the well-established Casual Dining format, AmRest focuses now on creating new concepts within the Pizza Hut family. Meeting guests' expectations the Fast Casual Pizza Hut Express and Delivery restaurants have been created. Pizza Hut's exceptional taste is now being leveraged with speed, convenience and ease, creating an unique customer experience.

As at 31 December 2018 AmRest ran 449 Pizza Hut restaurants – 140 in Poland, 66 in Russia, 19 in Hungary, 7 in Czech Republic, 129 in France, 82 in Germany, 2 in Armenia, 2 in Azerbaijan and 2 in Slovakia.

Inclusion of the Blue Horizon Hospitality Group to AmRest structure in 2012 enriched the CDR segment brand portfolio with two new positions operating in the Chinese market.

- Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine in a nice atmosphere.
- KABB Bistro Bar — premium segment restaurant, serving "western cuisine" dishes and a wide selection of wines and drinks.

As at 31 December 2018 AmRest operated 67 Blue Frog (60 in China, 6 in Spain and 1 in Poland) and 3 KABB restaurants.

Bacoa is a popular premium burger concept in Spain. Since 2010, it has been bringing high quality, freshly cooked burgers and chips to their loyal fans. Bacoa is passionate about using premium ingredients and preparing everything by hand, proving every day that fast food can also be good food with the right approach.

As 31 December 2018, AmRest operated 7 Bacoa restaurants in Spain (5 in Barcelona, 1 in Madrid and 1 in Lleida).

Founded in 1998 by Grégory Marciano and Adrien de Schompré, Sushi Shop is the leading European chain of restaurants for sushi, sashimi and other Japanese specialties. It is positioned as a premium brand offering food prepared fresh with highest quality ingredients.

Sushi Shop has successfully established an international network of company-operated and franchises stores across 12 countries.

As 31 December 2018, AmRest operated 171 Sushi Shop restaurants (120 in France, 9 in Spain, 3 in Germany, 3 in Portugal, 8 in Belgium, 3 in Italy, 2 in Luxemburg, 5 in UK, 6 in Switzerland, 3 in Saudi Arabia, 8 in UAE and 1 in Iran).

Coffee category

Starbucks is the world leader in the coffee sector with about 26 000 stores in 75 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh snacks and desserts. The store designs and their atmosphere refer to the coffee heritage and reflect the culture of the neighborhood.

As at 31 December 2018 AmRest Coffee operated 341 stores (70 in Poland, 41 in the Czech Republic, 27 in Hungary, 46 in Romania, 13 in Bulgaria, 139 in Germany and 5 in Slovakia).

(all figures in EUR millions unless stated otherwise)

Key investments

The capital expenditure incurred by AmRest related mainly to a development of restaurant network. The Group increased the scale of the business through construction of new restaurants, acquisition of restaurant chains from third parties as well as reconstruction and replacement of assets in the existing stores. Each year, the Group's capital expenditure depends mainly on the number and type of restaurants opened as well as scale and profile of M&A activities.

In 2018 AmRest's capital expenditure was financed from cash flows from operating activities, debt financing and issue of new share capital.

The table below presents purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in 12 months ended 31 December 2018 and 31 December 2017.

Purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in AmRest

	year ended	
	31 December 2018	31 December 2017
Intangible assets:	**106.0**	**24.7**
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	5.7	6.1
Other intangible assets	100.3	18.6
Goodwill	**158.9**	**42.6**
Property, plant and equipment:	**204.8**	**174.5**
Land	7.3	11.3
Buildings and expenditure on development of restaurants	92.0	78.8
Machinery & equipment	82.4	54.7
Vehicles	1.1	0.5
Other tangible assets (including assets under construction)	22.0	29.2
Total	**469.7**	**241.8**

AmRest's New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Total
31.12.2017	1 294	345	1 639
New Openings	251	29	280
Acquisitions	143	96	239
Closings	21	11	32
31.12.2018	1 667	459	2 126

As at 31 December 2018, AmRest operated 2 126 restaurants, including 459 restaurants which are managed by franchisees (167 La Tagliatella, 222 Pizza Hut, 2 Blue Frog, 4 Bacoa and 64 Sushi Shop). Compared with 31 December 2017, the Group runs 487 more restaurants. 280 new restaurants were opened: 140 restaurants in Central and Eastern Europe, 42 in Russia, 81 in Western Europe and 17 in China. At the beginning of June

(all figures in EUR millions unless stated otherwise)

2018 AmRest acquired from Pizza Hut Europe S.à.r.l. 16 Pizza Hut equity and 28 franchised restaurants mostly in the Russian market. Bacoa brand including 2 equity and 4 franchised restaurants was purchased at the end of July 2018. Between September and November 2018 AmRest acquired from KFC France SAS 15 KFC restaurants in France. On 31 October 2018 The Company's portfolio was enhanced by 179 Sushi Shop restaurants operated in 12 countries.

Number of AmRest restaurants (as at 31 December 2018)

Countries	Brands	31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Poland	**Total**	**454**	**456**	**470**	**478**	**515**
	KFC	243	245	248	249	264
	BK	41	41	42	42	40
	SBX	64	63	65	67	70
	PH	105	106	114	119	140
	BF	1	1	1	1	1
Czech Republic	**Total**	**133**	**133**	**137**	**143**	**162**
	KFC	85	85	88	90	97
	BK	12	12	12	12	17
	SBX	34	34	35	37	41
	PH	2	2	2	4	7
Hungary	**Total**	**82**	**82**	**85**	**89**	**104**
	KFC	50	50	51	53	58
	SBX	20	19	21	22	27
	PH	12	13	13	14	19
Russia	**Total**	**165**	**168**	**217**	**226**	**244**
	KFC	154	156	160	166	178
	PH equity	11	12	33	36	41
	PH franchised	-	-	24	24	25
Bulgaria	**Total**	**13**	**13**	**15**	**18**	**19**
	KFC	5	5	5	5	5
	BK	1	1	1	1	1
	SBX	7	7	9	12	13
Serbia	KFC	**7**	**7**	**7**	**7**	**8**
Croatia	KFC	**7**	**7**	**7**	**7**	**8**
Romania	SBX	**36**	**38**	**40**	**41**	**46**
Slovakia	**Total**	**4**	**4**	**4**	**5**	**9**
	SBX	4	4	4	4	5
	PH	-	-	-	1	2
	BK	-	-	-	-	2
Armenia	PH franchised			**2**	**2**	**2**
Azerbaijan	PH franchised			**2**	**2**	**2**
Spain	**Total**	**278**	**278**	**287**	**299**	**326**
	TAG equity	72	71	69	70	73
	TAG franchised	152	153	159	161	164
	KFC	53	53	57	58	67
	Blue Frog equity	1	1	2	2	4
	Blue Frog franchised	-	-	-	2	2
	Bacoa equity	-	-	-	2	3
	Bacoa franchised	-	-	-	4	4
	Sushi Shop equity	-	-	-	-	2
	Sushi Shop franchised	-	-	-	-	7
France	**Total**	**176**	**178**	**179**	**191**	**322**
	TAG equity	5	5	5	5	5
	TAG franchised	4	4	4	4	3
	KFC	8	8	8	10	11
	PH equity	118	118	117	116	118
	PH franchised	41	43	45	56	65
	Sushi Shop equity	-	-	-	-	86
	Sushi Shop franchised	-	-	-	-	34

(all figures in EUR millions unless stated otherwise)

Germany	**Total**	**234**	**235**	**237**	**239**	**253**
	SBX	136	133	133	134	139
	TAG equity	2	2	2	2	2
	KFC	22	23	24	24	27
	PH equity	3	4	4	4	7
	PH franchised	71	73	74	75	75
	Sushi Shop franchised	-	-	-	-	3
Austria	KFC	1	1	1	1	1
Slovenia	KFC	1	1	1	1	1
Portugal	**Total**	1	1	1	1	5
	TAG equity	1	1	1	1	2
	Sushi Shop franchised	-	-	-	-	3
China	**Total**	47	47	51	57	63
	Blue Frog	43	43	47	53	60
	KABB	4	4	4	4	3
Belgium	**Total**	-	-	-	-	8
	Sushi Shop equity	-	-	-	-	5
	Sushi Shop franchised	-	-	-	-	3
Italy	**Total**	-	-	-	-	3
	Sushi Shop equity	-	-	-	-	1
	Sushi Shop franchised	-	-	-	-	2
Switzerland	Sushi Shop equity	-	-	-	-	6
Luxembourg	Sushi Shop equity	-	-	-	-	2
UK	Sushi Shop equity	-	-	-	-	5
UAE	Sushi Shop franchised	-	-	-	-	8
Saudi Arabia	Sushi Shop franchised	-	-	-	-	3
Iran	Sushi Shop franchised	-	-	-	-	1
Total AmRest		1 639	1 649	1 743	1 807	2 126

** The Board of Directors resolved not to be present in Iran and stopped collecting royalties from that franchisee while AmRest's exit of Iran is executed*

Planned investment activities

AmRest's strategy is to leverage its unique "Wszystko Jest Możliwe" culture, international capability and superior brand portfolio to grow scalable and highly profitable (min. 20% IRR) restaurants globally.

Similar to previous periods, AmRest intends to further strengthen its leadership position in European restaurant markets. Currently, the Company continues realization of its mid-term vision of doubling the size of the business within three years (2017-2019). The potential for growth in the existing markets of AmRest's operations allows for accelerated organic expansion through increased number of new restaurants. Invention of lighter store formats (i.e. KFC Kiosk, Pizza Hut Express, Pizza Hut Delivery) increased availability of new locations across the Europe, while the master-franchise rights within the brand of Pizza Hut additionally support the future growth.

Potential acquisitions remain the second pillar of AmRest's growth. On the back of recently finalized M&A transactions, AmRest plans to focus on integration of acquired businesses, aiming at increasing its scale and profitability.

In the light of growing popularity of take-away and delivery segments, AmRest will continue investing in online food ordering platforms and development of its delivery services across all major markets. Promising results of addition of AmRest's brands to Pizzaportal.pl as well as dynamic growth profile of Glovo services reinforced Company's long-term ambition to build a leadership position of food delivery segment in restaurant markets of Europe.

Similar to previous years, improvement of ROIC and building the long-term growth platform will define the main criteria of shaping the structure of new launches and acquisitions. AmRest's investment program will be financed both from the own sources and through debt financing.

Significant events and transactions in 2018

Entrance into Russian bakery segment

On 27 February 2018 the Group announced signing on the same day the Subscription and Shareholders' Agreement with LPQ Russia Limited, based in London, United Kingdom ("Partner").

The agreement defined the main terms and conditions of cooperation between AmRest Holdings SE and the Partner aimed at developing a restaurant business in the bakery segment in Russia through a newly-formed corporate structure. As a result, AmRest would become a majority shareholder, holding 51% stake in newly created company ("NewCo"). The remaining 49% stake will be held by the Partner. NewCo will own and control its subsidiaries: the operating entity in Russia and the trademarks holding company.

The cooperation assumed the contribution of trademarks ("Хлеб Насущный" (Khleb Nasuschny), "Филипповъ" (Philippov), "Наш хлеб" (Nash Khleb) and "Андреевские булочные" (Andreevsky Bulochnye)) to the Structure by the Partner. AmRest would invest EUR 6 million into the Structure with the purpose of developing the restaurant business in Russia.

The Group believes that described partnership and expansion into bakery sector will increase Group's footprint in the Russian market, enhance its product portfolio and broaden the customer base. The above is expected to strengthen AmRest's position in the restaurant sector in the region as well as be a source of value creation for AmRest shareholders in the future.

As at the date of this report, the transaction has not been finalized.

On 27 February 2019 first set of documents envisaged by the Subscription and Shareholders' Agreement as events necessary for Completion (or related to it) was signed.

Intention of the parties is to finalize the transaction by the end of April 2019 (subject to potential prolongation of such longstop date, which may be agreed by the parties).

Completion is a subject to fulfilment of all the conditions precedent defined in SSHA and will be conducted pursuant to the step plan agreed by the parties.

Registration of the Group's registered office in Spain

On 14 March 2018 AmRest Holdings SE informed that on the same day it received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain.

Simultaneously, the amended Statute of the Company adopted by the Extraordinary General Meeting of 5 October 2017 came into force.

In connection with the above, AmRest informed that Spain is currently its Home State and legal and regulatory provisions applicable in the Spanish market will now be applicable to the Company and its shareholders instead of some of the hitherto applicable Polish legal regulations.

Acquisition of Pizza Hut business in Russia

On 30 April 2018 AmRest signed the Master Franchise Agreement ("MFA") with Pizza Hut Europe S.à.r.l. („PH Europe"). As a result of completion of the MFA (1 June 2018), AmRest became a master-franchisee of Pizza Hut brand in Russia, Azerbaijan and Armenia, obtained the exclusive right to grant the license to the third parties to operate Pizza Hut restaurants (sub-franchise) in these countries and became the franchisor for nearly 30 restaurants currently operated by multiple sub-franchisees in abovementioned regions.

In order to facilitate the growth of scale of Pizza Hut business, PH Europe introduced an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Group meets certain development obligations specified in the MFA. The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfilment of certain terms and conditions.

Simultaneously, on 30 April 2018, OOO Pizza Company, being the subsidiary of AmRest signed the Asset Purchase Agreement ("APA") with Yum Restaurants International Russia and CIS LLC („PH Russia").

As a result of completion of the APA (1 June 2018), the Group acquired the assets of 16 Pizza Hut Delivery and Express restaurants, previously run by PH Russia in Moscow. The purchase price was estimated at RUB 142.6 million (EUR 1.9 million).

AmRest believes in a great potential for growing presence of Pizza Hut brand in Russia. The master franchise rights will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Russia.

Acquisition of 15 KFC restaurants in France

On 23 May 2018 AmRest signed the Binding Head of Terms ("HoT") determining the key terms and conditions of a purchase of 15 equity restaurants from KFC France SAS ("KFC Business"), operated in the French market and signing of Standard KFC International Franchise Agreement for each restaurant.

On 26 July 2018 AmRest Opco, AmRest Leasing SAS, AmRest Estate SAS (jointly: „Buyer") and KFC France SAS ("KFC France"), NOVO BL (jointly "Seller") signed the Framework Agreement, under the terms of which AmRest would acquire 15 equity restaurants run by KFC France in the French market and AmRest Opco and KFC France would sign the standard KFC International Franchise Agreement for each restaurant.

The purchase price was approximately EUR 33.3 million. Estimated revenues of the restaurants in 2017 amounted to EUR 40 million.

Also on 26 July 2018, AmRest Opco and KFC France signed the Development Agreement setting forth the development plans of the KFC brand in France. According to the agreement AmRest intends to open in the French market about 150 KFC restaurants by end of 2023.

In the opinion of the Group there is a great potential for growing KFC brand in Western Europe. Acquisition of several of KFC French restaurants will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Europe as well as drive the value creation for AmRest's shareholders.

AmRest took over from KFC France all 15 equity restaurants between mid-September and early November 2018.

Acquisition of BACOA brand

On 16 July 2018 AmRest Tag, S.L.U. ("AmRest Tag", which is an indirect 100% subsidiary of AmRest) signed the Binding Offer (the "Offer") with Bloom Motion, S.L. and Mr. Johann Spielthenner (jointly the "Seller"), determining the key terms and conditions on, and subject to which, AmRest Tag would be willing to enter into definitive Share Purchase Agreement ("SPA") with the Seller and acquire from the Seller 100% of the share capital of the companies Bacoa Holding, S.L. and Black Rice, S.L. (jointly the "Target Companies").

The Target Companies run a restaurant chain of six burger restaurants under BACOA brand in Spain (in Barcelona and in Madrid) operated through both equity and franchise model.

The definitive Share Purchase Agreement between AmRest Tag and the Seller was signed on 31 July 2018. As the result, AmRest Tag acquired 100% of Bacoa Holding, S.L. and Black Rice, S.L. share capital, and effectively a restaurant chain of six burger restaurants under BACOA brand in Spain. The purchase price based on Enterprise Value (on the cash-free and debt-free basis) amounted to approx. EUR 3.7 million. In 2017 fiscal year Bacoa network generated the system sales of approx. EUR 10 million.

Acquisition of Sushi Shop Group SAS

On 24 July 2018 AmRest signed an agreement with Mr. Grégory Marciano, Naxicap Partners SA and remaining sellers (jointly "Sellers") setting forth AmRest's irrevocable commitment to purchase 100% shares in Sushi Shop Group SAS ("Sushi Shop", „Group"). On 27 July 2018 AmRest and the Sellers signed the Share Purchase Agreement (the "SPA") aimed at the acquisition by AmRest of 100% shares in Sushi Shop.

The purchase price based on Enterprise Value (on the cash-free and debt-free basis) was estimated at approx. EUR 240 million, of which an equivalent of EUR 13.0 million was to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares.

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising of 171 stores, of which 61 are restaurants run by franchisees. Upscale Sushi Shop restaurants are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

The consolidated revenues of Sushi Shop in 2017 amounted to ca. EUR 130 million.

The acquisition strengthened AmRest's portfolio with a well-established proprietary brand in sushi category. The offer of Sushi Shop shall add substantial leverage on food delivery platforms of the Group.

On 31 October 2018 AmRest announced the completion of the SPA (the "Completion"), after fulfillment of all obligations and obtaining all required approvals.

Share Purchase Agreement – TELE PIZZA, S.A.U.

On 26 July 2018 AmRest Sp. z o.o. („AmRest Poland") and TELE PIZZA, S.A.U. ("Seller") signed a Share Purchase Agreement, pursuant to which AmRest Poland would acquire 100% shares of TELEPIZZA POLAND Sp. z o.o. ("Telepizza Poland") at an estimated price of ca. EUR 8m. The final purchase price would be determined at the day of closing the transaction.

Telepizza Poland is the master franchisee of Telepizza restaurants across Poland and is fully owned by the Seller. Currently Telepizza Poland operates 95 restaurants, both in equity (33 units) and franchise (62 locations) business model.

In 2017 the network generated system sales of approx. EUR 24.2m (PLN 103m). The consolidated revenue of Telepizza Poland amounted to about EUR 17.2m (PLN 73.3m).

The completion of the transaction is contingent upon a number of conditions, including obtaining antitrust approvals, conclusion of a license agreement with the Seller authorizing Telepizza Polska to continue operation of its business and lack of the material adverse change events (“MAC”).

As at the date of this report, the transaction has not been finalized.

Investment in Shares of Glovoapp23, S.L.

On July 18 2018 AmRest signed the Shareholders' Agreement, Subscription Agreement and Share Purchase Agreement (altogether: “Agreements”) with Glovoapp23, S.L., based in Barcelona, Spain (“Glovo”) and its existing and new shareholders. Based on the Agreements AmRest acquired a tranche of newly issued shares in Glovo as well as purchased a portion of existing shares from certain shareholders of Glovo (“Investment”). As a result of the Investment in the total amount of EUR 25 million, AmRest became co-lead investor holding 10% of total number of Glovo shares. The Investment assured AmRest a board seat in Glovo.

Glovo is one of the key players in digital food delivery on the Spanish market. It is an application that allows to buy, collect and send any product within the same city at a time. It has more than 1 million users and 5 600 associated partners. In Spain, the service is available in the urban areas of ca. 20 cities. Internationally, Glovo operates in the main capital cities in Europe and EMEA, and also in 9 countries of LATAM.

Taking into consideration the growing importance and impact of digital technologies in the consumer foodservice sector and increasing market share of online food-ordering channel, AmRest believes that the partnership with Glovo will strengthen the Group’s position in the aggregator and delivery segment. Another investment into digital ventures was a natural decision embodying the AmRest’s strategy of achieving the leading position on all the markets of AmRest operation in both dine-in and delivery segment.

Increase of the nominal value of the Company shares and share split

On 21 September 2018, with reference to the resolutions adopted by the General Shareholders’ Meeting on 6 June 2018, AmRest informed about the registration by the Commercial Registry (Registro Mercantil) in Madrid of the increase of the nominal value of the Company shares from 0.01 EUR to 1 EUR for each share with charge to share premium reserve “Nominal Value Increase” and subsequent reduction of the nominal value of shares from 1 EUR to 0.1 EUR with exchange ratio 1:10 without any change in share capital (“Split”). The abovementioned registration took place on 20 September 2018.

In line with a resolution dated 27 September 2018 passed by the Krajowy Depozyt Papierów Wartościowych (KDPW), the registration in KDPW of the Nominal Value Increase was executed on 2 October 2018 while the Split was executed on 3 October 2018. As a result the total number of Company shares traded on the Warsaw Stock Exchange (“WSE”) increased to 212 138 930, each of a nominal value of 0.1 EUR.

Transfer the home deposit to Spain and change of the ISIN code

On 28 September 2018, AmRest informed that in connection with the transfer of the Company's registered office to Spain, AmRest decided to transfer the home deposit of its shares to Spain. The depositary of the Company's shares in Spain would be Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal („Iberclear”), in which the Company's shares would be registered under the Spanish ISIN code ES0105375002. This would not affect the quotations of AmRest shares on the Warsaw Stock Exchange ("WSE").

Due to the change of the ISIN code the trading of AmRest shares was suspended from 4 October to 8 October 2018 inclusive.

On 5 October 2018 Krajowy Depozyt Papierów Wartościowych (the National Depository of Securities in Poland; "KDPW") adopted a resolution, according to which the Management Board of KDPW decided to register 212 138 930 shares of the Company with a nominal value of EUR 0.10 each in KDPW as a secondary deposit under new ISIN code ES0105375002 (hitherto registered in KDPW as home deposit under the code NL0000474351).

Share capital increase through a private placement

On 11 October 2018 AmRest announced that by virtue of the delegation granted by the Ordinary General Shareholders' Meeting held on 6 June 2018, under item thirteenth of its agenda, the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights (the "Share Capital Increase") in an effective amount (including nominal amount and share issue premium) of EUR 70 million.

On 12 October AmRest informed about the completion of the private placement process solely addressed to qualified or institutional investors carried out by JB Capital Markets Sociedad de Valores, S.A. (the Sole Global Coordinator) through a book-building process. The offer price of the New Shares had been set at EUR 9.44 (PLN 40.75) per share, with a nominal value of EUR 0.10 per share and an issue premium of EUR 9.34 per share.

Under the Share Capital Increase, the Company issued 7 415 253 New Shares, of the same class and series as the outstanding shares in the Company. Consequently, the total gross proceeds (including nominal value and share issue premium) of the Share Capital Increase amounted to EUR 69 999 988.32, with a total nominal value of EUR 741 525.30 and a total share issue premium of EUR 69 258 463.02.

The New Shares represent 3.50% of the Company's share capital before the Share Capital Increase and 3.38% of its share capital thereafter.

The effective date of share capital increase was 15 October 2018, when the share capital increase public deed was granted before a public notary and filed for registration with the Registro Mercantil de Madrid.

On 14 November 2018 the Management Board of the Warsaw Stock Exchange (the "WSE") adopted a resolution on admission to trading on the main market of 7,115,253 ordinary bearer shares of AmRest, with a nominal value of EUR 0.10 each (registered in Krajowy Depozyt Papierów Wartościowych under the ISIN code "ES0105375002"). The first trading date was scheduled for November 16th, 2018.

Dual listing in Spain

On 20 November 2018 the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, "CNMV") confirmed that the applicable requirements for the listing on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia of all 219,554,183 ordinary shares of AmRest with a EUR 0.10 face value have been met.

The date of introduction of the Company's shares to trading on the Spanish Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE) was 21 November 2018.

Annex to distribution agreement with Quick Service Logistics Hungaria Bt

On 11 December 2018 AmRest's subsidiaries – AmRest Kft and AmRest Kávézó Kft (jointly "AmRest's subsidiaries") and Quick Service Logistics Hungaria Bt („QSL", "Distributor") signed an Annex to distribution agreement (disclosed in a regulatory announcement RB 37/2016 dated 20 May 2016 "the Agreement"). On the basis of the Agreement QSL deals with purchasing, warehousing and sale of products for the restaurants operated by AmRest's subsidiaries in Hungary.

The Annex extended the term of the Agreement by 5 years, i.e. to June 2nd, 2024. Other key conditions of the Agreement remain unchanged. Extension of Agreement caused increase of its estimated value of about EUR 154 million.

External Debt

Grant of the Tranche E and F under the Credit Agreement

With reference to regulatory announcement RB 229/2017 dated 6 October 2017 concerning the credit agreement signed on 5 October 2017 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A and Česká spořitelna, a.s. – jointly „the Lenders" ("the Agreement"), on 14 June 2018 AmRest received from Bank Polska Kasa Opieki S.A., being the facility agent of mentioned credit, the Confirmation Statement committing Tranche E of the credit facility in the amount of PLN 280 million. The Confirmation Statement was issued at the request of the Borrowers. Tranche E was dedicated to repayment of the Polish bonds.

On 1 October 2018 AmRest informed about amendment to the Agreement signed on 1 October 2018, which resulted in committing Tranche F of the credit facility in the amount of EUR 190 million. Tranche F was dedicated to finance acquisitions and general purposes of the AmRest Group.

Redemption of 14 000 dematerialized bearer bonds AMRE03300618 series

On 2 July 2018 the Company made a redemption of 14 000 dematerialized bearer bonds AMRE03300618 series, with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 31,9 million). The bonds were issued by AmRest on 18 June 2013 with the maturity date falling on 30 June 2018. The redemption of the bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated 15 January 2015).

Early redemption of 14 000 dematerialized bearer bonds AMRE04100919 series

On 28 September 2018, in accordance with point 4.2 of Terms and Conditions of the Issue of Series AMRE04100919 Bonds, AmRest made an early redemption of 14 000 dematerialized bearer bonds AMRE04100919 series ("the Bonds"), with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 32,7 million). The Bonds were issued on 10 September 2014 with the maturity date falling on 10 September 2019. The early redemption of the Bonds at the request of the Issuer was carried out by a cash payment in the amount of the nominal value of the Bonds increased by accrued interest and early redemption premium calculated in accordance with point 3 and 4 of the Terms and Conditions of the Bonds Issue. The buyout of the Bonds was refinanced with bank loans. The redemption of the Bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated January 15th, 2015).

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(all figures in EUR millions unless stated otherwise)

Shareholders of AmRest Holdings SE

Shareholders structure as at December 31st, 2018 was impacted by recent increase of the nominal value of the Company shares, share split and share capital increase through a private placement, and according to the best knowledge of AmRest was as follows:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

** FCapital Dutch B. V. is the majority shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*

*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

Changes in the Parent Company's Governing Bodies

On 14 March 2018 AmRest received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain. Due to that change the corporate structure of the Company has changed into one-tier board system. Currently, the only body which is in charge of governing the Company is the Board of Directors. According to the resolution adopted by the Extraordinary General Meeting of AmRest Holdings SE on 5 October 2017 the composition of the Board of Directors is as follows:

- Mr. José Parés Gutiérrez - Chairman of the Board
- Mr. Luis Miguel Álvarez Pérez – Vice-Chairman of the Board
- Mr. Carlos Fernández González - Member of the Board
- Mr. Henry McGovern – Executive Director, Member of the Board
- Mr. Steven Kent Winegar Clark - Member of the Board
- Mr. Pablo Castilla Reparaz - Member of the Board
- Mr. Mustafa Ogretici - Member of the Board

- Eduardo Rodríguez-Rovira Rodríguez (Secretary, non-Board member)
- Jaime Tarrero Martos (Deputy Secretary, non-Board member)

As at the day of publication of this Report the composition of the Board of Directors remains the same.

Changes in the number of shares held by members of the Board of Directors

During the year 2018 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

According to the best knowledge of AmRest, following members of the Board of Directors owned in this reporting period the Issuer's shares: Mr. Henry McGovern, Mr. Carlos Fernández González and Mr. Steven Kent Winegar Clark.

The data as at 31 December 2018 were impacted by recent increase of the nominal value of the Company shares, share split and share capital increase through a private placement (all events were described in point "Significant events and transactions in 2018", pages 21-23),

As at 31 December 2017 Mr. Henry McGovern held directly 7 234 shares of the Company with a total nominal value of EUR 72.34. On 31 December 2018 he held 172 340 AmRest's shares with a total nominal value of EUR 17 234.

As at 31 December 2017 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar Clark (the Company's Board of Directors members) held 2 463 511 the AmRest's shares with a total nominal value of EUR 24 635.11. On 31 December 2018 Gosha Holdings S.a.r.l. held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631,3.

As at 31 December 2017 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 11 959 697 AmRest's shares with a total nominal value of EUR 119 596.97. On 31 December 2018 FCapital Dutch B.V. held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7.

Transactions on own shares concluded by AmRest

The commencement of the purchase of treasury shares occurred on the basis of Resolution No. 7 of the General Meeting of the Company of 19 May 2015 concerning the authorization for the Management Board to acquire treasury shares in the Company and the establishment of reserve capital and (replacing it) Resolution No. 9 of the General Meeting of the Company of 6 June 2018 concerning the authorization to the Board of Directors for the derivative acquisition of the Company's own shares made directly by the Company or indirectly through its subsidiaries as well as for the sale of the own shares.

In 2018 the Company was acquiring the own shares for the purposes of

- Execution of stock option programs: Employee Stock Option Plan and Management Incentive Plan,

- Securing the equivalent of EUR 13 million in own shares in order to enable planned payment to Mr. Grégory Marciano and Mr. Adrien de Schompré resulting from the acquisition of Sushi Shop Group SAS described in note "Significant events and transactions" of this Directors' Report.

In the period between 1 January 2018 and 31 December 2018, AmRest purchased a total of 926 076 own shares with a total nominal value of EUR 92 607.6 and representing 0.422% of the share capital for a total price of approx. PLN 41 million (EUR 9.4 million). During the same period, the Company disposed a total of 588 048 own shares with a total nominal value of EUR 58 804.8 and representing 0.343% of the share capital to entitled participants of the stock options plans. Disposal transactions under these plans were executed in three settlement methods, which impacted the sale price. Major part of the shares was transferred to the participants free of charge. As at 31 December 2018 AmRest held 1 586 738 own shares with a total nominal value of EUR 158 673.8 and representing 0.647% of the share capital.

The subsidiaries of AmRest Holdings SE do not hold any Company's shares.

Dividends paid and received

In the period covered by these Consolidated Financial Statements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 13 thousand (CZK 339 thousand).

Average period of payment to suppliers

Pursuant to Law 15/2010 of July 5, which stipulates measures to combat late payments in commercial transactions, the information on the average period of payment to suppliers of AmRest and its Spanish subsidiaries at 31 December 2018 and 2017 is as follows:

	2018	2017
Number of days:		
Average period of payment to suppliers	22.78	19.48
Ratio of payments	22.96	19.46
Ratio of outstanding invoices	20.28	19.73
Millions of EUR:		
Total payments	176.8	147.0
Outstanding invoices	12.3	11.8

The payments to suppliers of the Spanish consolidated companies reflected in the above table are trade payables as they relate to goods and services.

Subsequent events

There have been no significant events or transactions that occurred between 31 December 2018 and the date of authorization for issue of this Directors' Report (27 February 2019).

Factors impacting the Group's development

The Board of Directors of AmRest believes that the following factors will have a significant effect on the Group's future development and results.

External factors

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- consumer habits and trends as to the number of people using the restaurants,
- number and location of the competitors' restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in all countries where the business is run,
- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets.

Internal factors

- gaining and training the human resources necessary for the development of the existing and new restaurant networks,
- obtaining attractive locations,
- effective launching of new brands and products,
- building an integrated information system.

Basic risks and threats the Group is exposed to

The Board of Directors of AmRest is responsible for the risk management system and the internal control system as well as for reviewing these systems for operating efficiency. These systems help to identify and manage risks which may prevent the execution of the long-term objectives of AmRest. However, having these systems in place does not ensure complete elimination of the risk of fraud and violation of the law. The Board of Directors of AmRest is permanently analyzing and reviewing risks to which the Group is exposed. The main current risks and threats have been summarized in this section. AmRest reviews and improves its risk management and internal control systems on an on-going basis.

Factors remaining outside the Group's control

This risk is related to the effect of factors remaining outside the Group's control on AmRest's development strategy which is based on opening new restaurants. Such factors include: opportunities for finding and securing available and appropriate locations for restaurants, the ability to obtain the permits required by relevant bodies, the possibility of delays in opening new restaurants.

Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania, Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

The duration of the franchising agreements related to the KFC, Pizza Hut and Burger King brands is 10 years. AmRest has the option of extending this period for the next 10 years provided that it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuation fee.

Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period. In the case of KFC and Pizza Hut restaurants, the first period commenced in 2000, in the case of Burger King, the first period commenced in 2007 with the opening of the first restaurant of this brand.

Franchise agreements for Starbucks stores in Romania are valid till 2023, in Bulgaria until 2027 and in Germany and Slovakia until 2031.

Dependency on cooperation with minority shareholders

AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreements with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

The agreements with Starbucks were concluded for a period of 15 years with a possibility of their extension for the next 5 years upon meeting the specified conditions. If AmRest fails to comply with the obligation to open and run the minimum specified number of cafés, Starbucks Coffee International, Inc. shall have the right to increase its share in these companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the companies.

No exclusivity rights

The franchising agreements concerning running of KFC, Pizza Hut Dine-In (excluding Russia and Germany) and Burger King (excluding Czech Republic and Slovakia) brands do not contain provisions on granting AmRest any exclusivity rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest restaurants. However, in practice, due to the scale of AmRest's operations (including a well-developed distribution network), the possibility that a competitive operator (to the brands currently operated by the Group) should appear who would be able to effectively compete with the AmRest Group restaurants is relatively limited.

In the case of Starbucks restaurants, AmRest subsidiaries are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

Rental agreements and continuation options

Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental (assuming that all continuation options are exercised, on specified terms, and not including contracts which are subject to periodic renewal, unless they are terminated, and contracts concluded for an indefinite period). A number of rental contracts grant AmRest the right to prolong the contract provided that the Company complies with the terms of rental. Regardless of whether the terms are complied with or not, there is no guarantee that AmRest will be able to prolong a rental contract on terms satisfactory from the point of view of business practice. If this is not possible a potential loss of important restaurant locations may have an unfavorable effect on AmRest's operating results and its business activities.

Moreover, in certain circumstances AmRest may make a decision to close a given restaurant and terminating the relevant rental contract on cost effective terms may prove impossible. This situation may also have an adverse effect on the business activities and operating results of the Group. Closing any of the restaurants is subject to approval by the franchisor and it is not certain that such approval will be obtained.

In the case of Russian and Chinese restaurants acquired by AmRest accordingly in July 2007 and December 2012, the average term of the rental contracts is relatively shorter compared with AmRest restaurants in the remaining countries. This results from the specific nature of these markets.

Risk related to the consumption of food products

Consumer preferences may change in connection with doubts arising as to the healthful properties of chicken which is the main ingredient in KFC menu, or as a result of unfavorable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health as a result of eating in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog, KABB, Bacoa and Sushi Shop, and as a result of revealing unfavorable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog, KABB, Bacoa and Sushi Shop, health-related issues and issues related to the functioning patterns of one or more restaurants run both by AmRest and the competition. The above-mentioned risk is limited by using the highest quality ingredients in AmRest restaurants, which come from reliable and reputable suppliers, compliance with strict quality control and hygiene standards and the use of top modern equipment and processes which ensure the absolute safety of the meals.

Risk related to keeping key personnel in the Group

The Issuer's success depends to some extent on the individual effort of selected employees and key members of management. The methods of remunerating and managing human resources developed by the Issuer help ensure a low rotation of the key personnel. Additionally, the career planning system supports preparing successors ready to execute tasks in key positions. The Issuer believes it will be able to replace its key personnel. Regardless of that, their loss may have a short-term adverse effect on the business activities and operating results of the Issuer.

Risk related to labour costs of restaurant employees and employing and keeping professional staff

Running catering activities on such a large scale as the Issuer does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Due to the fact that salaries in Poland, the Czech Republic and Hungary (including in the catering sector) are still decidedly lower than in other European Union countries, there is a risk of outflow of qualified staff and thus a risk of the Group being able to ensure the appropriate staff necessary for providing the highest quality catering services. In order to avoid the risk of losing qualified staff it may be necessary to gradually increase the salary rates, which may have an adverse effect on the financial standing of the Issuer. Additional risk in employment area may be caused by fluctuations in unemployment rate.

Risk related to limited access to foodstuffs and the variability of their cost

The Issuer's situation is also affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Group cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavorable weather conditions, changes in legal regulations or withdrawing some foodstuffs from trading. Also the increased demand for certain products accompanied by limited supply may lead to difficulties in obtaining them by the Group or to price increases for those products. Both the deficits and product price increases may have an adverse effect on the Group's results, operations and financial standing. In order to mitigate this risk (among others) AmRest Sp. z o.o. concluded a contract with SCM Sp. z o.o. for the provisions of services comprising intermediation and negotiating terms of delivery to restaurants, including negotiating terms of distribution agreements.

Risk related to developing new brands

AmRest has operated Blue Frog, KABB, Bacoa and Sushi Shop brands for a relatively short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by customers.

Risk related to opening restaurants in new countries

Opening or taking over restaurants operating in a new geographical and political area involves the risk of varying consumer preferences, a risk of insufficient knowledge of the market, the risk of legal restrictions arising from local regulations and the political risk of these countries.

Currency risk

The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in the individual Capital Group companies. The Group adjusts its currency portfolio of debt to the geographical structure of its profile of activities. Additionally, AmRest uses forward contracts to secure transaction risks on a short term basis.

Risk related to the current geopolitical situation

The Company conducts its business in countries where political situation is uncertain, e.g. Russia and Iran. In Iran the Company has just one Sushi Shop franchisee, for which AmRest is exploring alternatives not to remain present in that country. Russia is one of the largest markets for AmRest. The recent geopolitical and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Ruble, higher interest rates, reduced liquidity and consumer confidence. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the supply chain, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from the Management's expectations however it is being monitored in order to adjusts strategic intentions and operational decisions, which will minimize business risks.

Risk related to the pending exit of the UK from the European Union

It is difficult to predict how the possible exit of the United Kingdom from the European Union may affect the financial markets. Despite the fact that AmRest runs only few restaurants in the UK, the risk of adverse effects of Brexit on economy of different UE countries (where the Company operates its business) cannot be entirely excluded.

Risk of increased financial costs

The Issuer and its subsidiaries are exposed to a certain extent to adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating interest rates. The interest rates of bank loans and borrowings and issued bonds are based on a combination of fixed and floating reference rates which are updated over periods shorter than one year. Additionally, the Issuer and its subsidiaries may, as part of the interest rate hedging strategy, enter into derivative and other financial contracts the valuation of which is significantly affected by the level of reference rates.

Liquidity risk

The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2018, the Group had enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

Tax risk

In the process of managing and making strategic decisions, which can affect the tax settlements, AmRest is exposed to tax risk. All irregularities occurring in tax settlements increase of the risk of dispute in the case of a potential tax control. As part of these risks' minimalization, AmRest takes care of deepening the knowledge of its employees in the area of tax risk management and compliance with respective legal requirements. The Company implements adequate procedures to facilitate the identification and subsequent reduction or elimination of risks in the area of tax settlements.

Moreover, in connection with frequent legislative changes, inconsistency of regulations, as well as differences in interpretation of legal regulations, AmRest uses professional tax advisory services and applies for binding interpretations of the tax law provisions.

Current fiscal supervisions are presented in Note 12 to the Consolidated Financial Statements as at December 31st, 2018.

Credit risk

Exposure to credit risk include cash and cash equivalents and trade and other receivables. With the development of franchise business, AmRest is getting exposed more to credit risk. Therefore the quality of franchisees portfolio is key priority.

Risk of economic slowdowns

Economic slowdown in the countries where AmRest runs its restaurants may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

Risk related to seasonality of sales

The seasonality of sales and inventories of AmRest is not significant, which is typical for the restaurant industry. On the European market restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants.

Risk of computer system breakdowns and temporary breaks in serving customers in network restaurants

A potential partial or complete loss of data in connection with computer system breakdowns or damage or loss of key tangible fixed assets of the Group might result in temporary interruptions in serving customers in restaurants, which might have an adverse effect on the Group's financial results. In order to minimize this risk, the Issuer has implemented appropriate procedures in order to ensure the stability and reliability of IT systems.

Cyberattack risk

Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools. Consequently, the Group is exposed to the risk of temporary operational disruption, data integrity risk and/or unauthorized access to confidential data, which may be a result of both intentional cyberattack or an unintentional event. In order to mitigate these risks, the Group established specialized IT-security unit and implemented appropriate cybersecurity risk mitigation tools, including security polices, personnel training and technical prevention countermeasures.

Activity in Research and Development area

AmRest does not perform any significant activity in the Research and Development area.

(all figures in EUR millions unless stated otherwise)

Financial data of AmRest for 3 and 12 months ended 31 December 2018

Condensed consolidated income statement for 3 and 12 months ended 31 December 2018

	year ended		3 months ended	
	31 December 2018	31 December 2017 (*restated**)	31 December 2018	31 December 2017 (*restated**)
Continuing operations				
Restaurant sales	1 460.6	1 162.3	418.3	336.7
Franchise and other sales	86.3	75.6	24.6	22.4
Total revenue	**1 546.9**	**1 237.90**	**442.9**	**359.1**
Restaurant expenses:				
Food and merchandise	-416.8	-338.5	-118.6	-98.8
Payroll, social security and employee benefits	-375.1	-282.1	-109.9	-81.6
Royalties	-74.6	-59.4	-20.6	-17.5
Occupancy and other operating expenses	-433.4	-353.9	-123.9	-103.1
Franchise and other expenses	-62.3	-50.3	-17.7	-17.1
General and administrative expenses	-115.1	-91.1	-34.3	-26.2
Total operating costs and losses	**-1 477.3**	**-1 175.3**	**-428.4**	**-348.6**
Net impairment losses on financial assets	-1.5	-1.9	0.0	0.0
Net impairment losses on other assets	-8.0	-5.9	-3.2	-4.3
Other operating income/expenses	11.5	7.9	5.1	2.0
Profit from operations	**71.6**	**62.7**	19.6	10.7
Finance income	2.7	0.8	2.0	0.3
Finance costs	-16.8	-14	-5.4	-4.3
Profit before tax	**57.5**	**49.5**	16.1	6.7
Income tax	-16.2	-6.8	-5.0	2.7
Profit for the period	**41.3**	**42.7**	**11.1**	**9.4**
Profit attributable to:				
Shareholders of the parent	43.0	42.9	11.7	10.3
Non-controlling interests	-1.7	-0.2	-0.6	-0.8
Profit for the period	**41.3**	**42.7**	**11.1**	**9.4**
Basic earnings per ordinary share in EUR	0.20	0.20	0.05	0.05
Diluted earnings per ordinary share in EUR	0.20	0.20	0.05	0.05

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*

The statements contained in this Director's Report may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management and are not a guarantee of future performance or developments. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. The Group does not intend to update or otherwise revise such forward-looking statements, whether as a result of new information, future events or otherwise.

Reliance on any forward-looking statements involves known and unknown risks and uncertainties and, accordingly, readers are strongly cautioned to not place reliance on any forward-looking information or statements.

Non-financial Information Statement of AmRest Holdings SE

for 2018

INTRODUCTION

This document is the statement of the non-financial information of AmRest Holdings SE for 2018. The group has been disclosing non-financial information since 2017, when it did so in accordance with Polish law. Due to moving the domicile of AmRest Holdings SE to Spain in 2018, the group discloses its non-financial information in accordance with Spanish law.

Since March 2018 the company's domicile has been located on the Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. Previously, the company had its registered office in Wroclaw, Poland.

For the purposes of this document, the following should be understood to mean the same: AmRest Holdings SE, AmRest, the AmRest group and the group.

The statement is an independent part of the Consolidated Director's Report for 2018 and includes information concerning all the subsidiaries to AmRest Holdings SE.

The statement has been prepared in accordance with the provisions of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups the Royal Decree-Law 18/2017 and Law 11/2018, of December 28, which modifies the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of July 2, and Law 22 / 2015, of July 20, of Audit of Accounts, in the field of non-financial information and diversity, which transposes to the Spanish legal order the Directive 2014/95/ EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information.

The statement has been verified by independent KPMG Asesores, S.L... The preparation of this statement coincided with the drafting of AmRest's 2018 Sustainable Development Report, which is a separate document of a broader scope devised in accordance with the **GRI Sustainability Reporting Standards.** Consequently, numerical and descriptive information in the statement is displayed in line with the GRI Standards indices. GRI Standards also influenced the presentation of the outcomes of policies implemented with regard to social, environmental, employee, anti-corruption and human rights issues, as well as the prioritization of the topics discussed in the statement.

AMREST'S BUSINESS MODEL AND OPERATIONS IN 2018

AmRest Holdings SE is an independent restaurant company operating in Central and Eastern Europe, Western Europe, Russia, China and, as of 2018, the Middle East.

As a restaurant operator AmRest serves meals in more than 2000 locations across 26 countries, mostly in Europe. The corporate group operates self-owned restaurants and franchises. AmRest offers on-premise and off-premise dining, including drive-thru windows, takeout for pickup, phone and online ordering.

AmRest operates in the following categories of the food serving industry: Quick Service, Fast Casual, Casual Dining and Cafe. At the end of 2018 its brand portfolio included 4 franchise brands (KFC, Pizza Hut, Burger King, Starbucks) and 5 self-owned brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop). Bacoa and Sushi Shop were acquired in 2018. AmRest restaurants serve high-quality meals made from fresh products following original recipes and strict standards of each of the brands.

Currently, AmRest operates **2126** restaurants in **26 countries**, including Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.

The table below outlines the different brands' business models.

Brand	Business model
KFC	AmRest operates KFC restaurants under a franchise granted by Yum! Brands Inc. The first AmRest-operated KFC store opened in 1995 in Szczecin, Poland. In May 2005 AmRest took over 8 Big Food Ford restaurants in the Czech Republic and remodeled them into KFC outlets. In 2006 AmRest acquired rights to KFC restaurants in Hungary. In July 2007 the group took over 22 KFC restaurants in Russia. In 2017 AmRest also took over 15 restaurants in Germany and 37 in France and opened its first KFC restaurants in Austria and Slovenia. Currently, AmRest operates KFC restaurants in 12 markets. In 2018 AmRest took over 20 KFC restaurants in France.
Pizza Hut	AmRest operates Pizza Hut restaurants under a franchise granted by Yum! Brands Inc. The history of AmRest started with the opening of the first Pizza Hut restaurant in Wrocław, Poland. Since October 1, 2016 AmRest has been Pizza Hut's master franchisee and can grant Pizza Hut Express and Pizza Hut Delivery franchises to third parties in Central and Eastern Europe, while operating a certain number of restaurants directly. AmRest is also the master franchisee for Pizza Hut restaurants acquired in France in May 2017 and in Germany in July 2017, which means it has the exclusive right to grant franchising permits to third parties. In 2017 AmRest opened the first Pizza Hut restaurant in the Czech Republic. In September 2018 the first Pizza Hut restaurant was opened in Slovakia. Currently, AmRest operates Pizza Hut restaurants in 9 markets in total. In 2018 the group took over the Pizza Hut business in Russia, Armenia and Azerbaijan (the chain included 16 equity stores and 28 franchise restaurants).
Starbucks	Starbucks coffee houses in Poland, the Czech Republic and Hungary are set up by partnership of AmRest (82%) and Starbucks Coffee International Inc. (18%), which holds rights and licenses to develop and operate Starbucks cafes. Starbucks coffee houses in Romania and Bulgaria were acquired from Marinopoulos Coffee SEE B.V. in June 2015, while those in Germany were acquired from Starbucks Coffee EMEA B.V. in 2016. In Slovakia AmRest operates self-owned. In 2018 Starbucks cafes were present in 7 markets.
Burger King	Burger King restaurants operate under a franchise awarded by Burger King Europe GmbH. In May 2007 AmRest opened the first Burger King restaurant in Warsaw, Poland (Złote Tarasy shopping mall). AmRest operates Burger King outlets in Poland, Bulgaria, the Czech Republic and, as of 2018, Slovakia. In the end of 2018 AmRest signed the Development Agreements regarding future development of the brand in Poland, Czech Republic, Slovakia, Romania and Bulgaria.
La Tagliatella	La Tagliatella is AmRest's self-owned brand acquired in April 2011. La Tagliatella restaurants are operated by AmRest and its franchisees. Currently, they are present in 4 countries: Spain, Portugal, France and Germany.
Blue Frog	AmRest became an owner of the Blue Frog brand in December 2012 by becoming the majority shareholder in Blue Horizon Hospitality Group LTD. In 2017 AmRest bought out the minority shareholder, becoming the sole owner of the brand and its business in China. In 2017 the company started to build the brand's presence in Europe, opening first restaurants in Poland and Spain.

Brand	Business model
KABB	AmRest became an owner of the KABB brand in December 2012 by purchasing the majority stock in Blue Horizon Hospitality Group LTD. In 2017 AmRest bought out the minority shareholder, becoming the sole owner of the brand and its business in China.
PizzaPortal.pl	In 2017 AmRest acquired Restaurant Partner Polska (RPP). Under the contract, AmRest purchased a 51% stake in RPP, becoming the majority shareholder in the company. RPP operates PizzaPortal.pl, an online food ordering service that handles orders from over 2500 restaurants in nearly 400 Polish towns and cities.
Sushi Shop	Sushi Shop became part of AmRest's portfolio in October 2018. Sushi Shop operates a chain of 171 Japanese restaurants, one-third of which are franchised out. Sushi Shop is present in France (72% of all restaurants) and 11 different countries, including Spain, Belgium, Luxemburg, the UK, Germany, Switzerland, Italy and Iran, Saudi Arabia and UAE. Delivery orders account for 55% of the group's sales, while sales for takeout stand at 32%.
Bacoa	Bacoa is a chain of 7 premium burger restaurants located in three cities in Spain (Barcelona, Madrid, Lleida). The brand became part of AmRest's portfolio in 2018. Established in 2010, the company operates self-owned restaurants and franchises. Bacoa value proposition is based on fresh, natural, eco products sourced from expert suppliers and a central kitchen that delivers high-quality burgers in trendy surroundings.

AmRest's 2018 strategy focused on the development and expansion of its mature brands and expanding the portfolio to include new market leaders. As a result, AmRest took over Pizza Hut restaurants in Russia, Armenia and Azerbaijan, along with KFC restaurants in France. The group also acquired Sushi Shop Group, a major sushi chain, and Bacoa, a leading premium burger brand. In 2018 AmRest opened 280 restaurants (both equity and franchised).

The business model enabled AmRest to grow dynamically and deliver satisfactory financial results, while respecting the natural environment and focusing on customers and their satisfaction.

The table below presents AmRest's growth between 2015 and 2018. The restaurant count includes self-owned restaurants and franchises.

Table: AmRest's growth

Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
904 restaurants	1181 restaurants	1639[1] restaurants	2126 restaurants

Before the first non-financial reporting process, AmRest conducted a survey among external stakeholders. The most important topics indicated by stakeholders were: environmental issues, relations with employees and suppliers and the quality of raw food materials and food safety. As part of the study, there were also telephone interviews conducted with stakeholders important to AmRest.

Before the second reporting process in AmRest, a workshop was conducted with the participation of key managers, where topics and activities relating to responsible business in the company were raised. Key topics were: digitalization throughout the organization, integration of markets, entering new markets and adding new brands to AmRest's portfolio, as well as employee issues.

1 restated (1636 were reported in 2017)

AmRest's operational activities take into account the trends and challenges of sustainable development for the restaurant industry, as well as the implementation of the UN Sustainable Development Goals 2015-2030. As part of its continuous improvement, the AmRest Group plans to revise the Responsible Business and Sustainable Development Strategy of AmRest's Central European Division for 2015-2020 (CSR Strategy) and to extend its reach to the global level.

AmRest believes that it is its obligation to pay legally due taxes in any territory where it operates in accordance with the existing legal provisions. AmRest follows the relevant rules when determining the amount of its tax liabilities, submitting tax returns, paying taxes and disclosing information to tax authorities.

In order to ensure its compliance with existing tax laws, regulations and principles, AmRest has put in place effective control mechanisms. AmRest's tax professionals monitor the tax situation of the group and any changes in tax laws and practices which may impact the business and its growth. AmRest makes significant investments in people, material resources and technology to ensure that this tax strategy is applied throughout the organization.

Some countries in the tables below have reported a zero tax as a result of settling losses from previous years.

British Virgin Islands, Hong Kong, Samoa, Singapore are not included in the table. In these countries, no tax was paid because no income was generated.

Table: The benefits obtained in 2018 by country

Profit/(loss) before tax	
Country	**Value in EURO**
Austria	-748 275,02
Bulgaria	208 944,84
Croatia	-1 235 965,09
Czech Republic	22 401 542,94
China	1 388 367,86
France	-3 826 902,30
Germany	-11 655 131,01
Hungary	11 961 087,50
Poland	1 919 009,84
Portugal	-356 706,64
Romania	3 608 800,88
Russia	6 781 201,25
Serbia	-218 767,23
Slovakia	-226 142,29
Slovenia	-323 946,51
Spain	39 408 634,12
USA	-2 156 700,05

The above data were derived from input data received from subsidiaries for the purpose of preparation of consolidated financial statements before any consolidation eliminations and adjustments.

Table: Taxes in 2018 by country

Taxes on paid benefits		
Bulgaria	59 026,10	WHT
	138 544,00	PIT, payroll and freelancer agreements
	1 088,54	CIT taxes, incl. social and representatives (no CIT Profit taxes, only representative)
	13 243,50	Property taxes (Paid directly to leaseholders)
China	738 816,00	Individual Income Tax
	43 266,30	Stamp duty
	392 709,00	CIT
Czech Republic	3 558 900,00	CIT, RET, road tax
France	467 857,00	RET, other direct taxes
Germany	139 696,39	RET, trade tax
Hungary	2 756 208,51	CIT
Malta	5 964,00	CIT
Poland	2 102 221,69	CIT, in 2018 Polish entities have utilized tax losses from previous years
	1 280 880,00	WHT
	924,10	commercial RET
Portugal	4 662,41	CIT
Romania	934 620,00	WHT, specific tax paid, employer's contributions (social taxes), operating/building permits/tax on affichage
Slovakia	14 045,12	CIT
Spain	7 372 074,39	CIT
Croatia	0,00	-
Russia	658 166,74	CIT
Serbia	0,00	-
Slovenia	0,00	-

The above data differ to income tax line in the consolidated income statement. Income tax line in consolidated financial statements includes both effect of current income taxes that may be paid or payable as well as deferred taxes accounted during the year.

The above data also differ from income tax paid balance as presented in consolidated statements of cash flows, where only cash flows related to income taxes are disclosed.

Table: The public subsidies received in 2018 by country

The public subsidies received		
Bulgaria	28 293,40	EU grants for youth unemployment
Croatia	4 620,06	Reimbursement for sick leave
China	33 910,40 9308,79	Financial support from the government The individual income tax return from the tax office
Austria	0,00	-
Czech Republic	0,00	-
France	1 643 341,00	CICE, RI Mecenat
Germany	0,00	-
Hungary	0,00	-
Malta	0,00	-
Poland	0,00	-
Portugal	0,00	-
Romania	0,00	-
Russia	0,00	-
Serbia	0,00	-
Slovakia	0,00	-
Slovenia	0,00	-
Spain	870 303,41	CIT Patent box and double taxation relief
USA	0,00	-

The Board of Directors is concerned about sustainable development issues, which is why in 2018 a decision was made to create global policies concerning social, economic and environmental issues.

In December 2018 AmRest's Board of Directors approved a number of global policies regulating different areas of the group's operations and impacts. The table below presents the key documents regulating social, employee, environmental, human rights, and anti-corruption, anti-bribery and anti-money laundering issues. The policies will be communicated and implemented across the organization in 2019.

AmRest audits its processes in line with its policies.

Table: AmRest's key global policies

Policies in force in 2018[2]					
	social matters	employee matters	environment matters	human rights	anti-corruption matters
Code of Business Conduct	✓	✓		✓	✓
Talent Acquisition and Retention		✓			
Diversity Policy	✓	✓		✓	
Food Safety Fundamentals	✓				
Supply Approval Process	✓				
Brand Protection Monitoring System	✓				
Procurement Procedure	✓				✓

New policies implemented in 2019					
	social matters	employee matters	environment matters	human rights	anti-corruption matters
Code of Business Conduct (revised)	✓	✓		✓	✓
Conflicts of Interest Policy	✓	✓			✓
CSR Policy	✓	✓	✓	✓	
Crime Prevention, Anti-bribery and Anti-corruption Policy	✓	✓	✓	✓	✓
Director Selection Policy		✓			
Gender Policy		✓		✓	
Risk Management Policy	✓	✓	✓		✓
Whistleblowing Policy	✓	✓	✓	✓	✓
Regulatory Compliance Policy	✓	✓	✓	✓	✓

KEY NON-FINANCIAL FACTORS

2018 was a year of transformative changes for AmRest Holdings SE. The capital group:

1. continued to expand rapidly, opening 280 restaurants (251 equity and 29 franchised restaurants);
2. closed five key M&As which led to:
    a. the takeover of the Pizza Hut business in Russia, Armenia and Azerbaijan (16 equity restaurants and 28 franchise restaurants)
    b. the takeover of Bacoa, Spain's top burger chain (4 franchise restaurants, 2 self-owned restaurants)

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2 Policies are enforced by conducting internal and external audits (e.g regarding the Procurement Procedure).

    c. the takeover of the Sushi Shop Group, Europe's leading sushi concept (171 restaurants) and the takeover of 15 KFC restaurants in France (Paris).
3. The purchase of a 10% stake in Glovo, Spain's leading food delivery service;
4. Consequently, AmRest entered 10 new countries.
5. On 12 March 2018 AmRest moved its registered office from Wrocław, Poland, to Madrid, Spain, becoming a Spanish company.
6. On 21 November 2018 AmRest got listed on the Spanish Stock Exchanges: the Madrid Stock Exchange, the Barcelona Stock Exchange, the Bilbao Stock Exchange and the Valencia Stock Exchange. The company is also listed on the Warsaw Stock Exchange.

In 2018 AmRest Holdings SE **operated 2126 restaurants and coffee houses, both equity and franchised in 26 countries:** Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.
In 2018 AmRest entered the following new markets: Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.
In 2018 AmRest's restaurants and coffee houses handled ca. 228 700 000 transactions[3], which is 15% more than in 2017.

Table: Restaurants operated by AmRest Holdings SE in 2018 by country

Country	Restaurant count 2018	Country (new markets)	Restaurant count 2018
Poland	515	Armenia	2
Spain	326	Azerbaijan	2
Germany	253	Belgium	8
France	322	Italy	3
Russia	244	Switzerland	6
Czech Republic	162	Luxembourg	2
Hungary	104	UK	5
China	63	UAE	8
Romania	46	Saudi Arabia	3
Bulgaria	19	Iran	1
Croatia	8		
Serbia	8		
Slovakia	9		
Austria	1		
Portugal	5		
Slovenia	1		
Total restaurant count in 2018:	2126		

3 Does not include Sushi Shop Group, Pizza Hut France and Germany and KABB in China.

Table: Restaurants and coffee houses operated by AmRest Holdings SE in 2018 by brand

Brand	Restaurant count (2017)	Restaurant count (2018)	Self-owned restaurants	Franchise restaurants	No. of countries where the brand was present in 2018*
KFC	669	**779**	779	0	12
Pizza Hut	330	**449**	227	222	9
Starbucks	301	**341**	341	0	7
La Tagliatella	236	**249**	82	167	4
Burger King	54	**60**	60	0	4
Blue Frog	45	**67**	65	2	3
KAAB	4	**3**	3	0	1
Sushi Shop	0	**171**	107	64	12
Bacoa	0	**7**	3	4	1
Total number of restaurant and coffee houses	1 639	**2126**	**1667**	**459**	*AmRest operates in 26 countries in total

Table: AmRest's self-owned and franchised restaurants and coffee houses opened in 2018 by brand

Brand	Equity	Franchised	Total
KFC	93		93
Pizza Hut	72	11	83
Starbucks	51		51
Blue Frog	20	2	22
La Tagliatella	5	14	19
Burger King	8		8
Sushi Shop	1	2	3
Bacoa	1		1
Total	**251**	**29**	**280**

In 2018 AmRest cooperated with over **14 thousand** business partners: franchisees, franchisors and suppliers. In Poland and Spain total expenditure for local AmRest's suppliers was 86.4%.

Table: Number of AmRest Holdings SE business partners in 2018 by type

Type of partner	2017	2018
Franchisees	161[4]	194
Franchisors	4	4
Suppliers (incl. food suppliers):	11 931 1 167	13846 [5] 1211
Total	**12 150**	14 044

4 restated (215 were reported in 2017)

5 86,6% of all AmRest's suppliers are local companies

Number of AmRest Holdings SE workers

Alongside its rapid growth, rising restaurant count and expansion to new markets, AmRest Holdings SE places strong emphasis on effective recruitment and offering employees attractive working conditions. In 2018 (as of Dec 31, 2018) AmRest Holding SE hired **48 846 employees** across 22 countries[6].

Table: AmRest Holdings SE workers in total and by gender

	2017	2018
No. of workers	**38 273**	**48 846**
incl. women	21 603	26 376
incl. men	16 670	22 470

Table: Total number of AmRest Holdings SE workers by country[6]

Country	TOTAL
Austria	15
Bulgaria	325
China	2 354
Croatia	202
Czech Republic	6 745
France	6 870
Germany	3 072
Hungary	1 824
Poland	15 095
Portugal	55
Romania	590
Russia	6 597
Serbia	242
Slovakia	81
Slovenia	19
Spain	4 175
USA	3
Switzerland	181
United Kingdom	88
Belgium	204
Italy	23
Luxemburg	86
Total	**48 846**

6 AmRest operates in 26 markets, but reports employment in 22 countries, as in 21 countries it has its own restaurants (in which staff is employed by the company) and the USA, where it does not have restaurants, but has employees. Five of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

RISK MANAGEMENT AND NON-FINANCIAL RISKS

The AmRest Holdings SE Group (AmRest) identifies financial and non-financial risks and manages them in its companies and at Group level. The risk management system, the internal control system and the review of effectiveness of such systems is supervised by managers responsible for the functions, AmRest Management Team (AmRest Top Management) and ultimately by the Board of Directors of AmRest Holdings SE (AmRest Board of Directors).

The AmRest Top Management performed a review, analysis and classification of risks to which AmRest is exposed to.

The Global Internal Audit Department (reporting directly to the Audit and Control Committee of the AmRest Board of Directors) supports managers (who are responsible for these functions), AmRest Management Team and AmRest Board of Directors in risk management by:

- identifying risks and opportunities and recommending solutions;
- monitoring, verifying and reporting to the AmRest Board of Directors the implementation status declared by the Management action plans addressing identified risks and opportunities;
- up-dating the AmRest Risk Map;

AmRest developed a model to systematize the approach to risk: identification, evaluation and mitigation. One of the elements of the model is the Risk Map, which contains risks arising from the specific nature of AmRest activities. These risks are broken down into strategic, financial, operational and compliance risks and are periodically evaluated by AmRest Management. The Risk Map is one of the information sources for the process of creating the annual and long-term Audit Plan.

AmRest analyses the risks and improves its risk management systems and the internal control systems on an ongoing basis.

Below we present the risks that may have a considerable adverse effect on operating areas of AmRest related to employees and social and environmental issues, as well as corruption prevention and respect for human rights.

Table. Risks that may have a considerable adverse effect on operating areas of AmRest related to human resources and social and environmental issues, as well as corruption prevention and respect for human rights

Issues: S - social, HR - human resources, E - environmental, PHR - protection of human rights, CP - corruption prevention

Risk	Risk description	Possible considerable adverse effect on the issues:				
		S	HR	E	PHR	CP
Risk related to consumption of foods - risk of an accident, food poisoning or other event that results in customer liability	Consumer preferences regarding the AmRest product offered may change as a result of new nutrition trends or unfavourable information about the products or the quality of products sold in restaurants of brands managed by AmRest. This risk is alleviated by **using the highest quality ingredients in AmRest restaurants** – sourced from reputable suppliers, by **complying with strict standards of quality and hygiene control** and by using the latest equipment and processes that ensure the safety of products and food sold.	✓	✓	✓		
Risk related to keeping the employees in key positions	The excessive turnover of key employees may be a serious risk factor for the stability and quality of activities. The		✓			

Risk	Risk description	Possible considerable adverse effect on the issues:				
		S	HR	E	PHR	CP
	system of remuneration and management of human resources developed by AmRest guarantees a low level of rotation at key positions. In addition, the career planning system allows the company to prepare successors who are ready to perform tasks at key positions within the company.					
Risk related to labour costs associated with employees and employment and retention of professional staff	The excessive turnover of staff may be a serious risk factor for the stability and quality of activities. There is a risk of turnover of qualified staff and thus the risk of keeping the catering services at the highest possible level. To avoid the risk of losing qualified staff, it may be necessary to gradually raise salaries. AmRest focuses on creating a friendly, attractive workplace, where the employees and their diversity are respected.	✓	✓		✓	
Risk of financial penalties for incorrect calculation of PIT, social insurance and other employee benefits resulting from an employee's error or a system error or due to differences in interpretation of laws in this regard.	The AmRest Group counteracts the risk of penalties due to not complying with the regulations regarding PIT, social insurance and other employee benefits. AmRest focuses on diligent settlement of financial obligations related to the workplace and relations with employees.		✓			
Risk of breaking the law or other regulations by conducting improper business practices.	The risk of non-compliance of AmRest activities with domestic and international and/or internal regulations and business ethics standards. AmRest addresses this risk with the support of appropriate internal processes and functions (Legal, OHS, HR, Internal Audit, Internal Control, etc.) and by using third-party consultants (legal, tax, environmental protection, OHS, etc.). In addition, besides the management and operational structure responsible for risk management, AmRest has appointed an Ethics Committee and a CSR Committee, consisting of representatives of AmRest managerial staff and employees.	✓	✓	✓	✓	✓
Risk of an accident on the job that jeopardizes health and safety, causes property damage, environmental pollution or deterioration of the company's reputation or other negative consequences.	In order to minimize these types of risks, AmRest implements occupational health and safety rules and procedures in the workplace, conducts training for managers and employees in the area of appropriate rules of conduct and counteracting situations that may result in social, environmental and reputational damages.	✓	✓			
Risk of lack of support for ethical rules by the Top Management and non-ethical behaviour of employees.	Ethical rules adopted by the company might not be supported by the Top Management, which may cause a weakness in the corporate control system and jeopardize the goals of the company. This may increase the risk that employees, by not following the ethics rules, may act dishonestly; for example, they may commit fraud or some other misconduct. AmRest aims to prevent this risk by propagating the Supreme Values and ethical behaviour described in the Code of Business Conduct. An Ethics Committee was also appointed, responsible for resolving issues related to ethics in business. Furthermore, AmRest has developed guidelines, monitors the implementation of the CSR Strategy and has developed the CSR Committee, which consists of the top managerial staff	✓	✓	✓	✓	✓

Risk	Risk description	Possible considerable adverse effect on the issues:				
		S	HR	E	PHR	CP
	and members of the AmRest Management Board. The Internal Control Department monitors and analyses store transactions and performs store audits to identify fraud. The Internal Audit and the Internal Control Department recommends solutions which decrease the risk of fraud.					
Social and environmental risks (CSR viewpoint)	Having implemented the Code of Business Conduct and the CSR Strategy, AmRest prevents, among others, the following risks: ■ negative perception of the company by the public in connection with undue care paid by AmRest to social/public interests; ■ lack of awareness and sensitivity of managers with regard to the ethics and rules of responsible business; ■ major negative impact of the company's operations on the environment; ■ inadequate response to environmental trends; ■ damage to AmRest's reputation caused by AmRest cooperation with unethical suppliers of low reputation; ■ the lack of public knowledge of AmRest involvement in the implementation of goals in the area of ethics and responsible business - unethical practices by AmRest and AmRest employees	✓	✓	✓	✓	✓

The approach to risk management in 2018:

In 2018 there were no situations on a national or international scale related to AmRest operations in any of the markets which had a negative impact on the company or a brand image or reputation.
In a few potential crisis situations that happened during the year, the AmRest Global Crisis Management Procedure was applied effectively to solve the problem.
The Procedure which governs the process of crisis management at AmRest was created in 2015 and since then has been gradually introduced across AmRest markets starting with the key CEE countries: Poland, the Czech Republic, Hungary, Romania and Bulgaria. With the acquisition of the Starbucks business in Germany, the policy was subsequently launched to the Starbucks leaders and operations staff in the market in 2017.
The Procedure has been owned and managed by the AmRest PR Director who is a member of the Core Crisis Team consisting also of the Chief Operations Officer, Brand Presidents and the heads of Legal and HR functions.

Implementation of the AmRest Global Crisis Management Procedure - key actions taken in 2018:

- Launch of the Procedure in the German market through a dedicated session of the German management team comprising of the leaders of all brands operated by AmRest: Starbucks, Pizza Hut and KFC in the market and representatives of the key functions such as HR, legal and communications.
- A workshop on AmRest crisis management and the escalation system for Area Coaches and General Managers of Pizza Hut and KFC in Germany.
- Launch of the procedure in France via a workshop for the Pizza Hut leadership team in the market.
- A series of crisis management workshops for General Managers of all AmRest brands conducted in Poland throughout the year.

- Implementation of the crisis escalation process to the store staff across all AmRest markets via a distribution and posting on the premises of a dedicated sticker with relevant instructions.
- Alignment of the Global Crisis Management Procedure with the AmCare system by creating a new document with guidelines on Issues and Incident Management.

Implementation of the AmRest Global Crisis Management Procedure - activities planned for 2019

Accordingly, in 2019 there is a plan to launch/re-launch the Global Crisis Management Procedure in all AmRest markets, both in equity and franchise stores. Work has also started on a dedicated training module which will be an incremental part of the onboarding process for store employees.

ANTI-CORRUPTION POLICY

In 2018 there was no global anticorruption policy in place for AmRest Holdings SE (AmRest). Anti-corruption issues were regulated in AmRest's **Code of Business Conduct**, which applies to all the executives, employees and contractors of the corporate group, governing their relations with clients, business partners, members of the media, local authorities and communities.

AmRest's procurement (direct procurement, indirect procurement, investments) is governed by **Procurement Procedures** and systems that aim to reduce the risk of corruption, as further explained in Section 8 herein.

Any wrongdoing involving the risk of corruption is systematically reported to AmRest's Management Board, which takes an active part in managing these risks. The key role with regard to eliminating all wrongdoing, including corruption, is played by the Global Internal Audit and Internal Control Department.

In December 2018 the Board of Directors of AmRest Holdings SE passed a set of global documents regulating the prevention of corruption, bribery and money laundering, as well as a whistleblowing policy for the whole organization. The policies and procedures adopted at the end of 2018 will be communicated and implemented in 2019.

The most important of these are: a revised Code of Conduct; The Conflicts of Interest Policy; The Crime Prevention, Anti-bribery and Anti-corruption Policy; The Risk Management Policy; The Whistleblowing Policy and The Regulatory Compliance Policy.

In 2018 AmRest workers could report any wrongdoing, including cases of potential corruption, by:

1. informing their superior,
2. informing the HR Department or the Internal Audit and Internal Control Department,
3. using Speak Openly, a system for reporting any wrongdoing spotted, including cases of potential corruption, either anonymously or openly (Poland, Czech Republic, Hungary).

In 2019 AmRest will implement a global **The AmRest Whistleblowing Policy** in all the countries where it operates to put in place procedures on wrongdoing reporting. Employees will be able to utilize the whistleblowing program to report or share ideas on a variety of matters, including: violations of The Code of Conduct & Ethics, improper accounting, accounting controls, auditing, bribery or kickbacks, conflicts of interest, illegal activities, theft or fraud, discrimination or harassment, workplace violence, health or environmental issues.

The revised **Code of Conduct** also regulates accepting gifts from partners. Under the new provisions, every gift whose value exceeds EUR 100 must be reported to a superior.

The raw materials, products for sale and packaging for AmRest restaurants and coffee stores are ordered by store managers via AmRest systems. The orders, receptions and returns are registered in these systems and controlled by Operational Management, the Finance Department and the Supply Chain Management. There are daily and monthly inventory takings performed by the store managers and verified by regional managers and AmRest auditors. Cost of sales, inventory differences and waste are analysed on a daily basis by OPS[7] management and controlled by auditors.

Most of the purchases of indirect products and services (cleaning products, office materials, spare parts, protective clothes, etc.) are requested in purchase to pay systems and approved according to the spending limit.

Stores have also assigned monthly limits of cash expenses. The rules of Petty Cash use, documentation and settlement are defined in Petty Cash Procedure. Petty Cash expenses are audited by AmRest auditors.

CSR Policy internally regulates all contributions to non-profit organizations and entities.

In 2018 there were no confirmed corruption or money laundering instances at AmRest Holdings SE.

ENVIRONMENTAL ISSUES

Management approach

Environmental issues have a significant influence on the way AmRest Holdings SE's carries out its business. This follows from the fact that the group's management strongly believes that action should be taken to reduce any negative environmental impact. Another factor is that stricter environmental laws are being gradually introduced across different legislations, in particular in the European Union.

Due to legislative differences across the countries where AmRest operates and the group's rapid expansion into new markets, AmRest Holdings SE has not adopted a global environmental policy for the whole group. AmRest however, does expect its subsidiaries across the world to take active steps to protect the environment and optimize its use of natural resources. Additionally, AmRest has adopted a set of global goals for efficient energy use and energy saving that apply to the group as a whole.

AmRest, because of its business model, has no provisions and guarantees for environmental risks.

In 2018 AmRest took determined steps to set energy efficiency targets for **the whole group** and develop methods and tools to reach these targets. The plan has been approved by the Board of Directors and is currently being implemented.
Project name: GREEN! GLOBAL **R**EMODELLING OF **E**NERGY **E**FFICIE**N**CY
Project goal: remodeling of the energy efficiency of new and existing stores to reduce electricity consumption and partially offset energy price increases.

STEP 1. Sustainable energy savings solutions
Target: all stores / brands / countries optimize energy consumption

STEP 2. Electricity contracts management
Target: all countries attain optimized Energy contracts (ordered power, tarrifs, joint purchasing etc.)

STEP 3. Reduce electricity consumption
Target: -3% kWH vs LY, additional -5% kWH vs LY in the long term.

7 OPS means operations (employees of cafes and restaurants).

Environmental issues and priorities are also set out in the Responsible Business and Sustainable Development Strategy of AmRest Central European Division for 2015-2020. In accordance with the strategy, AmRest seeks to act in an eco-friendly manner in all areas of its operations.

Apart from energy efficiency, AmRest Central European Division's environmental goals are reduced water consumption at restaurants and increased use of recyclable packing materials.

AmRest restaurants and coffee houses work to minimize the environmental impact of their operations in accordance with each brand's procedures. This includes acting to increase their energy efficiency and improve waste management.

The following are some examples:

- apart from its obvious social benefits, the scheme of donating surplus food implemented in selected KFC restaurants leads to less organic refuse and food waste.
- equipment operating procedures implemented in each brand help to streamline the food preparation process, reduce electricity consumption and improve waste management (e.g. used oil).

AmRest's Board of Directors analyzes the group's environmental impact and explores possible pro-environmental changes that can be made to make the group's operations more eco-friendly as part of comprehensive risk management. Specific environmental issues are managed by relevant units at the subsidiary level.

For example in Poland, waste management is monitored by the Internal Control Department. The department's Facility Management is responsible for managing the cost of utilities, including energy, and environmental protection.

Store managers also play an important role in managing AmRest's environmental impact.

Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of its operations, it has been unable to collect environmental data for 26 countries. Environmental data is reported for 16 markets, as the others joined AmRest with the acquisition of Sushi Shop at the end of October 2018. AmRest was not able to integrate the markets in such a short time to collect all necessary data. In addition, this data would be authoritative, as it would not apply to the full year of operations in the Group's structures. The environmental indicators collected in 2018 are presented below. In the data collection process for 2019, the requirements of Spanish law regarding environmental data reporting will certainly be adhered to.

Energy

In 2018 AmRest Holdings SE used **1 219 045,09 GJ** of electricity and **219 395,8 GJ** of natural gas (excluding Germany and Portugal). In 2017, **122 433 GJ** of natural gas was used in Poland.

Table. AmRest Holdings SE electricity energy consumption in 2017 and 2018 by country (GJ)

Country	2017	2018
Austria	n/a	399,70
Bulgaria	5 586	6 442,60
China	30 766	38 742,70
Croatia	3 311	10 481,00
Czech Republic	93 176	106 073,75
France	76 199	121 814,60
Germany	68 069	80 280,00

Hungary	53 219	69 011,50
Poland	337 559	379 006,40
Rumania	6 805	8 674,84
Russia	119 483	204 815,80
Serbia	4 348	11 460,00
Slovakia	n/a	1 332,00
Slovenia	n/a	957,40
Spain	211 402	179 552,80
Portugal[8]	310	-
TOTAL	**1 010 233**	**1 219 045,09**

Selected energy efficiency solutions implemented[9]:

- Most of AmRest's restaurants and coffee houses are covered by a remotely operated energy consumption monitoring system which makes it possible to analyze energy use at the store level, act to conserve energy and look for optimizations. AmRest intends to implement the system in each of its stores.
- In most markets AmRest uses optimized equipment-operating procedures which are explained in detail in information materials for employees.
- In 2018 AmRest worked out a detailed plan to convert to energy efficient LED lights in its restaurants in Poland, which will make it possible to save approx. 1764254,8 kWh a year.
- AmRest restaurants use motion detectors in utility rooms and restrooms as well as energy efficient ventilators. AmRest also uses air conditioning systems with heat pumps.
- Some of the deep fryers, freezers, ovens and other equipment used in the restaurants are energy-saving devices with ENERGY STAR certificates. Fryers are fitted with a special, energy-saving systems that makes it possible to reduce the amount of oil used.
- KFC, Burger King and Pizza Hut restaurants in Poland recover heat from their refrigeration systems and use it to heat water.
- In 2018 AmRest started working towards developing the first freestanding KFC DT GREEN restaurant with a Leadership in Energy and Environmental Design (LEED) certificate in Poland. The building will be fitted with a solar panel system able to satisfy 2.5-3% of the restaurant's energy needs. The installations will include photovoltaic solar panels, heat recuperators, a Variable Air Volume system, a rainwater harvesting system, and ecological fixtures that reduce water consumption and heat water with energy recovered from refrigeration units. The whole system of outdoor and indoor lighting will use LED lights supported by a smart lighting control system.
- Currently, solar panels are in use in one restaurant in Poland.

8 No detailed data available.

9 In the AmRest Group energy from renewable sources is not used.

Fuel

Table. Fuel consumption by the AmRest car fleet in 2018 (liter)[10]

Metric	Country	DIESEL (liter)	PETROL (liter)
Fuel consumption by the AmRest car fleet in 2018 (liter)	Austria	7 968	0
	Czech Republic	73 020	710
	Germany	89 707	4 875
	Hungary	69 918	2 852
	Poland	447 150	22 163
	Romania	18 372	3 928
	Slovakia	5 630	0
	Spain	48 137	0
	TOTAL	**759 902**	**34 528**

Striving to optimize AmRest's energy use and reduce its electricity consumption, the group also works towards reducing its CO_2 emissions. In 2018 AmRest Holdings SE emitted 54 902,14 tonnes of CO_2 through energy and fuel consumption.

Water

In 2018 AmRest Holdings SE used 2 565 690 m³ of water.

Table. Water withdrawal in 2017 and 2018 by country (m³)

Country	2017 (m³)	2018 (m³)
Austria	n/a	558
Bulgaria	20 876	27 409
China	142 840	155 432
Croatia	7 190	10 957
Czech Republic	161258	169 888
France	621 137	835 316
Germany[11]	-	-
Hungary	83 820	106 854
Poland	443 391	469 779
Romania	69 360	44 292
Russia	240 900	420 000
Serbia	8 090	12 710
Spain	326 149	308 133
Portugal[11]	-	-
Slovakia	n/a	2 583
Slovenia	n/a	1 779
TOTAL	**2 125 011**	**2 565 690**

10 Fuel usage is reported for 8 countries, being the core markets, where employment covers 65% of total number of employees of for the group.
11 No data available. The majority of stores in these countries have water charges included in the rent as a flat fee.

Example of practices for reducing water consumption:

In most newly built restaurants and coffee houses managed by AmRest (KFC, Burger King, Pizza Hut and Starbucks brands) in toilets only wash basins with water-saving aerators and proximity sensors are used.

In most of AmRest's newly built restaurants and coffee houses (KFC, Burger King, Pizza Hut, Starbucks) all toilet sinks use touchless faucets with tap aerators.

Potential effect on biodiversity

The following two areas potentially have the strongest effects on biodiversity in AmRest's value chain:

a. practices used by suppliers of AmRest's key products, in particular their approach to vegetable and crop farming as well as animal husbandry.

b. responsible management of waste generated by restaurants and coffee houses, in particular waste that might contaminate water and soil (e.g. used frying oil) if managed incorrectly.

Waste management

The variety of waste management solutions implemented across individual countries and stores as well as the group's expansion to new markets are the two reasons why AmRest has not adopted a global system of waste management and monitoring. It is also difficult to obtain data on waste production for restaurants and coffee houses located in shopping malls where waste collection and transfer is the responsibility of building managers. AmRest has, nevertheless, defined guidelines that must be followed by restaurant managers and employees, and continually works to raise their awareness on responsible waste management.

Example: Restaurants of individual brands receive detailed instructions on how to manage waste and report their compliance with relevant good practices.

AmRest discloses waste management information in accordance with the relevant provisions existing in each country where it operates.

In 2018 AmRest generated 2 403 tonnes of waste, including 13 tonnes of hazardous waste, in Poland and deposited it to the appropriate waste management company.

Waste generated by some restaurants and coffee houses in Poland and Spain is deposited in waste containers owned by shopping malls. The amount of this waste in not included in AmRest's statistics.

Table. Waste by type and disposal method (tonnes)[12]

Country	Type of waste	Disposal method	Tonnes
Poland	hazardous	recycled	13,26
	non-hazardous	recycled	2 390,00
Spain	hazardous	recycled	0
	non-hazardous	recycled	739,00

AmRest recycles organic waste.

12 Waste by type and disposal method is reported for 2 leading markets, where employment covers 39% of total number of employees of for the group.

Table. Organic waste recycled [kg][13]

Country	Organic waste recycled (kg)
Poland	469 903
Czech Republic	478 650
Hungary	9 614
China	1 460 000

To minimize its potentially negative impact on the environment and biodiversity, AmRest separates used oil and sells it to biofuel producers.

Table. Used oil sold to biofuel producers in 2017 and 2018 by country (kg) [13]

Country	Used oil recycled in 2017 (kg)	Used oil recycled in 2018 (kg)
China	-	60 000
Czech Republic	239 053	236 776
Hungary	78 570	71 749
Poland	393 198	522 166
TOTAL	**710 821**	**890 691**

Practices of key food suppliers

AmRest collaborates with food suppliers that use good environmental practices in farming and animal husbandry. These practices help to protect biodiversity, prevent soil degradation and conserve water resources.

AmRest audits its key suppliers to check their compliance with quality standards and good farm management practices.

For example 100% of suppliers of fresh vegetables in Poland, the Czech Republic, Hungary, Croatia, Slovenia, Serbia and Austria have the Global GAP certification.

Global GAP is a farm management practice assessment scheme that covers farmers/vegetable suppliers. It helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

Global GAP require onion and lettuce producers to implement practices contributing to the conservation or restoration of biodiversity.

Practices for the conservation of biodiversity include crop rotation, catch crop and manure sterilization, which helps reduce the use of mineral fertilizers. Appropriate management of fallow land and ditches helps conserve species diversity.

The operations are compliant with the Global Gap standards which focus on the conservation of biodiversity as one of the main priorities.

13 Data for organic waste recycled and recycled oil available for 4 countries, where employment covers 53% of total number of employees of for the group.

With biodiversity in mind, larger farmers are required to remove a portion of their land from production (meadows, ditches, catch crop and crop rotation). AmRest's suppliers of foods derived from plants must comply with these requirements.

Compliance with environmental laws

AmRest in Spain: In 2018 no penalties were levied against AmRest in Spain for lack of compliance with relevant environmental laws.

AmRest in Poland: In 2018 no penalties were levied against AmRest in Poland for lack of compliance with relevant environmental laws. The company will, however, have to pay higher fees for failure to conform to prescribed levels of pH or certain substances (phosphorus, suspension, anionic surfactants and nonionic surfactants, depending on the location) in sewage produced by different restaurants. The hike in fees will amount to 37 110,98 Euro in total.

EMPLOYEE ISSUES

AmRest Holdings SE draws its success from the 'Wszystko Jest Możliwe' culture which is strongly rooted in the company's history and focuses on employees as one of its main priorities. AmRest's ambition is to create a safe and friendly workplace that supports diversity and employee growth. Cultural diversity defines AmRest as an international organization and is treated as a source of inspiration. The company fosters a culture of inclusiveness that translates into openness and recruitment of a diverse workforce.

As of December 31, 2018 AmRest Holdings SE employed **48 846** workers across 22 countries[14]. As compared to 2017, the total employee count increased by 27.6%.

Table. AmRest Holdings SE employees in total and by gender in 2018

Employee count	48 846
incl. women	26 376
incl. men	22 470

Table. AmRest Holdings SE employees in total and by category in 2018

Employee count	48 846
Employees of restaurants and coffee houses (OPS)	46 200
Restaurant support team (RST)	2 646

14 AmRest operates in 26 markets, but reports employment in 22 countries, as in 21 countries it has its own restaurants (in which staff is employed by company) and the USA, where it does not have restaurants, but has employees. Five of AmRest’s markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

Table. AmRest Holdings SE employees by gender and type of employment contract[15]

Permanent contract	**33 041**
incl. women	18 175
incl. men	14 866
Temporary contract	**15 805**
incl. women	8 201
incl. men	7 604

AmRest attracts a large number of young workers. More than 35 000 people working in AmRest restaurants, coffee houses and offices are under 30. They are mostly students and first-time employees. These employees prefer independent contractor agreements to employment contracts. Working flexible hours allows them to balance work and study, gain professional experience and in some cases return to work after a longer break they took for personal reasons or reasons beyond their control.

Types of employment vary across individual legislations. AmRest complies with local contract and employment laws, taking also into consideration each employee's individual needs and preferences.

Policies

In 2018 AmRest Holdings SE and its employees were bound by the group's **Code of Business Conduct**. The code is a set of rules and ethical standards concerning AmRest and its employees in their day-to-day operations. The code regulates AmRest's behavior towards its workers, stressing the importance of diversity and respect in the workplace. Specifically, the code focuses on:

- fostering positive relationships in the workplace;
- a zero-tolerance policy towards any instances of harassment, bullying or violence in the workplace;
- equal development opportunities and diversity;
- a zero-tolerance policy towards any instances of discrimination;
- equality at all stages of employment, including the recruitment process.

In 2018 the Board of Directors approved **a revision of the Code of Business Conduct**. New provisions will be communicated and implemented in 2019. The document has global reach.

AmRest has a global **Diversity Policy**, which fosters respect, employee appreciation and growth in the workplace, contributing to the success to the whole organization - as well as a global policy for **Talent Acquisition and Retention.**

In 2018 the Board of Directors adopted a global **Gender Policy**, which will be implemented and communicated in 2019. The policy complements the Diversity Policy, providing a global framework of basic standards and processes necessary to guarantee gender equality in AmRest's subsidiaries across the world. The policy's provisions follow directly from AmRest's Core Values as well as the company's Code of Business Conduct.

Because AmRest Holdings SE is an international entity, its employees' career development may involve relocation. In 2017 AmRest implemented an employee relocation policy in Poland and in 2018, a policy for international relocation was adopted for the whole organization. The policy's aim is to support employee

15 Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data including type of employment contract (permanent or temporary) by age or by professional category. The data collection process for 2019 will adhere to these requirements.

mobility and create more career opportunities for AmRest's workers. In 2018 nearly 40 people were relocated internationally. The policy is meant to support employees working in any of the countries where AmRest operates. It is an expression of the 'Wszystko Jest Możliwe' culture and helps relocated employees adapt more easily to new surroundings.

Due to its rapid expansion into new markets and the differences between individual national markets, the company does not have global employment policies. Basic employment matters, including internal organization as well as employee and employer rights and responsibilities are regulated by separate documents adopted by AmRest subsidiaries in accordance with the relevant national laws.

Occupational health and safety is governed by the relevant national laws and not at the organization level. In Poland every AmRest brand has occupational health and safety procedures and manuals as well as occupational risk assessment schemes. AmRest has prepared attractive training materials to promote occupational safety and an e-learning scheme to prevent workplace injuries.

The organization does not have a standardized, global policy concerning the rights of employees leaving the company nor does it have any common approach to labor disconnection.

Outcomes

Career development at AmRest is based on the **Career Redefined** concept, which means that career paths at the company are not defined in a standardized manner. Each employee gets to define and shape their own career, while the company works to provide them with opportunities to grow: new responsibilities or position, transfer to a different unit, moving from the restaurant to the office (or vice versa) or even abroad.

AmRest uses a unique employee promotion process in which the key role is played by a **Review Board.** Having completed most development processes and programs, the employee meets with the Review Board that verifies their knowledge and readiness to be promoted to a higher level.

AmRest is a rapidly growing organization. For this reason, it places a strong emphasis on training and employee development. The company offers a wide array of internal courses (hard and soft skills) led by qualified instructors. What is more, each manager supports their teams, acting as coaches and mentors.

AmRest executives participate in **AmRest University**, a tailored development program that focuses on strategy, finance, leadership and self-awareness. The courses are led by internal instructors, Board members or recognized international experts. AmRest managers advance their skills by participating in **AmCollege and Leadership University of AmRest.**

Store-level managers participate in dedicated development programs depending on their position. Store managers are offered training to develop the skills necessary to effectively manage people and restaurants, including food safety, human resource management, customer service, product marketing, promotion and sales.

Restaurant workers are given job training that includes a customer-focused approach and suggestive selling. Employees not covered by the above-mentioned development programs are offered other training opportunities.

In 2018 AmRest ran **Spread Your Wings** (for the 3rd year in a row), a global development program whose main goal was to identify employees with leadership talents and abilities within the organization and facilitate their growth. In this way, the organization develops the world-class leaders it needs in the context of its dynamic global growth.

Job Performance Appraisal is a formal method of evaluating employee performance in a given period. Based on their evaluation, the employee may qualify for the Spread Your Wings program or an annual bonus. The process involves employee self-evaluation and a performance review by a superior. The scheme applies to store managers as well as office workers in all the countries where AmRest operates. In 2018, thanks to the implementation of new software, the process was standardized across all AmRest markets.

Table. Selected development program outcomes at AmRest in 2018[16]

Review Boards convened	1664
incl. employees who passed the Review Board	1365
Employees evaluated as part of the Job Performance Appraisal	8344
Employees who participated in Spread Your Wings	2000

AmRest crew employees in Poland go through the process of four steps training, preparing them to work in restaurants and coffee houses. The trainings consist of preparation, presentation, guided practice and certification. The total number of training hours of new employees in Poland is 255 470. This concerns restaurant employees of following brands: KFC, Pizza Hut, Burger King, Starbucks and Blue Frog.

100% AmRest's OPS (operations) employees take a mandatory training in health & safety procedures such as washing hands, disinfection of kitchen tools and products temperature control.

AmSpace is an integrated human resources management system and a crucial HR tool in an organization of AmRest's scale. The platform has been gradually implemented in AmRest since 2016. In 2017 it was available to employees of all AmRest human resource management system brands in Poland, the Czech Republic, Hungary and Slovakia. The platform has two modules: (1) internal promotion (training and individual development plans) and (2) succession planning (short and long-term employee development).

In the first quarter of 2018 the system was made available to employees in the Balkans and Romania as well as Pizza Hut and KFC workers in Slovenia and Germany. In the second quarter of 2018 AmSpace was implemented in China and finally in Austria, Russia, Spain and France, making it possible to manage annual performance appraisals in a standardized manner across the world. Currently, AmSpace has nearly 40 000 active users and counting. Most importantly, it is available to users in their native languages.

In 2019 the system will be implemented in new locations and upgraded to offer new features. AmRest collects user feedback on a day-to-day basis to make the system more user-friendly and intuitive.

AmRest uses a flexible working time system. Office workers may work from home or at the office according to their preferred schedule. The company favors the task-based system. Restaurant employees can influence their work schedules, which makes it easier for them to juggle personal life and work, including shift work.

In 2018 AmRest commissioned a Fun at Work Survey across Poland. The results showed that employee appreciation is one of the top qualities Poles look for in an employer (94%). It plays an important role in fostering employee engagement. In 2019 AmRest plans to commission an employee satisfaction survey focusing on fun at work and employee appreciation.

16 AmRest offers a multitude of global training programs as well as different training courses within individual markets. For this reason, it is impossible to calculate the number of total training hours or training hours per employee in a given period. AmRest works to ensure that its employees across different organizational units and levels have access to appropriate training and development programs.

Actions aimed to facilitate the enjoyment of conciliation and encourage the co-responsible exercise of these by both parents in Spain:

a. Sharing internal information channels to ensure that employees are informed of the legal possibilities of conciliation

- Monitoring of the equality plan established in the company
- Ensuring options such as the adaptation of the working timetable instead of reducing the working day in order to avoid changes in salaries.

b. Discussions with unions to find new initiatives on a regular basis

Table. AmRest Holdings SE employees by age and country

Country	Age			Total
	Number of employees under 30	Number of employees 30-50	Number of employees over 50	
Austria	12	3	0	15
Bulgaria	253	72	0	325
China	1 502	687	160	2 354
Croatia	138	64	0	202
Czech Republic	5 568	1 051	126	6 745
France	4 734	1 902	213	6 870
Germany	1 807	1 173	92	3 072
Hungary	1 249	491	84	1 824
Poland	12 092	2 710	293	15 095
Portugal	33	19	3	55
Romania	468	120	2	590
Russia	5 689	805	103	6 597
Serbia	212	30	0	242
Slovakia	74	7	0	81
Slovenia	12	7	0	19
Spain	2 536	1 514	125	4 175
USA	0	0	3	3
Switzerland	116	61	4	181
UK	47	39	2	88
Belgium	128	72	4	204
Italy	8	14	1	23
Luxembourg	37	36	13	86
TOTAL	**36 715**	**10 877**	**1 228**	**48 846**

Table. AmRest Holdings SE employees by age and category

(Employee categories: OPS operations - employees of coffee houses and restaurants; RST - restaurant support team)

Age	Employee category		Total
	RST	OPS	
Number of employees under 30	931	35 784	**36715**
Number of employees 30-50	1 589	9 288	**10 877**
Number of employees over 50	126	1 128	**1 254**
Total	**2646**	**46 200**	**48 846**

Table. AmRest Holdings SE employees by type of employment and gender

Full-time employees	20 809
incl. women	11 498
incl. men	9 311
Part-time employees	28 037
incl. women	14 878
incl. men	13 159

Table. Employees in Poland by type of contract, age and gender[17]

	Gender	Age		
		Number of employees under 30	Number of employees 30-50	Number of employees over 50
Temporary contract	women	3 331	160	26
	men	3 062	115	9
Permanent contract	women	3 400	1 603	183
	men	2 299	832	75

Table. Average annual salary by gender, positioning within organization and divisions (Asia, Western Europe, Eastern Europe, Central Europe) in Euro, in 2018

	Level	Men	Women
Asia	L1	6 103	5 775
	L2	11 931	10 692
	L3	15 815	14 938
	L4	25 210	24 048
	L5	40 380	46 073

17 Due to the fact that AmRest Group does not have a global HR tool and due to the scale of operations, it is not able to collect data for the whole Group. The figures in the table above concern Poland, which employment covers 30,9% of total number of employees of for the group. The data collection process for 2019 will adhere to these requirements.

	Level	Men	Women
Western Europe	L1	15 710	15 870
	L2	21 574	22 235
	L3	24 422	26 136
	L4	36 349	33 826
	L5	59 878	63 321
	L6	106 270	101 727
Eastern Europe	L1	3 583	3 628
	L2	5 419	5 193
	L3	7 978	6 925
	L4	10 914	9 107
	L5	22 355	23 032
Central Europe	L1	7 483	7 379
	L2	9 679	9 390
	L3	13 163	12 408
	L4	19 176	17 651
	L5	36 971	35 539
	L6	71 297	64 899

Table. Total salary pay gap between men and women by position within the organization[18]

Level	Ratio of women's average wages to average wages of men
L1	98,6 %
L2	97,5 %
L3	94,9 %
L4	94,1 %
L5	99,6 %
L6	108,0 %

Table. Total annual remuneration of Board of Directors, including variable remuneration, allowances, compensation in 2018

DIRECTORS	Amount (EURO)
TOTAL REMUNERATIONS	**€1 872 754,50**
fixed	€ 868 875,96
variable	€ 971 360,91
other	€ 32 517,63
allowances	€ 0,00

The detailed information regarding the remuneration of Board of Directors by person is available in Remuneration Report placed on the website: https://www.cnmv.es together with AmRest Annual Account for the year 2018.

18 The figures represent 7 of the main countries of the Group, where remuneration data are comparable between 6 category levels.

Table. Total annual remuneration of Managers, including variable remuneration, allowances, compensation in 2018

MANAGERS	Amount (EURO)
TOTAL REMUNERATIONS	**€ 2 150 666,65**
fixed	€ 1 545 028,23
variable	€ 605 638,42
other	€ 0,00
allowances	€ 0,00

Managers should be understood as group of person discharging managerial responsibilities (senior management staff who are not executive directors). Average fixed remuneration of Managers by gender in 2018 was as follows: men EUR 202 472, women EUR 241 025. Variable part of Managers' remuneration represents mostly exercise of share option plans. These are long-term incentive plans (life of options is up to 10 years), with dates and amounts of exercise dependent solely on the Employee decision, after fulfilling vesting conditions. Due to their non-recurring and long-term characteristics, calculation of average annual amount of share option plans would be misleading.

Currently in Spain and Poland payment to systems of forecast of long-term savings are not included. There is no common approach in the Group to this issue.

Table. Indicators of diversity[19]

	Number of employees	Percentage of all employees[20]
Ancestry and ethnic origin	5881	12%
Disability	981	2%

Table: Employees covered by collective bargaining agreements[21]

Country	Number of employees
France	3 039
Germany	2 884
Portugal	55
Spain	4 069
Total	**10 047**

19 Data presented for 17 countries. Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data for all countries where AmRest has employees. The data collection process for 2019 will adhere to these requirements.
20 Number of all employees: 48 846.
21 Collective bargaining agreements do not work in other countries of employment. The data represents 20,57% of employees of AmRest Group.

Table: Number of dismissals by country, gender and employee category in 2018[22]

(Employee categories: OPS - operations - employees of coffee houses and restaurants; RST - restaurant support team)

Country	Gender	Employee category	Total	
Austria	women	OPS	10	26
		RST	0	
	men	OPS	13	
		RST	3	
Bulgaria	women	OPS	24	39
		RST	0	
	men	OPS	15	
		RST	0	
China	women	OPS	2	10
		RST	2	
	men	OPS	3	
		RST	3	
Croatia	women	OPS	3	7
		RST	0	
	men	OPS	4	
		RST	0	
Czech	women	OPS	189	426
		RST	2	
	men	OPS	234	
		RST	1	
France	women	OPS	394	796
		RST	2	
	men	OPS	399	
		RST	1	
Germany	women	OPS	144	414
		RST	1	
	men	OPS	265	
		RST	4	
Hungary	women	OPS	298	577
		RST	0	
	men	OPS	279	
		RST	0	
Poland	women	OPS	23	67
		RST	4	
	men	OPS	37	
		RST	3	
Portugal	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	
Romania	women	OPS	9	21
		RST	0	
	men	OPS	12	
		RST	0	
Russia	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	

22 Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data including the number of dismissals by age for all countries, where AmRest has employees. The data collection process for 2019 will adhere to these requirements.

Country	Gender	Employee category	Total	
Serbia	women	OPS	0	2
		RST	0	
	men	OPS	2	
		RST	0	
Slovakia	women	OPS	39	58
		RST	0	
	men	OPS	17	
		RST	2	
Slovenia	women	OPS	0	1
		RST	0	
	men	OPS	1	
		RST	0	
Spain	women	OPS	89	200
		RST	1	
	men	OPS	108	
		RST	2	
USA	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	

Table. Workplace injury rates in in AmRest Group[23]

		Total
Work-related injuries	men	206
	women	246
Injury rate for employees[24]	men	12,16
	women	11,73
Work-related fatalities	men	0
	women	0
Absenteeism among employees[25]	men	930625
	women	2708421
Type of injuries	- broken hands and legs - bone fractures - dislocations or sprains or tears - hot water, steam or chemical burns - internal injures	

23 The data applies to all AmRest markets excluding Germany and countries where Sushi Shop Group is present. Data represents 88,75% of AmRest employees.

24 Number of accidents / number of employees * 1000.

25 This includes absences from work because of incapacity of any kind, not just as the result of work-related injury or disease.

Permitted leave absences such as holidays, study, maternity or paternity leave, and compassionate leave are excluded.

The respective data as at the end of the reporting period should be reported. The data is reported in hours.

SOCIAL ISSUES

With regard to social issues and the social impact, two aspects are crucial for AmRest Holdings SE business:

the impact on consumers: product safety and quality, consumer satisfaction;

social engagement: in particular projects that benefit local communities.

Social policies and their outcomes: product safety and quality

One of the key responsibilities of AmRest Holdings SE is to ensure the safety and quality of the products served in its restaurants and coffee houses. The group's objective is to apply the highest product safety and quality standards throughout the supply chain and source fresh produce from local suppliers.

Food quality and safety is one of the four key priorities of the Responsible Business and Sustainable Development Strategy of AmRest Central European Division for 2015-2020 (CSR Strategy). In 2018 the strategy regulated AmRest Holdings SE operations in the Central European Division. Over the next few years the document will be revised and implemented in the remaining markets.

The CSR Strategy identifies the following key topics in 'Our Food' focus area:

- food quality and safety
- responsible procurement and sales
- transparent disclosure of nutrition facts

The **strategic activities in** 'Our Food' focus area are:

- product monitoring: laboratory tests according to an annual plan;
- supplier monitoring: audits of key suppliers;
- implementation of an annual plan for increasing the transparency of the quality and safety information concerning products and meals offered to customers;
- developing cooperation with local suppliers

Each of the brands in the AmRest Holdings SE portfolio has its own strict food safety policies and makes sure that they are diligently followed. What is more, AmRest applies global food safety rules set out in its **Food Safety Fundamentals (FSF)**. The FSF is a global document addressed to the different groups of people responsible for food safety and quality control across the organization. It is not directly applicable at restaurant-level. Instead, it provides a foundation on which food safety standards for each brand and country are based. The FSF is also the reference point for evaluating food safety in new markets where AmRest enters. Each market and brand is different, yet - regardless of local laws, individual standards and procedures – they all must meet a certain food safety level required by AmRest.

AmRest Holdings SE carries out regular food quality tests and supplier audits. The scope and rules of supplier audits are set out in the **Supplier Approval Process**, while food quality checks are governed by the **Brand Protection Monitoring System (BPMS)**, which focuses mainly on food safety.

The BPMS is applied in: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia and Austria with regard to the KFC, Burger King and Pizza Hut brands. Product quality tests are carried out according to strict standards established for each of the brands AmRest operates as they all differ in terms of the type of products offered (and produce used) and the risks and threats they face as identified by the group based on its long-term experience in brand management.

Each restaurant operated by AmRest requires specific products that meet certain requirements. That is why, the group puts strong emphasis on direct, day-to-day contact with its suppliers and is involved in perfecting the production, storing and transport of the products it purchases. AmRest's suppliers are reliable, experienced producers and market leaders in product quality. AmRest's Supply Approval Process applies in all of the markets where the group operates.

AmRest uses three separate procurement channels, each regulated by different policies and procedures:

- SCM: direct procurement and some of the investment procurement
- Indirect Procurement Department
- Investment Department

SCM purchases are regulated by the **Procurement Procedure**. It applies in the CEE markets (and will be implemented in the French and German markets). The Procedure indicates which documentation is needed before signing up a new supplier; when and how often tendering should take place; and governs the tender approval process. This is an audit requirement applicable within different product groups. SCM purchases are also governed by the Supplier Approval Process, which applies globally, except for the Chinese and Spanish markets.

The Indirect Procurement Department makes purchases based on AmRest's **Global Procurement Procedure** applicable across the whole group, with the possible exception of Spain and China, which have local policies that overlap with the global policy.

The **Cost Management Procedure** governs the expenses incurred within the entire group by the Investment Department.

Table: AmRest Holdings SE procurement budget in the Spanish and Polish markets

Supplier category	Budget share
Local suppliers	86.4%
Foreign suppliers	13.6%

In 2018 100% of the suppliers providing fresh fruit and vegetables to AmRest's restaurants in the Central European Division (Poland, Czech Republic, Hungary, Croatia, Slovakia, Austria, Serbia) received the **Global GAP certification**. Global GAP is a farm management practice assessment scheme that helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

AmRest's restaurants and coffee houses are meticulously inspected for food safety. Individual inspection standards and schedules are applied across the different brands to account for their specific needs. All inspections are unannounced and carried out by independent internal and external auditors. Inspection results are uploaded to an online system and analyzed. If the outcome is not satisfactory, a corrective plan is put in place.

AmRest Holdings SE is committed to ensure food safety and quality. This objective is achieved through:

- systems designed to track expiration dates and manage inventory rotation
- procedures for all OPS employees according to food safety rules such as washing hands during the shifts, disinfection of kitchen equipment and products temperature control
- an order management system that helps restaurant and coffee houses managers optimize the quantity of products they order and ensure that the inventory is always fresh
- cold and freezer rooms fitted with electronic temperature control systems and professional food storage equipment as well as special door curtains help eliminate sudden changes of temperature
- highly effective, professional cleaning agents/disinfectants as well as specific devices to make dosing more efficient; continual monitoring of agent concentration to ensure maximum effectiveness

- systems to ensure that employees wash/disinfect their hands
- periodical training sessions on hygiene and quality maintenance standards
- unannounced inspections at restaurants carried out by internal and independent auditors
- food safety management procedures to ensure top quality and safety at the restaurants
- control systems for thermal processing – e.g. frying or roasting – which guarantee the best food quality and safety.

Consumer satisfaction surveys

Customers' opinions play an important role in the way AmRest manages and develops its business. Consumer feedback informs the decision-making processes concerning all AmRest brands across the world. Consumer satisfaction is the best indicator of how likely they are to return to the restaurant in the future.

Consumer complaints are handled by AmRest's Customer Care Department. A complaint is understood to mean an expression of dissatisfaction with a product or service made by an internal or external customer verbally or in writing. A complaint may be justified or stem from a misunderstanding or unrealistic expectation of a product or service. In any case, the way in which a complaint is handled influences the customer's general satisfaction and may influence their long-term loyalty.

Customers who are not happy with the service at AmRest's restaurants may offer feedback:

- through online contact forms available on KFC, Pizza Hut, Starbucks, Burger King, AmRest.eu websites
- by phone
- through a questionnaire available at every restaurant and on the brand's website
- by e-mail
- directly to the staff of the restaurant (who may ask the customer to file the complaint in writing)
- through the brand's social media pages

The total number of complaints received in 2018 was 84 000 for all AmRest markets.

The maximum resolve time is 72 hours.

The complaints-handling processes are governed by separate policies for different markets. Each complaint is going to the Owner and to the subject matter experts aligned to the approved communication flow. The Owner is resolving the case according to the policies, hospitality standards within expected SLA tracked by online consumer feedback management system called AmCare.

Following their visit to an AmRest restaurant, customers are invited to take part in an online survey (the frequency is determined at POS level). Every operational leader (restaurant manager) may personally access the survey results. Based on customer feedback reports, the management team sets weekly priorities to increase customer satisfaction at the restaurant, regional, district and market level.

Table: Overall consumer satisfaction in 2018 by brand

Brand	Score*
Blue Frog	72
Burger King	69
KAAB	71
KFC	75
La Tagliatella	71
Pizza Hut	73
Starbucks	83

* The percentage of customers who gave the brand the highest rating when questioned about their overall satisfaction (maximum score = 100% responses offering the highest overall satisfaction rating)

Table: Number of customer inquiries made in 2018 by brand from all markets

Brand	No. of inquiries
Blue Frog	20 000
Burger King	25 000
KAAB	1 000
KFC	185 000
La Tagliatella	70 000
Pizza Hut	60 000
Starbucks	90 000

Customer satisfaction results are communicated down from top management (brand CEOs) to the business unit level (restaurant managers) during operational meetings. All consumer satisfaction results are available in a web-based consumer feedback system which facilitates making fast and well-informed decisions to ensure that AmRest's restaurants continue to upgrade their offer.

In 2018 AmRest launched **AmCare**, a consumer feedback management system that aggregates consumer opinions, complaints or suggestions and is available on various electronic devices, including smartphones.

In 2018 AmCare offered 7-day-a-week customer support to customers in Poland and Starbucks guests in Germany. AmRest plans to make the service available to customers in the other markets in 2019. In 2018 over 1000 AmRest restaurants had access to AmCare. More than 1000 workers and users completed their training and use the service on a daily basis.

The service gathers feedback from various sources, including online contact forms, Google, Facebook comments, e-mails, customer satisfaction surveys, etc. at the organization level.

The system manages the following processes:

- incident management, incl. fast communication within AmRest via text messages
- complaints management
- management of requests & suggestions
- recognition management

AmCare's characteristics:

- The service is accessible from different devices, including smartphones.
- It offers customized user access depending on the user's position in the hierarchy.
- Customer feedback is managed by the Customer Care Team, then communicated to the owners (RST or OPS, depending on the issue), supervisors and other experts according to the communication matrixes.
- All feedback replies go through AmCare, including replies to Google reviews. All AmCare users use standardized reply templates to provide the right customer experience.
- Each AmCare user receives notifications about the status of each individual instance of customer feedback via email, and in the case of incidents or potential incidents, also via a text message.

AmRest pays attention to the needs of customers with disabilities. This is reflected in the design of the restaurants, their layout and furnishings. Every new opening is designed in line with the local accessibility regulations. AmRest's general accessibility standards include:

- dedicated parking spaces for people with disabilities located near the main entrance in the case of freestanding and DT locations;
- adequate pavement width for convenient access to the restaurant;
- accessible entrance to the restaurant;
- wide passages in the dining space;
- furniture of accessible size and height;
- accessible toilet of convenient size and fixtures.

In addition, our Starbucks stores are designed in line with Starbucks commitment to social equity and the brand's long-standing policies on global human rights. When thinking about accessibility, we go beyond wheelchair access: we also make sure to accommodate the elderly and the hearing and visually impaired.

Social engagement

AmRest Holdings SE is a socially responsible business that pays attention to its environmental impact and giving back to local communities. Because the group operates in a variety of markets, it has not put in place a global social engagement policy that applies across the group's companies and markets. As AmRest highly values diversity, its companies are free to become engaged in community service projects that fulfill local needs and are adapted to suit local culture.

The social engagement of AmRest Holdings SE is governed by the **Responsible Business and Sustainable Development Strategy of AmRest Central European Division (AmRest Central Europe) for 2015-2020 (CSR Strategy)**, which identifies local communities as one of its focus areas. The Strategy lists children's and youth development as well as employee volunteering schemes as key social engagement priorities.

Selected strategic goals:

- AmRest is perceived as a socially responsible business that helps solve important social issues **in its closest environment**.
- AmRest supports its employees' engagement in **local initiatives,** and inspires action by providing its employees with the right tools to give back to and support external community service projects.

AmRest's and its employees' approach to their social environment is regulated in the **Code of Business Conduct,** which obliges AmRest workers to be responsible members of their local communities. They are also encouraged to act for the benefit of others and support charity initiatives and educational projects.
In 2018 AmRest Holdings SE spent EUR 121 307 on social causes.

Table: Expenditure on community service projects by country

Country	Amount spent on community service projects (EUR)
Poland	57 423
Germany	49 470
Russia	3 764
Hungary	3 400
Czech Republic	6 250
Spain	1 000
Total	**121 307**

Community service projects carried out in 2018 in Spain:

- Donation of a projector to Down Lleida and a culinary workshop for young people with Down Syndrome to help them start an independent life (Lleida);
- Fostering a volunteering solidarity act Posa't la Gorra with the Children's Cancer Association;
- Mini chef workshop for the children of the staff of the Lleida power station in the Rovira Roure restaurant and participation in an act of solidarity organized by the Children's Cancer Association (Lleida);
- Sponsoring the Down Lleida race by buying T-shirts for all the contestants of that race (Lleida);
- Amici basket donation to a raffle in some summer schools sponsored by the Club Natació Lleida. The money raised went entirely to the Cancer Association;
- KFC: joining the Harvest project.

AmRest is determined to work to reduce food waste. In 2018 a few of AmRest's brands were involved in two such schemes: **Harvest** and **Too Good To Go**.

AmRest launched **Harvest** in 2016. It is a scheme of donating surplus food from KFC restaurants to institutions and organizations that support those in need. In 2018 Harvest operated across KFC restaurants in Poland, Hungary, Serbia, Bulgaria and Spain. In 2018 Pizza Hut and Blue Frog implemented a pilot version. Overall, Harvest donations in 2018 exceeded 180 thousand kilograms of food worth over 1 million euro in total.

Table: Harvest: key figures (2018)

	KFC	Pizza Hut	Blue Frog	Total
Amount of food donated (kg)	187 598	173	451	**188 222**
Value of food donated (euro)	1 177 635	4 519	5 115	**1 187 269**
No. of participating stores	265	1	1	**267**
No. of participating markets	5	1	1	7

Table: Harvest by country and brand

HARVEST at AmRest	No. of participating KFC restaurants	No. of participating Pizza Hut restaurants	No. of participating Blue Frog restaurants
Poland	209	1	1
Spain	10		
Hungary	34		
Bulgaria	4		
Serbia	8		
Total	265	1	1

Sushi Shop is part of **Too Good To Go**, another important project aimed at reducing food waste in the food service industry. The scheme is web-driven, with an app informing users at the end of the working day where they can buy surplus food at a significantly reduced rate. The user can track restaurants participating in the scheme. The discounts reach up to 50% off the regular price. In this way, instead of throwing food away, Sushi Shop sells it via the app. In 2018 the scheme covered 74 Sushi Shop restaurants across 5 countries (France, Belgium, the UK, Germany, Spain). AmRest plans to bring more of its brands into the scheme in 2019.

Table: Too Good To Go in Europe: key figures

No. of meals saved	55 572
Tonnes of less CO_2	170
Net profit (euro)	309 249
Value of saved waste (euro)	7 193
No. of unique consumers	32 490

In 2018 as many as 2524 AmRest workers participated in 118 employee volunteering projects benefiting 9580 people across Poland, Germany, Russia, Hungary, the Czech Republic and Spain.

AmRest implemented exactly 28 grant programs as part of the employee volunteering scheme in Poland. AmRest workers were engaged in the ecological campaign **Dotlenieni.org** launched a few years back by Fundacja Rozwój [Development Foundation]. The initiative has participants planting trees, bushes and flowers to improve air quality in Polish cities.

As part of the Zupa na Wolności [The Soup in the Liberty Square] project, volunteers served hot meals to the homeless in the Wrocław town square on a weekly basis in 2018. One of the initiators behind the project is an AmRest worker who applied for an AmRest grant to fund it. Thanks to the grant, she was able to prepare the meals in a professionally-equipped kitchen. Helping with the project were also AmRest Volunteers, as well as beneficiaries of the SIEMACHA Spot Wrocław, a day support centre for children and young people.

Starbucks employees in Hungary were involved in the following projects: rubbish collecting activities on playgrounds, painting developmental games on a schoolyard, careers orientation day at SOS Children's Villages, a seminar to introduce Starbucks via games to children living in children's homes, planting, painting bands/seats and decorations at a school, spring welcoming activity in a kindergarten.

AmRest volunteers in Russia carried out the following activities: supporting six children's homes (in 3 cities), providing food for the homeless in the winter season, participating in a charity race, participating in a money drive, collecting clothes for the poor, providing support to animal shelters.

The employee volunteering scheme in selected countries[26]

	Spain	Poland	Germany	Russia	Hungary	Czech Republic	Total
No. of volunteering projects carried out	8	35	4	48	9	8	**112**
No. of employee volunteers	8	250	150	2000	86	30	**2524**
No. of beneficiaries	100	2500	480	6000	350	150	**9580**

HUMAN RIGHTS POLICIES

In 2018 AmRest had local policies which adopted the most recent corporate governance practices. In 2018 AmRest did not have a separate policy on human rights abuses prevention applicable across the organization. It did, however, adopt regulations for this effect to be implemented in 2019. Human rights issues in the workplace are covered by the group's **Code of Business Conduct** and **Diversity Policy**, both of which were binding for all AmRest employees in 2018.

At the end of 2018 the Board of Directors adopted a set of global documents defining and regulating human rights issues at AmRest:

- **a revised Code of Business Conduct** introducing a zero tolerance policy regarding any behavior associated with harassment, bullying or violence in the workplace, while prescribing equality at all stages of recruitment and employment
- **The CSR Policy** defining respect for human rights as the foundation of ethical and responsible business
- **The Crime Prevention, Anti-bribery and Anti-corruption Policy** defining and prohibiting human trafficking, discrimination against foreigners, child prostitution, sexual harassment, corruption and violations of basic human rights and freedoms defined in the Constitution
- **Gender Policy,** a global framework which defines the core standards and sets out the organizational mechanisms to ensure gender equality in AmRest entities worldwide; the provisions of the Policy stem directly from AmRest Core Values, supplemented by the Code of Business Conduct
- **Whistleblowing Policy** indicating ways of reporting wrongdoing in the organization, including cases of potential human rights abuses
- **Regulatory Compliance Policy** identifying the mechanisms and procedures aimed at preventing and dealing with cases of unethical behavior, illegal practices or legal breaches.

The documents will be gradually implemented into the organization in 2019.

The main changes in The Code of Business Conduct concern the By-laws of the Ethics Committee, whose goal is to promote the company's culture and Core Values. The Committee members are appointed by the CPO (Chief People Officer), who is also its chair. The Committee must consist of at least 5 members, including:

- the CPO,
- a representative of the Internal Audit Department,
- a representative of the Legal Department,

26 The figures concern the biggest and most significant markets where social projects implemented with the support of employee volunteering are important to AmRest. The number of volunteering schemes has not been checked in other countries.

- a representative of the Employee Relations Department,
- a representative of the Public Relations Department,
- a representative of each country/region Country Leadership Team (CLT).

In 2018 a set of tools was implemented to reinforce ethics and integrity within the company's Core Values:

- the Ethics Committee model was refreshed: reinforcing Core Values became one of its priorities and representatives of all AmRest markets were invited to participate
- Country Leadership Teams were established: one of their tasks is linked with Core Values and Ethics
- Core Values calibration sessions were provided to the Ethics Committee and CLTs
- New Core Values training was launched for new employees as part of the onboarding process
- New online training was prepared for employees in the training system

AmRest employees in Hungary, Czech and Poland may report any wrongdoing, including cases of bullying and human rights abuses in the workplace, using **Speak Openly - a platform operated by an independent entity** which makes it possible to report an issue anonymously through a dedicated website or a helpline. A summary of the reported problems is passed on to the Ethics Committee.

In Spain employees can report any irregularities regarding the observance of human rights in the workplace and relationships at work using several methods such as emails: contactakfc@amrest.eu, contactalatagliatella@amrest.eu.

As an international franchise, AmRest places diversity at the centre of its corporate culture. In 2018 AmRest signed a **Diversity Charter in Poland**. Supported by the European Commission, the EU Platform of Diversity Charters is an international initiative whose aim is to promote diversity and equal opportunities in the workplace. Signatories commit to ban discrimination in their organization's workplace, work to achieve diversity and inclusiveness, and encourage its employees, business partners and stakeholders to follow suit. Signing a charter is a step towards advancing social cohesion and equality. In Poland the signatory process is coordinated by the Responsible Business Forum.

In 2018 there were **no confirmed discrimination instances** at AmRest Holdings SE.

GRI STANDARDS CONTENT INDEX

Code	Information requested under the Law 11/2018 (Non-financial statement)	Linking with GRI indicators (Guidance)	AmRest Management Report page
0.	**General information**		
0.1	**Business model**		
0.1.a	Brief description of the group's business model (business environment and organization)	102-2 Activities, brands, products, and services 102-7 Size of the organization	41 – 43 48
0.1.b	Geographical presence	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	41 48 48
0.1.c	Objectives and strategies of the organization	102-14 Declaration of senior executives responsible for decision-making (vision and strategy related to the management of economic, social, and environmental impacts)	43 – 44, 46, 55 – 56, 71, 75
0.1.d	Main factors and trends that may affect your future evolution	102-15 Main impacts, risks, and opportunities	51 – 53
0.2	**General**		
0.2.1	Indicate the national, European or international reporting framework in the report that is used for the selection of key non-financial performance indicators included in each of the sections	102-54 Declaration of preparation of the report in accordance with GRI Standards	41
0.2.2	If the company complies with the non-financial information law by issuing a separate report, it must be expressly stated that said information is part of the management report	n.a.	41
1.	**Environmental questions**		
1.1	**General information**		
1.1.a	A description of the **policies** applied by the group with respect to these issues, which will include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including what measures have been adopted.	103-2 The management approach and its components	47, 51 – 55
1.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	47 51 – 59
1.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks**.	102-15 Main impacts, risks and opportunities	51 – 54
1.1	**Detailed information**		
1.1.1	**General detailed information**		
1.1.1.1	On current and foreseeable effects of the activities of the company on the environment and, where appropriate, health and safety	-	55 – 59,
1.1.1.2	On environmental assessment or certification procedures	-	55
1.1.1.3	On the resources dedicated to the prevention of environmental risks	-	55 – 59
1.1.4	On the application of the precautionary principle	102-11 Precautionary principle or approach	51, 53 – 54

1.1.5	About the resources dedicated to the prevention of environmental risks	-	55 – 59
1.1.2	**Contamination**		
1.1.2.1	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	305-5 Reduction of GHG emissions 305-6 Emissions of substances that deplete the ozone layer (ODS) 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	58 n.a. n.a.
1.1.3	**Circular economy and waste prevention and management**		
1.1.3.1	Prevention, recycling, reuse, other forms of recovery and types of waste disposal; actions to combat food waste	301-2 Recycled supplies 301-3 Reused products and packaging materials 303-3 Recycled and reused water 306-1 Water discharge according to quality and destination 306-2 Waste by type and disposal method	59 – 61
1.1.4	**Sustainable use of resources**		
1.1.4.1	Water consumption and water supply according to local constraints	303-1 Water extraction by source 303-2 Water sources significantly affected by water withdrawal	58 – 59
1.1.4.2	Use of raw materials and measures taken to improve the efficiency of their utilization	301-1 Materials used by weight or volume	60
1.1.4.3	Energy use, direct and indirect	302-1 Energy use within the organization 302-2 Energy use outside of the organization	57 n.a.
1.1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption 302-5 Reduction of the energy requirements for products and services	55 – 57 n.a.
1.1.4.5	Use of renewable energies	302-1 Energy use within the organization	57
1.1.5	**Climate change**		
1.1.5.1	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	305-1 Direct GHG emissions (scope 1) 305-2 Indirect GHG emissions from energy generation (scope 2) 305-3 Other indirect GHG emissions (scope 3)	58
1.1.5.2	Measures taken to adapt to the consequences of climate change	201-2 Financial implications and other risks and opportunities arising from climate change	52, 55 – 56
1.1.5.3	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	305-5 Reduction of GHG emissions	58
1.1.16	**Protection of biodiversity**		
1.1.6.1	Measures taken to protect or restore biodiversity	304-3 Protected or restored habitats	59 – 61
1.1.6.2	Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products, and services on biodiversity	59 – 61

2. Social and personnel questions

2.1 General information

2.1.a	A description of the **policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	47, 62 – 63, 71 – 72, 75 – 76
2.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	63 – 64, 71 – 72, 75 – 77

2.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks and opportunities	51 – 54, 71
2. 2	**Detailed information**		
2.2.1	**Employees**		
2.2.1.1	Total number and distribution of employees according to representative diversity criteria (gender, age, country, etc.)	102-8 Information on employees and other workers 405-1 Diversity in governing bodies and employees	65
2.2.1.2	Total number and distribution of work contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by sex, age, and professional classification	102-8 Information on employees and other workers	62, 65
2.2.1.3	Number of dismissals by sex, age, and professional classification	401-1 New employee hiring and staff rotation	69 – 70
2.2.1.4	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	102-38 Total annual compensation ratio 102-39 Percentage increase rate for the total annual compensation	66 – 67
2.2.1.5	Salary gap, remuneration paid for equal work or the average salary of the company	405-2 Ratio of basic salary and remuneration of women to men	67
2.2.1.6	The average remuneration of directors and executives, including variable remuneration, allowances, and compensation	-	67 – 68
2.2.1.7	Payment to long-term forecast savings and any other perception broken down by gender	201-3 Obligations of the defined benefit plan and other retirement plans	68
2.2.1.8	Implementation of employment termination policies	-	63
2.2.1.9	Employees with disabilities	405-1 Diversity in governing bodies and employees	68
2.2.2	**Work organization**		
2.2.2.1	Work schedule organization	-	64
2.2.2.2	Number of hours of absenteeism	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	70
2.2.2.3	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	401-3 Parental leave	64
2.2.3	**Health and safety**		
2.2.3.1	Work health and safety conditions	403-3 Workers with high incidence or high risk of diseases related to their activity	63
2.2.3.2	Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by gender.	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	70
2.2.4	**Social relationships**		
2.2.4.1	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	102-43 Approach to interest group participation 402-1 Minimum notice periods for operational changes 403-1 Representation of workers in formal worker-company health and safety committees	n.a.
2.2.4.2	Percentage of employees covered by collective agreement by country	102-41 Collective bargaining agreements	68

2.2.4.3	The balance of collective agreements, particularly in the field of health and safety at work	403-4 Health and safety issues addressed in formal agreements with unions	n.a.
2.2.5	**Training**		
2.2.5.1	Policies implemented for training activities	404-2 Programs to improve employee abilities and transition assistance programs	63 - 64
2.2.5.2	The total amount of training hours by professional category	404-1 Average training hours per year per employee	64
2.2.6	**Universal accessibility for people with disabilities**		
2.2.6.1	Universal accessibility for people with disabilities	-	75
2.2.7	**Equality**		
2.2.7.1	Measures taken to promote equal treatment and opportunities between women and men	401-3 Parental leave	62 – 63, 78
2.2.7.2	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	-	62 – 63, 78
2.2.7.3	Policy against any type of discrimination and, where appropriate, diversity management	406-1 Cases of discrimination and corrective actions taken	78 – 79
3.	**Respect for human rights**		
3.1	**General information**		
3.1.a	A description of the **policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 78 – 79
3.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	78 – 79
3.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks and opportunities	51 – 53
3.2	**Detailed information**		
3.2.1	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	102-16 Values, principles, standards, and codes of conduct 102-17 Advisory mechanisms and ethical concerns 410-1 Security personnel trained in human rights policies or procedures 412-1 Operations subject to revisions or impact assessments on human rights 412-2 Training of employees in human rights policies or procedures 412-3 Significant investment agreements and contracts with clauses	62, 78 – 79
3.2.2	Claims regarding cases of human rights violations	Non-compliance with laws and regulations pertaining to social and economic issues	54

3.2.3	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor.	406-1 Cases of discrimination and corrective actions taken 407-1 Operations and suppliers whose right to freedom of association and collective bargaining may be at risk 408-1 Operations and suppliers with significant risk of child labor cases 409-1 Operations and suppliers with significant risk of forced or compulsory labor cases	53, 78 – 79 68 n.a. n.a.
4.	**Anti-bribery and anti-corruption measures**		
4.1	**General information**		
4.1.a	A **description of the policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 54
4.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	78 – 79
4.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the impacts that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks, and opportunities	51 – 53
4.2	**Detailed information**		
4.2.1	Measures taken to prevent corruption and bribery	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns 205-1 Operations evaluated for risks related to corruption 205-2 Communication and training on anti-corruption policies and procedures 205-3 Confirmed cases of corruption and measures taken	62 – 63, 78 – 79
4.2.2	Anti-money laundering measurers	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns	46, 54 – 55
4.2.3	Contributions to foundations and non-profit entities	201-1 Direct economic value generated and distributed	46, 55, 75 – 77
5.	**Information on the company**		
5.1	**General information**		
5.1.a	A **description of the policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 53 – 55, 62 – 63, 71 – 73, 75 – 77
5.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	55, 63 – 64, 78 – 79

5.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks, and opportunities	51 – 54
5.2	**Detailed information**		
5.2.1	**Commitment by the company to sustainable development**		
5.2.1.1	Impact of the company's activities on employment and local development	204-1 Proportion of spending on local suppliers 413-1 Operations with local community participation, impact evaluations and development programs	49, 71 43 – 44, 46 – 47, 54, 71 – 72
5.2.1.2	The impact of company activity on local populations and on the territory	204-1 Proportion of spending on local suppliers 411-1 Cases of violations of the rights of indigenous peoples 413-1 Operations with local community participation, impact evaluations, and development programs 413-2 Operations with significant negative impacts in local communities, either real or potential	49, 71 54 – 55, 68, 78 – 97 43 – 44, 46 – 47, 54, 71 – 77 51 – 54, 55 – 61
5.2.1.3	The relationships maintained with representatives of the local communities and the modalities of dialog with these	102-43 Approach to interest group participation	43, 71, 74 – 75
5.2.1.4	Actions of association or sponsorship	-	75
5.2.2	**Subcontractors and suppliers**		
5.2.2.1	The inclusion of social, gender equality and environmental issues in the purchasing policy	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	60 – 61 71 – 72
5.2.2.2	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	60 – 61 71 – 72
5.2.2.3	Supervision systems and audits, and their results	308-2 Negative environmental impacts in the supply chain and actions taken 414-2 Negative social impacts on the supply chain and actions taken	59 – 61 51 – 53
5.2.3	**Consumers**		
5.2.3.1	Customer health and safety measures	416-1 Evaluation of health and safety impacts of the categories of products or services	71 – 72, 74
5.2.3.2	Claims systems, complaints received and their resolution	102-43 Approach to interest group participation 102-44 Key issues and concerns mentioned 418-1 Fundamental claims relating to violations of the customer's privacy and loss of customer data	73 – 75
5.2.4	**Tax information**		
5.2.4.1	Benefits obtained by country	201-1 Direct economic value generated and distributed	44
5.2.4.2	Taxes on paid benefits	201-1 Direct economic value generated and distributed	45
5.2.4.3	Public subsidies received	201-4 Financial assistance received from the government	46

AmRest Holdings SE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

for the year ended 31 December 2018

Data identify issuer:

Ending date of reference financial year	31/12/2018
Tax Identification Code [C.I.F]	A88063979
Registered name	AmRest Holdings SE
Registered office	Calle Enrique Grandos 6, Pozuelode Alarcón, 28224 Madrid, Spain

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
15/10/2018	21,955,418.30	219,554,183	219,554,183

Remarks
The general shareholders' meeting held on 6 June 2018 delegated the authority to increase the company's share capital – excluding pre-emptive rights – to the Board of Directors. In view of this decision, the Board agreed to a rights issue executed via the private placing of 7,115,253 new shares of the same class and series as those already in circulation and each with a par value of EUR 0.10. Pre-emptive rights were excluded from this process.

Please state whether there are different classes of shares with different associated rights:

Yes _ **No X**

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Artal International SCA	4,78	0,00	0,00	0,00	4,78
AVIVA Otwarty Fundusz Emerytalny AVIVA BZWBK SA	3,19	0,00	0,00	0,00	3,19
Malgorzata Ewa Mcgovern	0,00	10,67	0,00	0,00	10,67
Nationale-Nederlanden Otwarty Fundusz Emerytalny	4,88	0,00	0,00	0,00	4,88

Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Malgorzata Ewa McGovern	GOSHA HOLDINGS SARL	10.67	0.00	10.67

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
Nationale-Nederlanden Open Pension Fund	16/11/2018	Stake has dropped below 5%

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Fernández González	0,00	56,38	0,00	0,000	56,38	0,00	0,00
Henry Joseph McGovern	0,08	0,00	1,58	0,00	1,66	0,00	0,00

Total percentage of voting rights held by the Board of Directors	**58.03**

Remarks
Mr. Henry Joseph McGovern percentage through financial instruments refers to rights under share-based scheme plans of AmRest. Therefore, Mr. McGovern does not hold yet the voting rights attached to the underlying shares. Mr. Henry Joseph McGovern has a marital relationship with Mrs. Malgorzata Ewa McGovern, who owns 100% of Metropolitan Properties International S.R.O., which indirectly owns a 10.67% direct stake in the issuer through Gosha Holdings S.à.r.l.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL DUTCH, B.V.	30,64	0,00	30,64	0,00
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL LUX, S.A.R.L.	25,74	0,00	25,74	0,00

Remarks
Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V. The latter owns 99.99% of the capital and voting rights of Finaccess Capital, S.A. de C.V., which controls direct shareholders FCapital Dutch, B.V. (100%) and FCapital Lux S.à.r.l. (100%). Thus, the direct shareholders are controlled by an entity linked to Mr. Carlos Fernández.

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
Henry Joseph McGovern	Metropolitan Properties Investments Sp. z o.o. (earlier Metropolitan Properties International Sp. z o.o) is an entity closely associated to Mr. Henry McGovern	Metropolitan Properties Investments Sp. z o.o.(earlier Metropolitan Properties International Sp. z o.o) is involved in activities related to real estate. The Group leases three restaurants and commercial property on conditions similar to those lease agreements concluded with third parties.

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

A.7 Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Luis Miguel Álvarez Pérez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Luis Miguel Álvarez Pérez is a proprietary director of controlling shareholder Grupo Finaccess.
José Parés Gutiérrez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	José Parés is a proprietary director of controlling shareholder Grupo Finaccess.
Carlos Fernández González	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Carlos Fernández González is a proprietary director of controlling shareholder Grupo Finaccess.
Steven Kent Winegar Clark	Gosha Holdings, S.à.r.l	Gosha Holdings, S.à.r.l	Steven Kent Winegar is a proprietary director of shareholder Gosha Holdings, S.à.r.l.
Henry Joseph McGovern	Gosha Holdings, S.à.r.l	Gosha Holdings, S.à.r.l	Henry Joseph McGovern is an executive director linked to significant shareholder Gosha Holdings, S.à.r.l. and also has a marital relationship with the indirect controlling shareholder of Gosha Holdings, S.à.r.l, Ms. Malgorzata Ewa McGovern.

A.8 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes__ No _X_

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes _ No X_

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.9 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes X No _

Name
CARLOS FERNÁNDEZ GONZÁLEZ

Remarks
FCapital Dutch, B.V. and FCapital Lux, S.à.r.l. – direct shareholders of the company – hold jointly 56.377% of the voting rights in the company. Finaccess Capital, S.A. de C.V. controls these direct shareholders, and is in turn owned by Grupo Finaccess, S.A.P.I. de C.V., with the latter owning 99.99% of its share capital and voting rights. Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V.

A.10 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
1,586,738	-	0.7227%

(*) through:

Name of direct shareholder	Number of direct shares
Total:	

Explain any significant changes during the year:

Explain significant changes

A.11 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The general shareholders' meeting held on 6 June 2018 authorised the company's Board of Directors to buy back treasury shares under the following terms: (i) the acquisition may be executed in the form of a sale and purchase transaction, shares swap, shares distribution or shares in lieu of payment and, in general, via any other lawful acquisition method involving valuable consideration for shares in circulation. Such transaction may be executed once or on several occasions, provided that the acquired shares – added to those already in the company's possession – do not exceed the maximum permitted by law; (ii) the price or exchange value will range between a minimum amounting to their par value and a maximum equivalent to the closing price of the shares on the Continuous Market upon their acquisition; and (iii) the aforementioned authorisation will remain in place for five years as of the following day on which this resolution was adopted. Moreover, the resolution stipulates that the shares acquired under this authorised transaction(s) may be disposed of, used in the successful bidding process of potential corporate deals or applied to the remuneration mechanisms set forth under Article 146.1 a) of the Corporate Enterprises Act.

In addition, a resolution was also passed at the general shareholders' meeting to delegate the authority to the Board of Directors to increase the company's share capital – including the ability to exclude pre-emptive rights (restricted in this instance to 20% of the share capital) – in accordance with the terms of the Corporate Enterprises Act.

A.12 Estimated working capital:

	%
Estimated working capital	19.29

Remarks
The company's working capital amounts to just below 20% once the stakes of shareholders holding at least 3% of the shares, the shares owned by the company's directors closely related to significant shareholders and the treasury stock have been discounted.

A.13 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes _ No X

Description of

A.14 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes _ No X

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.15 State if the company has issued shares that are not traded on a regulated EU market.

Yes _ No X

If so, please list each type of share and the rights and obligations conferred on each.

List each type of

B. GENERAL SHAREHOLDER'S MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes X No __

	% quorum different from that contained in Article 193 LSC for general matters	quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call	At least 40% of share capital subscribed with voting rights.	At least 60% of share capital subscribed with voting rights.
Quorum required at 2nd call	N/A	At least 40% of share capital subscribed with voting rights.

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes _ No X

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions		

Describe the differences

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

Pursuant to Articles 19 and 20 of AmRest's Articles of Association and Articles 16 and 26 of the Board of Directors Regulation, where an ordinary or extraordinary general shareholders' meeting is arranged to discuss amendments to the Articles of Association, shareholders representing at least 60% of the share capital subscribed with voting rights must be in attendance at the first calling (primera convocatoria) for such meeting(s) to be considered valid.
At second call (seguna convocatoria), at least 40% of the subscribed capital with voting rights is required.
With regard to the adoption of resolutions, the Articles of Association and Board Regulation refer to the terms set forth by law, i.e. resolutions adopted by way of absolute majority where the present or represented capital equals 50% (60% at the first calling). At second call, where shareholders representing less than 50% of the capital subscribed with voting rights are present, resolutions concerning amendments to the Articles of Association may only be validly adopted with a favourable vote of two-thirds of the present or represented capital at the general shareholders' meeting.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
			% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total
06/06/2018	0.00%	76,50%	0.00%	8.19%	84.69%
Of which, free float:	0.00%	1.20%	0.00%	3.14%	4.34%

Remarks
Given that the company relocated its registered office to Spain in March 2018 and its shares were listed on the Spanish Stock Exchanges on November 21, 2018, only information relating to the one general shareholders' meeting held since such transfer of domicile has been included.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes _ No X

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes _ No X

Number of shares required to attend General Meetings	
Number of shares required for distance voting	

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes _ No X

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The company's website address is www.amrest.eu. Information on corporate governance can be found by clicking on the "Investors" tab and subsequently the "General Meeting of Shareholders" and "Corporate governance" subsections of the menu, among others.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 BOARD OF DIRECTORS

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	7

C.1.2 Please complete the following table on directors:

Name of director	Natural person represen-tative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
José Parés Gutiérrez		Proprietary	Chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	August 12, 1970
Luis Miguel Álvarez Pérez		Proprietary	Vice chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	January 31, 1970
Carlos Fernández González		Proprietary	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	September 29, 1966
Henry Joseph McGovern		Executive	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	August 26, 1966
Steven Kent Winegar Clark		Proprietary	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	January 27, 1948
Pablo Castilla Reparaz		Independent	Member-Lead Independent Director	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	December 6, 1960
Mustafa Ogretici		Independent	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	June 3, 1978
					Total number of Directors		7

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/ she was a member	Indicate whether the director left before the end of the term

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
Henry Joseph McGovern	Managing Director	Managing Director of the company. He was the co-founder of AmRest and served as the CEO from 1995 to 2008. Mr. McGovern was Chairman of the Supervisory Board of ARS between 2008 and 2015 and is a former CEO of Metropolitan Properties International, a real estate company specialising in commercial property.
	Total number of Executive Directors	1
	Percentage of Board	14.28

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
José Parés Gutiérrez	Grupo Finaccess S.A.P.I. de C.V.	CEO of Finaccess Capital since 2013, in charge of portfolio management. He spent 19 years of his career working in various roles for Grupo Modelo and is currently the Chairman of the Board of Crown Imports (Chicago, Illinois), Vice Chairman of the Board of MMI (Toronto, Canada), Chairman of the Board of DIFA (Mexico) and a former member of the Mexican Brewers Association (*Cámara de Cerveceros de México*).
Luis Miguel Álvarez Pérez	Grupo Finaccess S.A.P.I. de C.V.	Board Member, Audit Committee Member and Investment Committee Member of Finaccess, S.A.P.I. Founder, Chairman of the Board and CEO of Compitalia, S.A. de C.V. Held several roles at Grupo Modelo. Currently a member of the board of numerous companies and NGOs.
Carlos Fernández González	Grupo Finaccess S.A.P.I. de C.V.	Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V.. He is also currently an independent director of Banco Santander, S.A. and a non-executive director of Inmobiliaria Colonial Socimi, S.A. Previously held several roles at Grupo Modelo (the last one as Chairman of the Board and CEO) and has also served on the boards of national and international companies.
Steven Kent Winegar Clark	Gosha Holdings, S.á.r.l.	Has held numerous roles in companies such as MSD Pharmaceuticals and Bristol-Myers Spain after entering the restaurant sector as CEO of Foster's Hollywood and later co-founding Restauravia. In 2011, AmRest acquired a controlling stake in Restauravia and two years later became its full owner. Mr. Winegar is also a past President of the American Chamber of Commerce in Spain, a former Board Member of Telepizza SAU and Vice-Chairman of Sabertia Capital Partners
	Total number of proprietary directors	4
	Percentage of Board	57,14

INDEPENDENT DIRECTORS

Name of director	Profile
Pablo Castilla Reparaz	Has held the roles of Director of Santander Direkt Bank (Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones, S.A., Member Secretary of Santander Investment, S.A., Secretary of the Grupo Santander Investment Committee and Director Secretary at OpenBank. Mr. Castilla held the position of International and Corporate Legal Manager of Banco Santander for more than 20 years. At present, he also holds the role of Member Secretary of Grupo Vitaldent.
Mustafa Ogretici	Vast experience in managing restaurants and franchising. Since 1997, he has owned and managed a number of restaurants in the UK and since 2005 has been investing in real estate.
Number of independent directors	2
Percentage of the Board	28.57

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
		Total number of other external directors	
		Percentage of the Board	

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Proprietary	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Independent	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Other external	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Total	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A

Remarks
Information provided as from the Company's relocation to Spain in March 2018. Before the Company did not have a Board of Directors but a dual board scheme with a Supervisory Board and a Management Board.

C1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes X No _ Partial policies __

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why

Description of policies, objectives, measures and how they have been implemented, including results achieved
Diversity management at AmRest is based on understanding the differences between those working for the company and developing policies and programmes to create a respectful environment, making use of such differences for the good of the organisation. AmRest recognises diversity in three different ways: (i) based on race, nationality, ethic group, gender, age, sexual orientation and disability; (ii) based on each person's level of study, place of residence, family background, etc.; (iii) organisational criteria in view of work experience, category, sector, etc. Among the implemented measures are: (i) the creation of diverse teams with regards to gender and age; (ii) fostering respectful behaviour when it comes to diversity, which in turn encourages people to act in a kind manner; (iii) the creation of guidelines on cooperation with disabled colleagues; (iv) encouraging a healthy work-life balance; (v) actively fighting against discrimination and harassment at the workplace through the Speak Openly platform, HR audits, employee meetings, etc.; (vi) the creation of a corporate culture underpinned by fundamental values; and (vii) ensuring equality with regards to accessing benefits and employee meetings. Moreover, AmRest has an Ethics Code and Ethics Committees, an e-learning platform with access to numerous workplace anti-discrimination, sexual harassment and

mobbing training courses and recruitment process for those with a disability.

The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee in a bid to achieve a more balanced and diverse Board are reflected by the Director Selection Policy detailed in the following sections.

C1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
AmRest Board of Directors is currently formed by one executive director, four proprietary directors and two independent directors. Board members are selected and appointed based on the company's needs and in compliance with the requirements set out in the AmRest Director Selection Policy. The Board of Directors and Appointments Committee seek candidates who bring a wealth of diverse knowledge, abilities, experience and profile within the company. Searches are essentially based on the notion that the chosen candidates provide experience, know-how and professional merit, as well as demonstrating conduct and a background aligned to AmRest's values. Any male or female who meets these requirements can be included in the selection process.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means
No board member selection processes were carried out during 2018.

C1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

AmRest Director Selection Policy specifically states that all possible efforts shall be made so that within five years from approval of the policy (December 2018), female directors would represent at least 30% of the Board members. The Company shall encourage females to apply for director roles during selection and Board member re-appointment processes.

The reason for such five year period since AmRest listing in Spain is to mirror the adaptation period given to the Spanish listed companies upon approval of the current Corporate Governance Code (2015-2020).

C1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes _ No X

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
EXECUTIVE COMMITTEE	The Executive Committee has been delegated all of the Board's faculties, aside from those which may not be delegated according to the law, the Articles of Association and the Board of Directors Regulation.
HENRY JOSEPH MCGOVERN	Attorney by virtue of a deed signed on 23 March 2018 before the Notary of Madrid, Mr. Ignacio Martínez-Gil Vich, under number 1094 of his records. Henry Joseph McGovern was appointed Managing Director of AmRest on 12 March 2018. His faculties include general powers to manage the company and its subsidiaries up to one million euros.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?	Name of director
Henry J. McGovern	SCM Sp. z o.o.	Member of the Supervisory Board	No	Henry J. McGovern

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Carlos Fernández González	Banco Santander, S.A.	Board Member
Carlos Fernández González	Inmobiliaria Colonial Socimi, S.A.	Board Member

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes X No __

Explanation of the rules and identification of the document where this is regulated
Pursuant to Article 22 of the AmRest Board of Directors Regulation, directors shall not form part of more than four other listed companies' boards of directors. In this regard, all of the companies' boards of directors belonging to the same group will be considered to have one single mandate as well as those holding board memberships as proprietary directors proposed by a company of the same group even if the stock held in the company, or the level of control, may not qualify that company to be considered as part of the group. Exceptionally, and provided there is just cause, the Board may exempt directors from this prohibition. In addition, directors shall inform the Appointments and Remuneration Committee of any material changes to their professional situation and any that may affect the nature or condition by virtue of which they have been appointed as a director.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,873
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mark Chandler	Chief Financial Officer
Olgierd Danielewicz	Chief Operations Officer
María Elena Pato-Castel Tadeo	Owned Brands President
Oksana Staniszewska	Chief People Officer
Jerzy Tymofiejew	Chief Development Officer
Adam Sawicki	Chief Digital Officer
Peter Kaineder	Chief Strategy Officer
Ramanurup Sen	Food Services President
Total senior management remuneration (thousand euros)	2,151

C.1.15 State whether the Board rules were amended during the year:

Yes X No __

Description of the amendment
The Regulation of the Board of Directors was approved on 12 March 2018. Later on in September it was amended to set the position of Vice Chairman of the Board.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Pursuant to Article 14 of the AmRest Articles of Association and Article 7 of the General Shareholders' Meeting Regulation, said shareholders' meeting shall be responsible for appointing and removing directors, as well as ratifying directors appointed by co-optation. Nevertheless, in accordance with Article 6 of the Board of Directors Regulation, the Board is responsible for appointing directors in the event of vacancies, until the general shareholders' meeting next meets.

The Appointments and Remuneration Committee assesses the capabilities, knowledge and experience required for a place on the Board. In this regard, the Committee is tasked with defining the duties and suitability of the candidates needed to fill each vacancy, as well as gauging the specific time and dedication required for them to properly perform such duties.

The Committee issues proposals to the Board concerning the appointment of independent members and those to be appointed by co-optation. Said proposals, as well as those relating to the re-appointment and removal of directors, are submitted for approval to the general shareholders' meetings. Moreover, the Committee must inform the Board of the appointment, re-election and removal of directors from their roles on the Board.

The appointment, ratification and re-appointment proposals issued to the general shareholders' meeting by the Board must be preceded by the corresponding report prepared by the Appointments and Remuneration Committee for the appointment of the remaining non-independent members. Each director's performance and dedication throughout their tenure will be taken into consideration upon their re-appointment or ratification.

Board members will each exercise their office for a term of four years. They may be re-appointed on one or several occasions for periods of the same maximum duration. Once the term has expired, the tenure will be terminated upon the next general shareholders' meeting, or when the legal term for holding such meeting to approve the accounts for the preceding fiscal year has elapsed.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
Before the Company's transfer of domicile from Poland to Spain in March 2018, AmRest had a different management scheme, formed by a Supervisory Board and a Management Board. 2018 is the first year of performance of AmRest Board of Directors and its first annual evaluation has been performed in February 2019. Such annual assessment reflected the efficiency and correct functioning of the AmRest Board of Directors without raising the need for significant changes with regard to its internal structure or the procedures applicable to its activity.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
The Board evaluated its performance for the year 2018 at a meeting held in February 2019. The Board assessment comprised an analysis of the following elements: (i) the quality and efficiency of its performance; (ii) the execution of the chairman and CEO's duties; (iii) the performance and composition of the committees; and (iv) the diversity in the composition and authority of the Board, as well as the performance and contribution of each member. No external advisors were engaged. The conclusions were contained in a report approved by the Board that, among other aspects, analysed the structure and composition of the Board, its internal efficiency and performance, and its relationship with the senior management team; the performance of the Board and committees' duties; and the latest improvements and recommendations for the next year.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

C.1.19 State the situations in which directors are required to resign.

Pursuant to Article 25 of the Articles of Association and Article 11 of the Board of Directors Regulation, the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation in the following cases: (a) when they cease to hold the executive positions to which their appointment as director was associated; (b) when they are involved in any of the situations deemed to be incompatible or prohibited according to law; (c) when they have committed a serious breach of their obligations as director; or (d) when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes _ No X_

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes _ No X _

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

	Age limit
Chairma n	
CEO	
Directors	

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes _ No X_

Additional requirements and/or maximum number of term limits

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Pursuant to Article 13 of the Board of Directors Regulation, directors should attend the sessions in person. Where this is not possible, they may, using any written means including email and for that session alone, delegate their representation to another director, with the appropriate instructions. This representation will be notified to the chairman or secretary of the Board. A single director may hold several representations. Non-executive directors may only delegate their representation to another non-executive director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	16
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	4
Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5
Number of meetings held by the Appointments Committee	N/A
Number of meetings held by the Remuneration Committee	N/A

Remarks
Only the meetings held by these committees since the relocation of the company's registered office to Spain in March 2018 have been taken into account.

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance.

Number of meetings when at least 80% of directors attended	16
% of attendance over total votes during the year	100%
Number of meetings in situ or representations made with specific instructions of all directors	15
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	93.75%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes _ **No** X_

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for the following, among other duties: (i) to explain the results of the audit and how it contributed to the integrity of the financial information and the Audit Committee's role in this process; and (ii) to oversee the effectiveness of the company's internal control system, the internal audit and the risk management system, and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.

Moreover, Article 9 of the Audit Committee Regulation stipulates that the Committee shall review the content of the audit reports and, as the case may be, the limited review of the interim accounts, as well as other reports to be prepared by the auditors prior to the issue of the former. This will help to avoid the issue of reports with reservations, allowing the Board to present the accounts to the general shareholders' meeting in an audit report without reservations or, in exceptional circumstances when such reservations do exist, for the Committee chair and the auditors to be able to explain the content and scope of the reservations to shareholders in a clear manner.

C.1.29 Is the secretary of the Board also a director?

Yes _ **No** X_

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Eduardo Rodríguez-Rovira	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Pursuant to the Board of Directors Regulation, the Audit Committee is responsible for proposing motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate and the renewal or termination of their mandate. In accordance with Article 19 of the Board of Directors Regulation, the Audit Committee shall also liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations.

In any event, the Audit Committee must receive the following from the accounts auditor on an annual basis: written confirmation of its independence regarding the entity or those entities that it has direct or indirect links to; information on any additional services rendered of any kind and the relevant fees received by the auditor or persons, natural or legal, related to the auditor, from the abovementioned entities, pursuant to the provisions of the prevailing audit regulations.

Moreover, the Audit Committee shall issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes X No _

Outgoing auditor	Incoming auditor
BDO Sp. z.o.o.	KPMG AUDITORES, S.L.

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes _ **No** X_

Explanation of

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes X__ No __

	Company	Group Companies	Total
Amount invoiced for non-audit services thousand euros)	24,9	9,2	34,1
Amount invoiced for non-audit services/Amount for audit work (in %)	3,9%	1,4%	5,3%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes X_No _

Explanation of reasons
Emphasis of matter to the consolidated financial statement on risk associated with the ongoing tax proceedings and audits in a subsidiary of the parent Company, AmRest Sp. Z o.o. with the uncertainty as to the future outcome of these proceedings.

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100%	100%

Remarks
This calculation has been made using data from the one fiscal year in which the company's registered office has been relocated to Spain. KPMG PL audited AmRest Holdings SE when it was based in the Netherlands and in Poland. In that case, the number of years (in %) would have been 7% (individual) and 33% (consolidated).

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes X_ No __

Explanation of procedure
Article 25 of the Board of Directors Regulation sets forth the directors' right to counsel and information, insofar as they shall have access to all of the company's services and may, with the broadest powers, obtain any information and advice they may need to perform their duties. The right to information is extended to the subsidiaries, in Spain or overseas, and shall be channelled through the chairman or secretary of the Board of Directors. Said chairman or secretary will fulfil all requests from directors by supplying the information directly, putting the directors in touch with the appropriate persons or taking such measures as may be necessary for the requested examination. Directors shall also be entitled to propose to the Board of Directors, by way of majority, the engagement of any legal, accounting, technical, financial, commercial or other advisors as they may consider necessary for the company's interests in a bid to assist them in the performance of their functions when facing specific, important or complex problems relating to their duties. The secretary of the Board must notify the company's CEO of the proposal. The Board of Directors may withhold its approval if it considers the engagement unnecessary for the performance of the commissioned duties, either in view of its cost (disproportionate to the importance of the problem and the company's assets and revenues) or if it considers that the technical assistance requested could be adequately given by experts and officers within the company.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes X_ No __

Explain the rules
As stated in the Articles of Association and Board of Directors Regulation, among the cases in which the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation, includes when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes _ No X

Name of director	Criminal charge	Remarks

Decision/Action taken	Explanation

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes _ No_

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Change of Control Clause is included in the agreements signed in 2017 concerning the issue of Schuldscheindarlehen („SSD”) debt instrument for the total value of EUR 101 million.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	**Description of agreement**
Executive Director	The directors' remuneration policy for 2018-2021 sets forth that the managing director will be entitled to receive nine months' salary as severance upon termination of their relationship with the group.
Executives (other than Directors) and employees	Few selected officers and employees of the Company have in their contracts specific severance clauses, which provides for higher severance payments than envisaged in applicable general labour law, in case of termination. The amount of the severance is determined on a case by case basis taking into account seniority, function and possible impact on the Company's business in case of withdrawal from office of such officer. In any case the severance payments do not exceed a maximum of two times annual salary

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

C.2 COMMITTEES OF THE BOARD OF DIRECTORS

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category
José Parés Gutiérrez	Chairman	Propietary
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of external directors	0.00%

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Executive Committee are found under Article 18 of the Board of Directors Regulation. The Executive Committee shall consist of a minimum of three and a maximum of five directors, in similar proportions to their weight on the Board of Directors. At least two-thirds of the Board members currently in office must vote in favour to appoint members of the Executive Committee. The chairman and secretary of the Board of Directors shall be the chairman and secretary, respectively, of the Executive Committee, and may also be assisted by the deputy secretary.

The members will step down from the Executive Committee when they relinquish the role of director or whenever agreed by the Board. The Board of Directors shall promptly fill any vacancies.

The Board of Directors will permanently delegate all of its powers to the Executive Committee, aside from those which may not be delegated according to law, the Articles of Association or the Board of Directors Regulation.

The Executive Committee shall meet as and when called by the chairman or requested by the majority of its members. The secretary shall record the resolutions adopted in the meeting minutes, a copy of which shall be made available to the Board members. The Executive Committee shall inform the Board of Directors about the important matters and decisions adopted at its sessions.

AUDIT COMMITTEE

Name	Post	Category
Pablo Castilla Reparaz	Chairman	Independent
José Parés Gutiérrez	Member	Propietary
Mustafa Ogretici	Member	Independent

% of proprietary directors	33.33%
% of independent directors	66.66%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the AmRest Audit Committee are found under Article 19 of the Board of Directors Regulation and the Committee's own Regulation. The Audit Committee will be made up of a minimum of three and a maximum of five directors, and shall be chaired by whoever among them is appointed by the Board of Directors, as long as they are an independent director. All of the Audit Committee members will be appointed by the Board of Directors and shall be non-executive directors, the majority of whom, at least, must be independent directors. At least one of them must be appointed based on their knowledge and experience in accounting, auditing or both. The Audit Committee members, as a group, must have the relevant know-how regarding the industry that the entity subject to the audit belongs to.

The chairman of the Audit Committee will exercise their office for four years and may not be re-appointed until at least one year after stepping down.

Basic responsibilities:

(i) To report, through its chairman, to the General Shareholders' Meeting on questions raised by the shareholders regarding matters within its remit, and explain the audit results and how it contributed to the integrity of the financial information and the Audit Committee's role in this process;

(ii) To oversee the effectiveness of the company's internal control system, the internal audit, and the risk management system and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

(iii) To oversee the process for preparing and disclosing mandatory financial information regarding the company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information;

(iv) To propose motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate, the renewal or termination of their mandate and where appropriate, regularly gather information about the audit plan and its implementation, while preserving its independence in the performance of its duties;

(v) To liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations;

(vi) To issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations;

(vii) To advise the company's Board of Directors, in advance, of all of the topics covered by law, the Articles of Association and this Regulation, and namely, of: (a) The financial information that the company must disclose on a regular basis; (b) The creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens; and (c) Any transactions with related parties.

The Audit Committee's annual report for 2018 – available to shareholders on the AmRest website – details the key activities performed by the Committee during such period, summarised as follows:

(i) review of the company's individual and consolidated annual accounts for the 2017 fiscal year prior to them being put together by the Board of Directors;
(ii) with regard to external auditing, the Committee issued a proposal to the Board for the appointment of KPMG as auditor for an initial term of three years comprising the 2018, 2019 and 2020 fiscal periods, as well as the approval of the auditor's fees and terms and conditions, and the signing of the corresponding services agreement;
(iii) with regard to internal auditing, throughout 2018 the Audit Committee performed the duties relating to the internal auditing of the Company as assigned thereto under the Board of Directors Regulation and Audit Committee Regulation;
(iv) in 2018, the Audit Committee oversaw compliance with the Internal Securities Market Conduct Regulation, the Board of Directors Regulation and, in general, the Company's rules on corporate governance;
(v) monitoring of linked transactions executed by the company and, where necessary, reported its findings back to the Board of Directors;
(vi) the Committee agreed to carry out a further assessment of the overall risks to which the company is exposed as a means of updating the evaluation performed in 2016;
(vii) review of the notifications received from the Spanish Stock Market Regulator (CNMV); and
(viii) analysed and took note of the company's treasury stock balance and the transactions executed using its own shares on a quarterly basis.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	3
Date of appointment of the chairperson	12 March 2018

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
Mustafa Ogretici	Chairman	Independent
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of proprietary directors	33.33%
% of independent directors	66.66%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Appointments and Remuneration Committee (ARC) are found under Article 20 of the Board of Directors Regulation. The ARC shall be made up of no less than three and no more than five non-executive directors, at least two of which must be independent directors.

The Board of Directors shall endeavour to ensure that the members, and in particular the chairman, of the ARC have the appropriate knowledge, qualifications and expertise to perform the duties entrusted to them. The ARC shall appoint the chairman from among its members.

Basic responsibilities: (i) To assess the qualifications, knowledge and experience required for the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy and evaluate the exact amount of time and dedication required for them to effectively perform their duties; (ii) Submit proposals on independent directors to be appointed by co-optation to the Board of Directors to be subject to decision at the General Shareholders' Meeting, as well as the proposals for the re-appointment or removal of said directors; (iii) To issue a report regarding proposals to appoint the remaining directors for their appointment by co-optation or to be submitted to the General Shareholders' Meeting, as well as the proposals for their re-appointment or removal; (iv) To inform the Board of Directors about the appointment, re-election and removal of internal positions on the company's Board of Directors; (v) To issue a report regarding the motions to appoint and remove senior executives (including, for these purposes, the brand and area managers) and the basic terms of their contracts; (vi) To inform the Board about gender diversity matters and, particularly, to ensure that the selection procedures for directors and senior executives do not implicitly bias female candidates; (vii) To propose to the Board of Directors: (a) the remunerations policy for the directors and general managers or for those who have senior management functions and report directly to the Board of Directors, committees or the CEOs; (b) the individual remuneration for executive directors and other conditions of their contracts, ensuring that they are followed; and (c) the basic conditions of senior executive contracts; (viii) To analyse, pose and periodically review the remuneration policy applied to senior executives and the management team, including the remuneration packages with shares and their application, and ensure that it is proportionate to that paid to the other directors and members of the management team and to other personnel of the company; (ix) To ensure compliance with the remuneration policy established by the company; (x) To review and arrange for the succession of the chairman of the Board of Directors and the company's CEO and, where appropriate, to propose motions to the Board of Directors for such succession to take place in an orderly and well-planned manner; (xi) To inform the shareholders about the exercise of its functions, attending the General Shareholders' Meeting for this purpose; and (xii) To assist the Board in the preparation of the report on the remuneration policy and submit to the Board any other remuneration reports foreseen in this Regulation, verifying the information about the directors and senior executives' remuneration established in different corporate documents, including the annual report on directors' remuneration.

The ARC shall meet each time the chairman deems it necessary. The chairman will call a meeting whenever a report is issued or proposals need to be adopted and, in any case, whenever it is suitable for the successful performance of its functions.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Numbe r %	Year t-3 Numbe r %
Executive committee	0.00%	N/A	N/A	N/A
Audit committee	0.00%	N/A	N/A	N/A
Appointments and remuneration committee	0.00%	N/A	N/A	N/A
Appointments committee	N/A	N/A	N/A	N/A
Remuneratio n committee	N/A	N/A	N/A	N/A
_____committee	N/A	N/A	N/A	N/A

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The rules regarding the committees are set out in the Articles of Association and the Board of Directors Regulation, both of which are available on the company's website at www.amrest.eu. Moreover, the Audit Committee has its own internal regulation. The company has prepared performance reports on each of the Audit and Remuneration committees, which shall also be available to shareholders on the website.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for advising the Board of transactions with related parties. For the approval of such transactions, any directors or related individuals with a direct or indirect conflict of interest must refrain from participating in the discussion and vote on the corresponding resolutions or decisions. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
Henry McGovern	Metropolitan Properties Internatonal Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	148
Henry McGovern	Metropolitan Properties Investments Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	149

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
New Precision Limited (Samoa)	Shareholder loan received	1,686
New Precision Limited (Samoa)	Capital increase in subsidiary	1,660

Remarks
The above are transactions executed among subsidiaries without direct participation of AmRest Holdings.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

The director shall take the necessary measures to avoid incurring situations in which his or her own or other interests may conflict with the corporate interest and their duties towards the company.

Article 24 of the Board of Directors Regulation stipulates that directors must inform the Board of any direct or indirect conflicts which they or related individuals may have with the company's interests. In this regard, directors' related parties shall be understood as the following: a) The director's spouse or persons with a similar relationship; b) The director or their spouse's parents, children and siblings; c) The spouses of the director's parents, children and siblings; d) Companies with which the director, directly or by proxy, is affiliated in any of the manners described under article 42, paragraph one of the Spanish Commercial Code. When directors are legal entities, their related parties shall be understood as the following persons: a) Partners or shareholders who are affiliated with such entity in any of the manners described in article 42, paragraph one of the Commercial Code; b) De jure or de facto directors, liquidators and attorneys with general powers of attorney in the company's legal entity director; c) Companies forming part of the same group and their partners or shareholders; d) Persons who, pursuant to the provisions of the preceding paragraph, qualify as affiliates in respect of the above legal entity's representative.

As set forth in said Regulation with regard to the duty of loyalty, directors are obliged to refrain from participating in the discussion and vote on resolutions or decisions with which they or a related individual have a direct or indirect conflict of interest. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

Article 24 of the Board of Directors Regulation obliges the directors to refrain from: (a) Carrying out transactions with the company, except when they are part of the company's ordinary business, are carried out under normal market conditions and are of little significance, with these being understood to be those involving information that is not required to express a true image of the company's property, financial situation and results; (b) Using the company's name or adducing their standing as director to have undue influence when carrying out private transactions; (c) Making use of the corporate assets, including the company's confidential information, for private means; (d) Taking advantage of the company's business opportunities; (e) Obtaining advantages or remuneration from third parties other than the company or its group, associated to the discharge of their duties, other than minor matters of mere courtesy; (f) Carrying out activities on their own, or another's, behalf which entail effective competition, whether currently or potentially, or which, in any other way, places them in permanent conflict with the company's interests.

Additionally, the Company set the Procedure for Conflicts of Interest and Related-Party Transactions with Senior Officers (the "Procedure") of AmRest Holdings, SE, establishing the rules that must be followed in those situations in which there is a direct or indirect conflict of interest between the interest of the Company or any of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law and the interest of said persons or of other persons that the Audit Committee

decides to make subject to the conflict of interest rules or the persons related thereto, as well as in transactions that said persons engage in with the companies of the Group. The Code of Business Conduct (uploaded on the Group's corporate website (www.amrest.eu) also governs this matter under section 2.3.

D.7 **Is there more than one company in the group listed in Spain?**

Yes **No _X_**

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

Yes___No __

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest

E. RISK MANGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

AmRest has set up a Risk Management Policy that applies to all AmRest Group.
AmRest Management is accountable for daily identifying, analyzing, evaluating, monitoring and addressing the risks in areas of their responsibilities.
Global Internal Audit and Internal Control Function (GIA&IC) supports AmRest Management by realizing planned audit assignments according to the Annual Audit Plan and performing ad-hoc audit assignments. The Management is responsible for preparing action plans addressing identified by GIA&IC risks and opportunities. GIA&IC regularly monitors, verifies and reports to the Audit and Control Committee and Top Management, the implementation of action plans declared by the Management.

Internal Audit Department updates AmRest Risk Map on a regular basis. The objectives of the AmRest Risk Map project are to:

- collect comprehensive and structured information about risks at AmRest Group (identification);

- perform risk prioritization of the identified risks (assessment);
- have an updated and integrated risk map for AmRest Group.

The Risk Map and the reports from Global Internal Audit and Internal Control Department audit assignments are communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks and opportunities. The reports together with the declared action plans are communicated to the Audit and Control Committee for overseeing.

The Group has set up as well a Global AmRest Tax Policy that establishes the rules and procedures on this matter and are supervised by the Tax Department and, ultimately, by the Audit Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The AmRest Risk Management Policy describes risk governance structure in AmRest Group, which includes:

- Board of Directors – provides oversight and review of risk management.
- Audit and Control Committee - oversees regular review of risk management activities.
- Top Management (CEO, CFO, COO, CPO, CIO, etc.) - Promotes risk management culture.
- Management - responsible for designing and execution of risk strategy and control mechanisms which decrease negative impact and/or probability of risks and increase positive impact. Ensure employees comply with the risk management policy and support a culture where risks can be identified, addressed and escalated.
- Internal Audit and Internal Control Department - Analyses and evaluates risk management, internal controls and corporate governance and provides recommendations supporting risk.
- Operations Department. Identification of operational risks.

According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holding SE", the Audit and Control Committee oversees among others the effectiveness of the Company's internal control system, the internal audit, and the risk management. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

The finance team, led by the Chief Financial Officer, is responsible for the Group's tax policy and for the implementation of its tax strategy. Tax strategy is reviewed on an ongoing basis as part of the regular financial planning cycle. The Audit Committee is responsible for monitoring all significant tax matters. Audit Committee meetings are usually attended by a number of Group officers and employees including people from the tax, internal audit and financial reporting areas, including the Chief Financial Officer.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The AmRest group is subject to various risks in the different markets in which it does business, which may prevent it from achieving its business goals.

1. Factors remaining outside the Group's control: opportunities for finding and securing available and appropriate locations for restaurants, the ability to obtain the permits required by relevant bodies, the possibility of delays in opening new restaurants.

2. Dependency on the franchisor. AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania, Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

3. Dependency on cooperation with minority shareholders. - AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreements with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

4. No exclusivity rights - The franchising agreements concerning running of KFC, Pizza Hut Dine-In (excluding Russia and Germany) and Burger King (excluding Czech Republic and Slovakia) restaurants do not contain provisions on granting AmRest any exclusivity rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest restaurants. In the case of Starbucks restaurants, AmRest subsidiaries are the only entities authorised to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

5. Rental agreements and continuation options - Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental.

6. Risk related to the consumption of food products – Consumer preferences may change in connection with:

- doubts arising as to the healthful properties of main ingredients,
- unfavorable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health,
- revealing unfavorable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees and coffee stores.

7. Risk related to keeping key personnel in the Group – AmRest success depends to some extent on the individual effort of selected employees and key members of management. Their loss may have a short-term adverse effect on the business activities and operating results of the AmRest.

8. Risk related to labour costs of restaurant employees and employing and keeping professional staff - Running restaurant business on such a large scale as AmRest does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Additional risk in employment area may be caused by fluctuations in unemployment rate.

9. Risk related to limited access to foodstuffs and the variability of their cost – The AmRest situation is affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Group cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavourable weather conditions, changes in legal regulations or withdrawing some foodstuffs from trading. Also the increased demand for certain products accompanied by limited supply may lead to difficulties in obtaining them by the Group or to price increases for those products.

10. Risk related to developing new brands - AmRest has operated La Tagliatella, Blue Frog, KABB, Bacoa and Sushi Shop brands for a relatively short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by customers.

11. Risk related to opening restaurants in new countries - Opening or taking over restaurants operating in a new geographical and political area involves the risk of varying consumer preferences, a risk of insufficient knowledge of the market, the risk of legal restrictions arising from local regulations and the political risk of these countries.

12. Currency risk - The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than Euro.

13. Risk of increased financial costs: AmRest and its subsidiaries are exposed to the significant adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating and fixed interest rates.

14. Liquidity risk - The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds.

15. Credit risk – exposure to credit risk include cash and cash equivalents and trade and other receivables. With the development of franchise business, AmRest is getting exposed more to credit risk. Therefore the quality of franchisees portfolio is key priority.

16. Risk of economic slowdowns - Economic slowdown in the countries where AmRest runs its restaurants may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

17. Risk of computer system breakdowns and temporary breaks in serving customers in network restaurants - A potential partial or complete loss of data in connection with computer system breakdowns or damage or loss of key tangible fixed assets of the Group might result in temporary interruptions, which might have an adverse effect on the Group's financial results.

18. Cyberattack risk - Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools.

As regards tax risks it should be noted that AmRest is present in many countries where the tax legislation is often complex and subject to interpretation, which may create risks and uncertainty about tax position adopted. Where uncertainty exists and in other cases identified by AmRest tax team, where tax exposure is deemed significant, we seek clarification from external experts and/or tax authorities. Tax risk is also generally attributable to uncertainty about the interpretation of tax law in relation to particular transactions and the business's view about whether a tax administration could have a different view to its own or the view of its advisors.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The Company set a level of risks tolerance or acceptable risk level established at a corporate level. This threshold represents the extent to which it is prepared to assume a certain level of risk, insofar as it may contribute to generating value and developing the business, achieving an appropriate balance between growth, performance and risk.

The AmRest Risk structure includes a 3-level risk classification system:

- The first level (main categories of risks) is divided into 4 areas:
  - Strategic,
  - Operational,
  - Financial,
  - Compliance.
- The second level includes specific categories;
- The third level contains specific risks.

The risks are evaluated by using the consistent parameters: vulnerability, impact and probability.

Risks can be classified to one of the areas: High Impact, Cumulative Impact, Over Controlled or Mitigated.

Internal Audit identified high risk processes which are audited with frequency defined with the Audit and Control Committee.

E.5 State which risks, including tax compliance risks, have materialised during the year.

Some risks related to the activity of the Company have materialized during the year. None of these risks had a relevant impact on the AmRest business since the measures for their prevention and/or mitigation worked properly.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

In order to address and supervise the Group's risk management and control (including fiscal risks), model is based on a series of tools/processes described in section E.1 and E.2 of this report.

Global Internal Audit and Internal Control Function (GIA&IC) support AmRest Management to identify risks and provide recommendations in risk management, prepare action plans addressing risks, and monitor and verify their implementation.

There are the following committees operating at AmRest in order to respond and supervise entity's main risks:

- Audit & Control Committee;
- Information Security Committee;

- Ethics Committee;
- Crisis Management Committee;

To reduce unnecessary tax risk AmRest introduced the following rules:
1) applies the Tax Policy which includes good practices in respect of taxes,
2) ensures that the company has the accounting and control mechanisms needed to handle day to day tax and reporting requirements,
3) ensures that tax is properly considered as part of corporate decision making processes,
4) considers the probability of a different approach of tax authority to the application of the tax law and acting in a manner which mitigates such risk.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (IFCR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 CONTROL ENVIRONMENT

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The board of directors is ultimately responsible for the internal control and risk management systems. In this sense, in accordance with article 19.4.b) of the Regulations of the Board of Directors, this function is entrusted to the Audit and Control Committee. In particular, the audit committee shall:

- oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence;
- oversee the process for preparing and disclosing mandatory financial information regarding the Company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information.

Regulations on Audit and Control Committee adopted, develop and supplement the provisions of the Status and Regulations of the Board of Directors. With regard to the process of preparing economic and financial information, Audit and Control Committee shall:

- oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be
- review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable
- submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information
- advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet;

The Finance Department prepares the financial information and submits it for approval of the Audit Committee and the Board, and keeps the daily interaction and communication with the Group's external auditor.
Additionally, the Internal Auditing Department of the Group, with regard to its function of supporting the Auditing Committee when supervising the efficiency of the Internal Control System and company Risk Management, includes in its audit plan periodic revisions of the internal, financial and operational controls; the results of these revisions are summarized in the audit reports indicating the deficiencies detected and the action plans proposed by the Group Management to remedy them.
The Company has also adopted the Regulatory Compliance Policy implementing:

- Set of operating principles associated with the main compliance areas affecting organization;
- Set of mechanisms and procedures to prevent, identify and resolve situations in which unethical, unlawful practice or regulatory breaches occur in the course of our activities.

Lastly, the code of business conduct sets out the main ethical principles and regulations on behavior for all Group employees.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The Group, through the corporate organisation division and the organisational units for each country, defines, implements and maintains the organisational structures, set of job positions aligned with the size and complexity of the units and strategy of the Group, addressing appropriate distribution of work and segregation of duties.
Global Internal Audit and Internal Control Function (GIA&IC) reviews during its assignments any risks related to responsibilities and reporting lines, proper distribution of work and duties. In case of identifying such risks, GIA&IC provides recommendations, requests for action plans and later monitors & verifies their implementation. GIA&IC reports, including risks, recommendations, action plans and status of action plans monitoring & verification, are communicated to the Audit and Control Committee and the Top Management.
Internal Audit functionally reports to the Chair of the Committee. With respect to the process of preparing financial information group has set in place, several policies, instruction and manuals (like Group Reporting and Accounting Manual, Group Charts of Accounts, Financial Calendar, Corporate Fiscal Policy, Finance and Investment Policy, Regulatory Compliance Policy, Risk Management Policy) determining responsibilities and authorities. Preparation of financial information concerns planning, the distribution of tasks and functions, specific timeline, various reviews to be performed at several levels and dissemination thereof. To this end, the Group has financial accounting and control functions in each of its operating markets; which are headed up by a controller responsible for implementing and integrating at the local level of global policies defined by Group ensuring the unified reporting standards across all the Group.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

According to the Code of Conduct, the Ethics Committee addresses all issues related to compliance with the Code of Business Conduct, including resolutions of a breach or a suspected breach of the Code by Employees and Co-workers of AmRest Group.
The Committee operates and runs its meetings in compliance with the Code of Conduct and the appropriate directives issued by the CEO, the Board of Directors or its Executive Committee. The Committee members are appointed and dismissed by the Audit and Control Committee at the recommendation provided by the Chief People Officer of AmRest ("CPO").

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

AmRest makes available access to an email address to inform in a safe and confidential manner about any non compliance with the AmRest procedures, Code of Conduct, regulatory non compliance or absence of internal control.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

With regard to employee training in financial and control issues, AmRest provides through its:

- AmRest HighPots School
- AmRest College
- AmRest University
- Senior Leadership Development Program

a wide educational offer reflecting the needs of the organization.
Financial reporting personnel attend technical sessions run by external consultancy firms and covering developments in accounting. Likewise, the Group relies on the external advice of experts in specific areas related to the financial reporting.
AmRest supports also financial reporting personnel in getting professional and internationally recognized certificates like ACCA or CIMA. AmRest supports Internal Auditors in getting professional and internationally recognized certificates like CIA, CISA, CFE and others.

F.2 ASSESSMENT OF FINANCIAL INFORMATION RISKS

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

AmRest Group's risk identification and assessment is an internal process, defined by Risk Management Policy adopted by the Company and cascaded to all subsidiaries within the Group.
Per this policy, process carried out by:

- the Board of Directors and Audit Committee (oversight and review of risk management),
- Top Management (promoting risk management culture),
- Management - Responsible for designing and executing of risk strategy and control mechanisms
- Internal Audit and Internal Control Department (evaluating risk management, internal controls and corporate governance and providing recommendations)
- Employees and Co-workers (complying with risk management policies and procedures)

Section E.4 of this report indicates the risk classification system, which takes into account all classes of risk. Its scope is greater than the risks directly related to the preparation of the Group's financial information.
In relation to reporting of financial information the Group additionally ensures the existence of specific controls covering the potential risk of error or fraud in the issuance of the financial information, i.e., potential errors in terms of:

the existence of the assets, liabilities and transactions as of the corresponding date and reporting period;
proper and timely recognition and correct measurement of its assets, liabilities and transactions; and
the correct application of the accounting rules and standards and adequate disclosures.
These controls are applied dynamically and updated continually to reflect the reality of the Group's business as it evolves.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Identification of risks is carried out for each process identified as relevant based on the objectives of the financial reporting: existence and occurrence, completeness, valuation, presentation, breakdown and comparability, and rights and obligations.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

In the process of identifying the consolidation scope, the Group Controller (Head of Group Accounting Department), regularly updates the consolidation scope, verifying all changes (additions and removals) in the Group structure. Any changes within the scope of consolidation are subject to Audit and Control Committee approval.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The process of identifying risks leading to errors in the financial reporting takes into account also qualitative factors, together with other types of risk (like operational, financial, strategic, regarding regulatory compliance) as they ultimately affect the financial statements.

- **The governing body within the company that supervises the process.**

The Board through the Audit and Control Committee, supervises this process.

F.3 CONTROL ACTIVITIES

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As indicated in F.1.1 section of this report, the Board of Directors relies on the Audit and Control Committee to supervise the process of preparing and presenting the required financial information relating to the Company and the Group, including related nonfinancial information, as well as its integrity, reviewing the Audit Committee in the first place compliance with regulatory requirements, the proper determination of the scope of consolidation and the correct application of accounting standards.

The Audit and Control Committee also has the duty to report to the board, in advance of the adoption by it of the corresponding decisions, regarding the financial information that the Group must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices used to prepare the financial statements and is as reliable as such statements.
Each quarter the Group Accounting Department submits the periodic consolidated financial information to the Audit and Control Committee, highlighting the main assumptions and accounting criteria applied and clarifying any significant events which occurred during the reporting period.
Likewise, the AmRest Group has in place documented financial processes, which implies common criteria for preparing financial information for all subsidiaries within the Group. The Group Accounting Department issues mandatory instructions setting out the calendar and contents for the financial reporting period for the preparation of the consolidated financial statements.
The Group Accounting Department also follows documented procedures for preparing consolidated financial information (provided in section F.4.2).
The Group Accounting Department reviews the key judgments, estimates, valuations and forecasts to identify critical accounting policies that require the use of estimates and value judgments. The most relevant are dealt with by the Audit and Control Committee. Senior management defines the format for presenting the financial statements prior to approval by the Board.
The most significant aspects of the accounting close process and the review of the material judgements, estimates, measurements and projections used are as follows:

- impairment losses on certain assets,
- the useful life of the tangible and intangible assets,
- the measurement of goodwill arising on consolidation,
- the fair value of the identifiable assets acquired and the liabilities assumed in business combinations.

The Board of Directors is responsible for approving the financial information that the Group, being a listed company, is obliged to publish.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Group's IT systems are directly or indirectly related to the financial reporting and financial statements as such. They are configured to ensure the correct preparation and publication of financial information at all times by means of a specific internal control procedures. The Group has internal policies and procedures, which are duly updated and distributed, relating to systems security and access to the IT applications and systems based on roles and in accordance with the duties and clearances ensuring proper separation of powers. The Group's internal policies establish that access to all systems storing or processing data shall be strictly controlled, and that the level of access control required is determined by potential impact on the business. Access rights are assigned by Group experts in this area, by roles and functions. In addition, to ensure compliance, the user and profile maintenance control and review processes in which responsible personnel in each area are involved ensure that information is only available to persons who need it for their work.
Per Group's methodology, any new software developments and any updates of existing IT solutions go through 3 phases, i.e. design, development, and test before final implementation to the productive environment, which guarantees that financial information is handled reliably.

The Group have taken necessary steps to ensure on-going performance of key functions in the event of disasters or other events that could halt or interrupt business operations. These steps constitute specific initiatives mitigating the scale and severity of IT incidents and ensuring that operations are up and running again as quickly and with as little damage as possible. The Group has highly automated back-up systems to ensure the continuity of the most critical systems. In addition, there are specific risk mitigation strategies in place, such as cloud and virtual data processing centres, back-up power suppliers and offsite storage facilities.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

AmRest Group does not usually outsource to third parties activities that have the impact on the financial reporting process. In case a process or its part is outsourced to an independent party, the same set of policies and procedures applicable for internal reporting purposes, is put in place for the external contractor, to ensure coverage of the risks associated with such outsourcing. The Group puts in place service level agreements ensuring the integrity and quality of information provided by external contractors. The Group mostly assesses its estimates in
house. Whenever it is advisable to hire a third party contractor, it does so having verified their expertise and independence, and validated their methods and the reasonableness of the assumptions made.

F.4 INFORMATION AND COMMUNICATION

State whether the company has at least the following, describing their main characteristics:

F. 4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Group Accounting department is responsible for defining, updating and disseminating the accounting policies of the AmRest Group. Accordingly, it has an Group Reporting and Accounting Manual adapted to the needs of the Group. These accounting policies are developed based on the International Financial Reporting Standards adopted by the European Union (IFRS).
The Group Reporting and Accounting Manual is disseminated throughout all the personnel involved in the financial reporting process.
Any significant changes affecting Group Reporting and Accounting Manual, are communicated to the organization together with the updated Manual. Group Accounting department consist of high qualified personnel and resolves queries or conflicts deriving from the interpretation of the accounting standards and/or policies.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Group's reporting structure supplies different kinds of services, including:

- General IT systems
- Management systems providing information for business monitoring and control purposes.
- Business systems encompassing the operation (sales) related systems
- Structural systems providing the data shared and used by all the applications and services. These systems include all those related to the accounting and financial information.

The same accounting system has been already implemented already in main subsidiaries, the Group's though is still in progress of implementing it in remaining subsidiaries. Group is in the process of integration of subsidiaries and business acquired recently.
Likewise, Group has a consolidation system that enables standardized information to be obtained about the Group's companies for the consolidation purposes.
As stated above, there is a Group Accounting and Reporting Manual and Group Charts of Accounts, which include specific instructions on preparing the financial statements.
Preventive controls have been defined, ensuring safe data input to the consolidation system. The implementation of this solution ensure for the financial statement information and the annual accounts standardization.

The data in native currencies reported by subsidiaries are within the consolidation system automatically and in standardized way converted to euro and are subsequently aggregated to the consolidated figures. The consolidation process is designed to identify intragroup transactions, ensuring they are correctly eliminated. In addition, in order to ensure the quality and comprehensiveness of the information, the consolidation system is configured to make investment-equity elimination adjustments and to eliminate intragroup transactions, which are generated automatically in keeping with the system settings and checks. This entire process is highly automated and includes automatic controls to enable the detection of incidents in the consolidation process. The Group Accounting and Planning & Analysis departments perform additionally oversight and analytical controls.

F.5 SUPERVISION OF SYSTEM PERFORMANCE

Describe at least thefollowing:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Corporate Bylaws and Regulations of the Board of Directors state that the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties, with its main functions including: supervising the effectiveness of the Company's internal control system and risk management systems, and discussing with the Auditors significant or material weaknesses in the internal control system detected during the audit. The Audit and Control Committee is responsible for supervising the effectiveness of the internal controls carried out by the AmRest Group's Internal Audit function.
The Internal Audit function reports functionally to the Audit and Control Committee, with the primary goal of lending them support in their responsibilities concerning ensuring governance, risk management, and the Group's Internal Control System. Internal Control comprises all process which may reasonably ensure compliance with law, regulations and internal rules, reliability of information, efficiency and efficacy of operations, and the integrity of the organization's net worth.
The Internal Audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Internal Audit Function is being governed by Internal Audit Article of Association.
With regard to supervision of Internal Control over Financial Reporting (ICFR), AmRest is listed on the Spanish Stock Exchanges (and Warsaw Stock Exchange) and is subject to the regulatory requirements established by the supervision authority (CNMV) applicable to companies being traded on Spanish Stock Exchange.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

According to the Internal Audit Articles of Association, the GIA&IC reports progress of Annual Audit Plan realization, issues with controls, corporate governance, significant AmRest risks, progress of recommendations implementation and others which are required by CFO and/or the Audit Committee.
The irregularities identified by Financial Auditors are included in the GIA&IC process of regular monitoring, verification and reporting of the implementation of action plans declared by the Management.

Any irregularities identified in standalone and/or consolidated financial statements are reported to Audit and Control Committee as Summary Report (after the half-year review and audit of the annual accounts). Audit and Control Committee meets the Financial Auditors at least twice a year.
According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holdings SE", the Audit and Control Committee should, among others, oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors.

With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

a) To oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be;
b) To review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable;
c) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information; and
d) To advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet.

F.6 OTHER RELEVANT INFORMATION

N/A

F.7 EXTERNAL AUDITOR´S REPORT

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given

The information on the internal control over the financial reporting system has been not submitted for review by the external auditor as the Group continues implementing the improvements and recommendations arising from the ICFR implementation process at corporate level in Spain and the in its main subsidiaries.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies | Complies partially | **Explanation X** |

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies | Complies partially | Explanation | **Not Applicable X** |

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | Complies partially | **Explanation X** |

Given that the Company's shares were listed on the Spanish Stock Exchanges on November 2018, at last year's AGM in June the Chairman did not provided such information verbally to the shareholders.

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies | Complies partially | **Explanation X** |

The Company has such a policy although its approval and publication took place after 31 December 2018.

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for

delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies X | Complies partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- **a) Report regarding the auditor's independence.**
- **b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.**
- **c) Report by the audit committee regarding related-party transactions**
- **d) Report on the corporate social responsibility policy.**

Complies X | Complies partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | **Explanation X** |

Thus far, the holding of the General Shareholders' Meeting has not been transmitted via the corporate website since the implementation of the mechanisms required for such retransmission has not been considered necessary, taking into account the shareholder structure of the Company. GSMs are recorded and the audio is uploaded on the Company's website.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies X | Complies partially | Explanation |

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X | Complies partially | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- **a) Immediately distributes the additions and new proposals.**

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | Complies partially | Explanation | Not Applicable X |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies | Complies partially | Explanation | Not Applicable X |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies X | Complies partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies X | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | Complies partially X | Explanation |

The Company partially complies with this recommendation to the extent that AmRest's Director Selection Policy expressly provides that every effort will be made to ensure that, within five years of the approval of such policy (i.e. in 2023), the number of female directors represents at least 30% of the members of the Board. The reason for such five year period since AmRest listing in Spain was to mirror the adaptation period given to the Spanish listed companies upon approval of the current Corporate Governance Code (2015-2020).

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies X| Complies partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.
This criterion may be relaxed:

a) **In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
b) **In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies X| Explanation |

17. That the number of independent directors represents at least half of the total number of directors.
Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies X | Explanation |

AmRest has one shareholder who indirectly controls 56.377% of the Company so it considers that the number of independent directors of the Company (two out of a total of seven) which basically represents one third of the total number of directors (specifically, 28.6% of the total) is an adequate number of independent directors in line with this recommendation.

18. That companies publish and update the following information regarding directors on the company website:

a) **Professional profile and biography.**
b) **Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
d) **The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
e) **The shares and options they own.**

Complies X| Complies partially | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity

interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explanation | **Not Applicable X**|

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies X| Complies Partially | Explanation | Not Applicable |

Although such a case has not occurred yet, the Board regulations establish that directors shall tender their resignation when the reasons of their appointment have disappeared, among others, in the case of proprietary directors when the relvant shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies X| Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies | **Complies partially X**| Explanation |

The Company's internal regulations provides that directors must place their position at the disposal of the Board and formalize, if the Board deems it appropriate, the corresponding resignation, when their permanence on the Board could jeopardize the interests of the Company or negatively affect its credit and reputation, although it does not expressly refer to the obligation to report on criminal cases.

Before approval of this report the Regulation of the Board has been amended to specifically include such provision.

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.
Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.
This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies X| Complies Partially | Explanation | Not Applicable |

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies | Complies Partially | Explanation | Not Applicable X|

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.
And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies X| Complies partially | Explanation |

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies X| Complies partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies X| Complies partially | Explanation |

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies X| Complies Partially | Explanation | Not Applicable |

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies X| Complies partially | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies X| Explanation | Not Applicable |

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.
When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies X| Complies partially | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X| Complies partially | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies X| Complies partially | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies | **Complies Partially X**| Explanation | Not Applicable |

AmRest partially complies with the recommendation to the extent that the Regulations of the Board of Directors attribute in article 16 the following functions to the Coordinating Director: a) to reflect the concerns of non-executive directors and to meet them when it considers it appropriate; b) to request the calling of the Board of Directors or the inclusion of new items of the day in a meeting of the Board already called; and c) to direct the periodic evaluation of the Chairman of the Board of Directors.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies X| Explanation |

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) **The quality and efficiency of the Board of Directors' work.**
b) **The workings and composition of its committees.**
c) **Diversity of membership and competence of the Board of Directors.**
d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**
e) **Performance and input of each director, paying special attention to those in charge of the various Board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies X| Complies partially | Explanation |

Given that the Company relocated its domicile to Spain in March 2018 and then set up the existing Board of Directors, it has not yet performed the three years evaluation with the assistance of an external advisor.
The first annual review in respect of 2018 has been performed before the approval of this report.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies X| Complies Partially | Explanation | Not Applicable |

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies X| Complies Partially | Explanation | Not Applicable |

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies X| Complies partially | Explanation |

Although it is provided in the Regulations of the Board of Directors that at least one of the members of the audit committee shall be appointed on the basis of his or her knowledge and experience in accounting, auditing or both, the Company complies with the recommendation to the extent that all current members of the Audit Committee have a professional background requiring a strong knowledge of accountancy matters.

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies X| Complies partially | Explanation |

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies X| Complies Partially | Explanation | Not Applicable |

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:
   a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
   b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
   c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regard to the external auditor:
   a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
   b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
   c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
   d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
   e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies X| Complies partially | Explanation |

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies X| Complies partially | Explanation |

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X | Complies Partially | Explanation | Not Applicable X|

45. That the risk management and control policy identify, as a minimum:

a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
b) **Fixing of the level of risk the company considers acceptable.**
c) **Means identified in order to minimise identified risks in the event they transpire.**
d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies | **Complies partially** X| Explanation |

The Company has a Risk Management Policy which covers most but not all the above matters.

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies X| Complies partially | Explanation |

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies X| Complies partially | Explanation |

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies | Explanation | **Not Applicable** X|

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.
And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | **Complies partially** X| Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman and the Chief Executive on those matters.

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.
b) Verify compliance with company remuneration policy.
c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies X| Complies partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies X| Complies partially | Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman when needed (not the Chief Executive since there is only one executive director in AmRest). Since there is only one Executive Director, he is consulted in matters related to senior management.

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
b) That their chairmen be independent directors.
c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
e) That their meetings be recorded and the minutes be made available to all directors.

Complies | Complies Partially | Explanation | Not Applicable X|

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
f) Supervision and evaluation of the way relations with various stakeholders are handled.
g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.

Complies | **Complies partially X** | Explanation |

Although not expressly contemplated in AmRest's internal regulations, both the Audit Committee and the Appointments and Remuneration Committee execute the functions referred to in this recommendation.

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.
b) Corporate strategy related to sustainability, the natural environment and social issues.
c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
e) Means of supervising non-financial risk, ethics, and business conduct.
f) Communication channels, participation and dialogue with stakeholders.
g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies | **Complies partially X**| Explanation |

The Company partially complies with this recommendation to the extent that it has a Corporate Social Responsibility Policy, available on its website, although it does not include all the principles contained in the recommendation.

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies

Complies X| Complies partially | Explanation |

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies X| Explanation |

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies X| Complies partially | Explanation |

58. That, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances. And, in particular, that variable remuneration components:

- **a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**
- **b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**
- **c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies | **Complies Partially X**| Explanation | Not Applicable |

The remunerations policy and practices of the Company fairly align with these criteria and the Board and the Appointments and Remunerations Committee are in constant review to improve Company's practices as regards variable remuneration.

57. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X| Complies Partially | Explanation | Not Applicable |

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies | Complies Partially | **Explanation X**| Not Applicable |

Among the terms and conditions of the remuneration related to company results there is no reference to reservations which may appear in the external auditor's report.

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies X| Complies Partially | Explanation | Not Applicable |

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.
The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies X| Complies Partially | Explanation | Not Applicable |

It complies with the restriction that they may not exercise options or rights until a term of at least three years has elapsed since they received said shares

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies | **Complies Partially X**| Explanation | Not Applicable |

The Group's remuneration policy includes such a clause although it is not specifically included in contractual arrangements. In any case variable remuneration is always paid after performance criteria has been properly confirmed.

64 That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies X| Complies Partially | Explanation | Not Applicable |

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

As AmRest is listed on the Warsaw Stock Exchange, the Company periodically reports on the degree of compliance with the corporate governance recommendations required by applicable law through the publication of the Declaration of Compliance with the Principles of Good Practice for Companies Listed on the Warsaw Stock Exchange.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 27 February 2019.

State whether any directors voted against or abstained from voting on this report.

Yes No X

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019