

**Consolidated Directors' Report  
for the year ended 31 December  
2019**

AmRest Holdings SE  
28 FEBRUARY 2020



**AmRest**



# AmRest



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## LETTER TO THE SHAREHOLDERS

Dear Shareholders,

It is a great pleasure for me to present herein the AmRest Holdings SE financial report for the full year 2019.

It was a year characterized by meaningful strategic and operational progress and by organizational changes in preparation for the company's continued future success. The appointment of the new CEO and several members of the executive team set the tone for our strategy to build on the foundations focused on operating a portfolio of class-leading brands, employing the best and most committed people in the industry, and leveraging the scale we have gained across the markets where we are active.

During the company's annual strategic offsite meeting, the Board of Directors established the priorities for the coming years, which include accelerating organic expansion through franchisees and a disciplined mergers & acquisitions strategy; increasing profitability, mainly in Western Europe; continuing our efforts to consolidate leadership in the home delivery segment; maintaining healthy leverage levels; offering our employees exciting growth opportunities; and continuing to support our corporate social responsibility initiatives. The purpose of all this is to transform AmRest into the leading and most profitable restaurant operator in Europe.

The mindset of growth is deeply ingrained in every single employee and evident in actions at every level, from executive to store management. We have successfully adapted to an environment of constant change and cost headwinds, while continuing to expand our business at a dynamic pace and to strengthen our leadership position across markets and roles within the organization.

AmRest's operational skills and execution at the restaurant level have been well supported by our initiatives focusing on digitalization, efficient supply chain management, and strategies in online food delivery, all of which contributed to another year of solid performance. Consolidated revenue increased by 27% year over year, to EUR 1 962 million; even adjusting for recently acquired businesses, revenue grew 16.4%. The group's comparable EBITDA (excluding IFRS 16) grew 43% and reached EUR 248 million. In 2019 the company opened 264 new restaurants, for a total of 2,339, and we are well positioned to accelerate the pace of organic expansion in the upcoming years. We see substantial room for growth and are confident that our teams are capable of supporting and executing our plans very well.

Following a series of acquisitions over the course of the past few years, in the last twelve months we focused on the integration and reorganization of the acquired businesses in order to optimize business setup and models, leverage identified synergies, and prepare the brands for accelerated growth. Importantly, we have successfully aligned the businesses we have acquired with AmRest's communication, strategy, and culture. Going forward, we will begin to see the benefits of integration efforts that we embarked on last year and continue to unlock additional synergies focusing mainly on supply, product development, procurement, and services.

The Digital and Delivery division has been an important contributor to growth over the past year and will remain an important focus for us going forward. We have enhanced our capabilities by adding experienced people to our team and we have continued to roll-out digital self-ordering machines—or kiosks—across our Central-East European markets for KFC and Burger King restaurants, thereby significantly increasing the

average spend per customer and driving same store sales and margin. We have successfully completed the roll-out of kiosks in all of KFC Poland, while Czech Republic and Hungary are still in progress. Despite the fact that digital continue to be in the initial stages in terms of software development and upselling capabilities, the resulting efficiency gains so far make us confident and committed to further our efforts in this field.

We have also focused on calibrating the strategy for food delivery, combining our own capabilities with services offered by third-party aggregators and marketplace platforms. We have successfully established beneficial partnerships with leading aggregators leveraging our brand portfolio and scale. In addition, we launched our first delivery-only (shadow) kitchen, which was powered by our virtual brands late last year, giving us a tremendous competitive advantage. Our most recent disposal of PizzaPortal allowed us to monetize on a meaningful financial gain. In addition, our partnership with Glovo will help us build further scale and market share in Poland. We intend to stay at the forefront of technology innovations in the foodservice industry.

AmRest has successfully developed a uniquely positioned platform, characterized by a strong portfolio of top-tier brands; a well-integrated foodservice division that has benefited from increasingly advantageous trade terms while remaining focused on the sustainability of sourcing; a newly established franchise team that has enabled us to use our brands in a more asset-light mode of expansion; as well as a unique exposure to digital and delivery.

Our most important assets, however, are our employees who are serving customers in our restaurants every day. It is thanks to their positive energy, passion, commitment to excellence, and unmatched hospitality that our guests receive best-in-class service.

I would like to take this opportunity to thank our whole team for making AmRest such a great and unique company and to express my appreciation, on my behalf and that of the Board of Directors, to our shareholders and stakeholders for their trust and continued support of AmRest.

José Parés Gutiérrez

Chairman of the Board of Directors

## FINANCIAL HIGHLIGHTS (CONSOLIDATED DATA)

	year ended			3 months ended		
	31 December 2019 with IFRS 16	31 December 2019 w/o IFRS 16	31 December 2018	31 December 2019 with IFRS 16	31 December 2019 w/o IFRS 16	31 December 2018 (restated*)
Revenue	1 961.5	1 961.5	1 546.9	529.0	529.0	442.9
EBITDA**	394.4	247.8	173.2	128	89.9	48.3
EBITDA margin	20.1%	12.6%	11.2%	24.2%	17.0%	10.9%
Adjusted EBITDA***	369.2	223.9	187.8	96.4	58.7	55.4
Adjusted EBITDA margin	18.8%	11.4%	12.1%	18.2%	11.1%	12.5%
Profit from operations (EBIT)	105.6	100.0	71.6	32.6	29.0	18.6
EBIT margin	5.4%	5.1%	4.6%	6.2%	5.5%	4.2%
Profit before tax	93.4	113.2	57.5	55.5	55.8	15.2
Net profit	66.9	82.6	41.3	38.7	39.2	10.1
Net margin	3.4%	4.2%	2.7%	7.3%	7.4%	2.3%
Net profit attributable to non-controlling interests	1.8	2.1	(1.7)	0.7	0.7	(0.6)
Net profit attributable to equity holders of the parent	65.1	80.5	43.0	38.0	38.5	10.7
Cash flows from operating activities	325.7	177.4	163.8	147.7	75.7	46.2
Cash flows from investing activities	(220.0)	(220.0)	(421.0)	(110.2)	(110.2)	(277.0)
Cash flows from financing activities	(117.1)	31.2	241.9	(53.8)	18.2	236.0
Total cash flows, net	(11.4)	(11.4)	(15.3)	(16.3)	(16.3)	5.2
Equity (as at 31 December 2019 and 2018 respectively)	476.7	492.5	430.6	476.7	492.5	430.6
Total assets (as at 31 December 2019 and 2018 respectively)	2 435.0	1 592.3	1 441.8	2 435.0	1 592.3	1 441.3
Average weighted number of ordinary shares for basic earnings per shares (in thousands)	220 567	220 567	214 981****	219 232	219 232	220 252
Average weighted number of ordinary shares for diluted earnings per shares (in thousands)	221 480	221 480	216 853	219 931	219 931	221 768
Basic earnings per share (EUR)	0.30	0.36	0.20	0.17	0.18	0.05
Diluted earnings per share (EUR)	0.29	0.36	0.20	0.17	0.18	0.05
Declared or paid dividend per share	-	-	-	-	-	-

\*The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Condensed Consolidated Financial Statements for 6 months ended 30 June 2019.

\*\*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 a transaction or profit/loss on sale of shares/entities and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

**\*\*\*\*Weighted average number of ordinary shares for basic EPS and diluted EPS** was recalculated, taking into account options under share based programs within the Group. The adjustment to the weighted average number of ordinary shares does not change the basic and diluted EPS.

	As at 31 December 2019	As at 31 December 2018
Total assets	2 435.0	1 441.8
Total liabilities	1 958.3	1 011.2
Non-current liabilities	1 459.4	751.3
Current liabilities	498.9	259.9
Equity attributable to shareholders of the parent	467.2	420.7
Non-controlling interests	9.5	9.9
Total equity	476.7	430.6
Share capital	22.0	22.0
Number of restaurants	2 339	2 139

## 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 eight proprietary brands including three virtual brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, and virtual brands Pokaï, Lepieje and ‘Oi Poke).

As at 31 December 2019, AmRest managed the network of 2 339 restaurants. Given the current scale of the business, every day more than 51 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with the Company’s unique 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 994 restaurants under umbrella it accounts for ca. 43% 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. 40% of AmRest’s revenues;
- 4) China, where the networks of two proprietary brands are operated: Blue Frog and Kabb.

One additional segment which is “Other” does not include any network of owned or franchised restaurants and accounts for the results of SCM Sp. z o.o. along with its subsidiaries, Restaurant Partner Polska (PizzaPortal) till

October 2019, and other support costs and functions rendered for the Group or not allocated to applicable segments such as, for instance, Executive Team, Controlling, Treasury, Investor Relations, Mergers & Acquisitions, The detailed description of the segments is included in Note 6 of the Consolidated Financial Statements.

The operations of AmRest are well-diversified across five 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.
- 5) Virtual brands, represented by Pokaii, Lepieje and 'Oi Poke

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 August 2017 AmRest acquired from Delivery Hero GmbH 51% of shares in Restaurant Partner Polska ("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 13 March 2019 AmRest acquired the remaining stake in RPP, becoming the sole owner of the company.

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. On 28 October 2019 AmRest transferred 100% of shares in PizzaPortal to Glovo. On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the Agreement and final settlement of the transaction. As a result of the abovementioned transaction AmRest holds 7.5% stake in Glovo's share capital (non-diluted).

### **Structure of revenues**

Consolidated revenues of AmRest Group amounted to EUR 1 961.5 million in 2019, which represented a 26.8% growth compared with the previous year (EUR +414.6 million). Main drivers of such a dynamic growth were:

- Positive sales trends in comparable restaurants ("like-for-like, LFL") in all franchised brands and vast majority of markets of AmRest's operations,
- Continued expansion of restaurant network through organic growth. In 2019 AmRest opened 264 new restaurants,
- Consolidation of revenues from M&A projects executed in 2018 (i.e. acquisition of Sushi Shop Group, 19 restaurants KFC France, Pizza Hut Russia and Bacoa brand in Spain). Consolidated revenues of the abovementioned businesses amounted EUR 213.7 million in 2019.

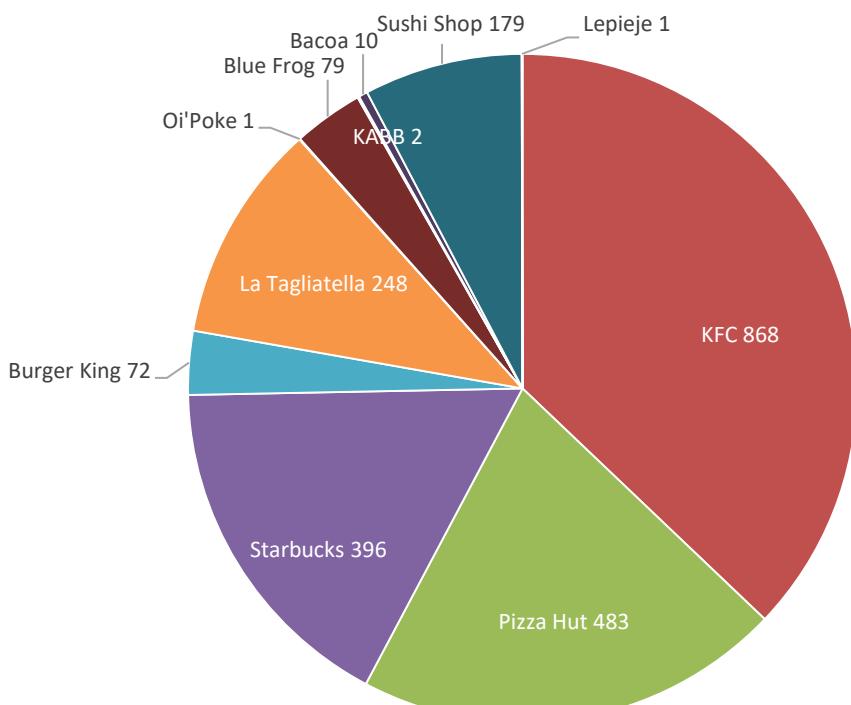
**Table 1 Structure of Group's revenue**

	year ended			
	31 December 2019		31 December 2018	
Revenue	Amount	Share	Amount	Share
Central and Eastern Europe	839.3	42.8%	717.6	46.4%
Western Europe	796.6	40.6%	569.8	36.8%
Russia	206.6	10.5%	168.6	10.9%
China	89.6	4.6%	73.6	4.8%
Other*	29.4	1.5%	17.3	1.1%
<b>Total</b>	<b>1 961.5</b>	<b>100.0%</b>	<b>1 546.9</b>	<b>100.0%</b>

\*Revenues of SCM Group and Pizzaportal.pl (until end of October 2019)

The seasonality of sales and inventories of AmRest Group is not significant which is typical for the whole restaurant industry. The restaurants typically 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.

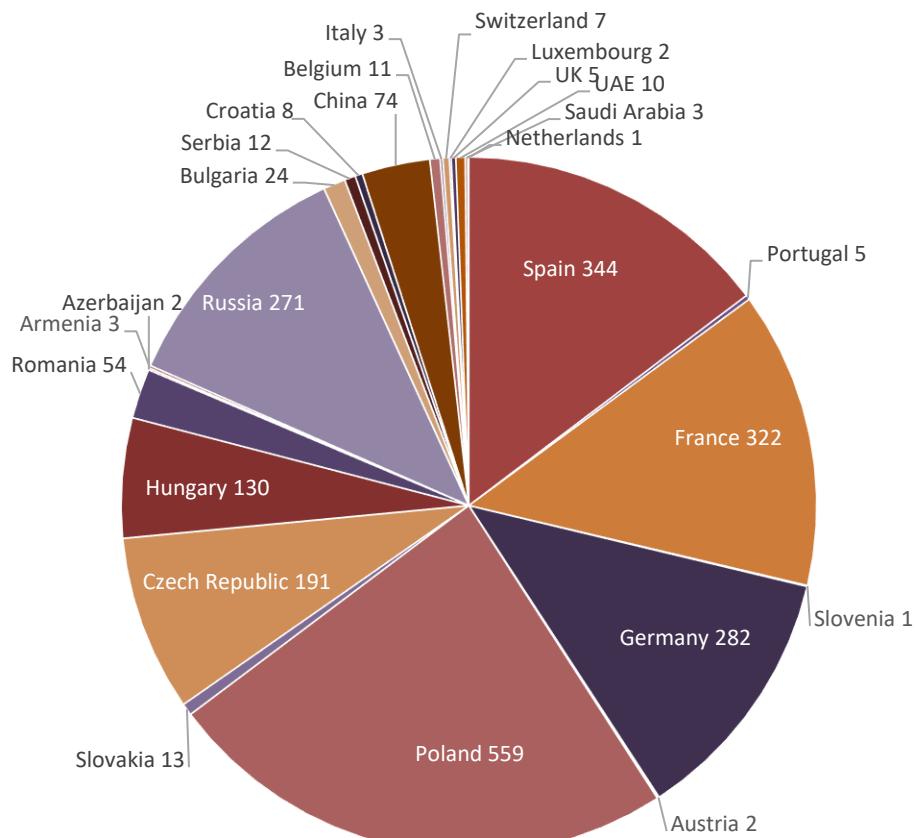
#### Number of AmRest restaurants broken down by brands as at 31 December 2019\*



\* Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa, Blue Frog and Sushi Shop brands as well as Starbucks licensed stores

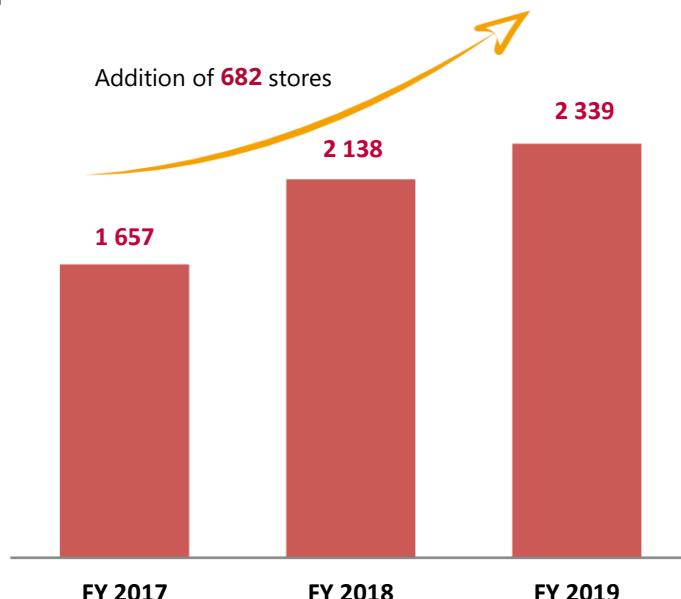
(all figures in EUR millions unless stated otherwise)

### Number of AmRest restaurants broken down by countries as at 31 December 2019\*



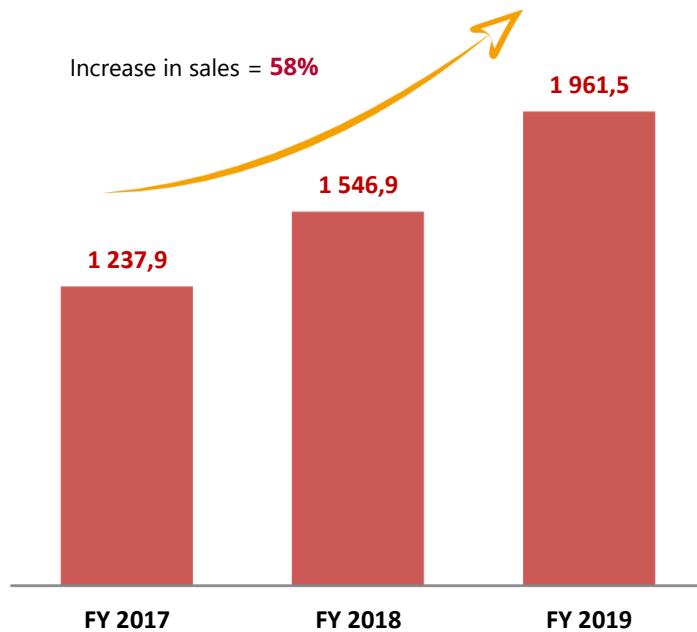
\* Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa, Blue Frog and Sushi Shop brands as well as Starbucks licensed stores

### Number of AmRest Group restaurants as at 31 December 2017-2019\*

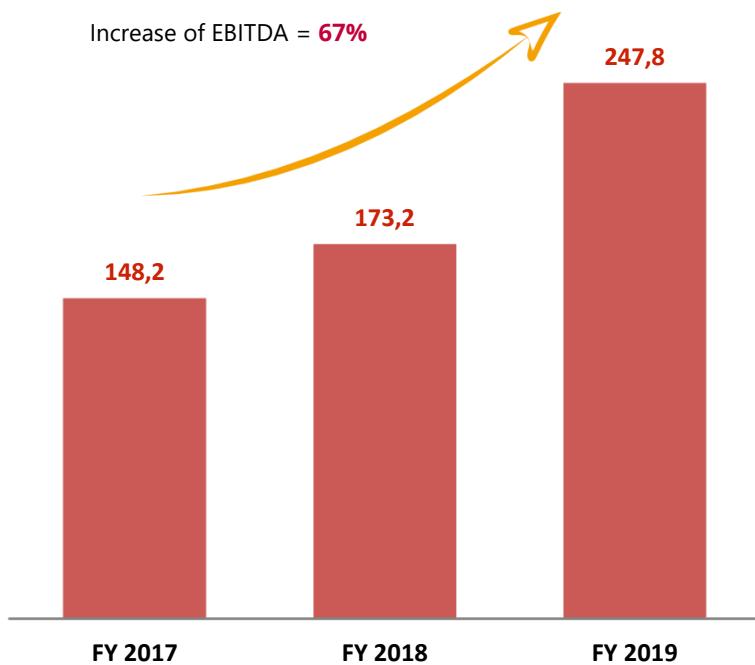


\* Including restaurants operated by franchisees and Starbucks licensed stores

**AmRest Group revenue for the 12 months ended 31 December 2017-2019**



**AmRest Group non-IFRS 16 EBITDA for the 12 months ended 31 December 2017-2019**



## FINANCIAL AND ASSET POSITION OF THE GROUP

### Revenue

Consolidated revenues of the AmRest Group amounted to EUR 1 961.5 million in 2019 and were 26.8% higher compared to the previous year (EUR +414.6 million). Solid top line growth was primarily driven by continued positive sales trends in comparable restaurants ("like-for-like", "LFL") with 4.4% LFL growth in equity business, expansion of the network across all major brands and markets of AmRest's operations (264 restaurants opened in 2019) as well as from the consolidation of the businesses acquired in 2018 (Sushi Shop, 19 KFC France, Pizza Hut Russia and Bacoa). The revenues of the Group, adjusted by the impact of most recent M&As ("Core sales") amounted to EUR 1 747.8 million in 2019, representing a 16.4% growth year-on-year.

In Q4 2019 consolidated revenues of AmRest increased by 19.4% over the year and amounted to EUR 529.0 million driven by sustained strong LFL trends, organic roll-out and still, but to a lesser extent due to more comparable base versus last year, by most recent M&A.

The revenues in Central and Eastern Europe (CEE) amounted to EUR 839.3 million in 2019, growing by 17.0% compared to the previous year. In Q4 2019 segment's revenue increased by 18.7% year-on-year to EUR 232.0 million. All major business units in the region reported mid to high-single digit LFL sales in 2019 driven mainly by ongoing digitalization initiatives and strong operations and execution. At the same time, the Group opened 127 new restaurants in CEE.

Russia segment reported solid growth of sales in 2019. The revenues increased by 22.6% compared to 2018 and amounted to EUR 206.6 million. In Q4 2019 Russia reported revenue at EUR 55.7 million, representing a growth of 26.3% year-on-year. Increase was driven by positive LFL trends, accelerated organic growth (45 restaurants opened in 2019), positive FX as well as consolidation of Pizza Hut business acquired in Q2 2018.

The highest growth of revenues was reported by Western Europe, where sales increased in 2019 by 39.8% over the year to EUR 796.6 million, mostly driven by Sushi Shop acquisition and supportive LFL trends in franchised brands. In Q4 2019 top-line grew by 17.3% over the year to EUR 210.5 million. The Group opened 76 restaurants in 2019.

The revenues in Spain grew by 15.0% year-on-year in 2019, mainly on the back of solid equity store roll-out (28 openings in 2019), high-single digit LFL in QSR segment, a slight rebound in casual dining market especially visible in Q4 2019 as well as acquisitions. In Germany the revenues in 2019 grew by 3.9% over the year to EUR 176.9 million as a result of ongoing reorganization of the restaurant network. Significant increase of revenues in France of 94.0% over the year to EUR 298.7 million resulted mainly from the acquisition of Sushi Shop and KFC businesses in 2018.

In China, revenues in 2019 grew by 21.8% to EUR 89.6 million. The business sustained strong LFL sales performance and the company continued further expansion of Blue Frog brand with 16 new openings. In Q4 2019 sales increased by 16.8% over the year and reached EUR 22.0 million.

The segment Other comprised the sales of SCM Group realized from the non-related entities and the revenues of pizzaportal.pl. In 2019 top-line of this segment amounted to EUR 29.4 million, which was 69.9% higher than year ago, mainly due to a very strong increase in the scale of SCM. In Q4 2019 segment's revenue increased by 75.6% year-on-year despite deconsolidation of PizzaPortal sales starting from November 2019.

## **Profitability**

AmRest profitability continued to grow at double-digit pace in 2019 on the back of positive sales trends, cost savings initiatives and effective operational excellence that each of the company's restaurant follows. In the reporting period the company benefited mainly from operational leverage indicated by relatively lower general restaurant occupancy costs (-0.8pp), lower share of royalty payments due to higher share of proprietary brands revenue (-0.3pp) and continued positive trends in food cost (-0.3pp), being a result of increased efficiency and scale in supply system, innovations in food processing and new product development as well as further cost and menu optimization with a constant control and focus on the food quality and safety. The savings in abovementioned areas allowed to offset relatively higher cost of labor (+1.4pp) driven by payroll pressure mainly across CEE and Western Europe as well as dilutive impact from recently acquired business also characterized by higher share of personnel costs.

As a result, the reported EBITDA (including IFRS 16) reached EUR 394.4 million or 20.1% margin in 2019. Excluding the effect from IFRS 16, EBITDA reached EUR 247.8 million and represented a growth of 43.2% year-on-year. At the same time EBITDA margin stood at 12.6% or 1.4pp higher vs. last year. In Q4 2019 Group's non-IFRS 16 EBITDA reached EUR 89.9 million, representing a substantial growth of 86.2% vs. last year. At the same time margin was 6.1pp higher than year ago and reached 17.0%. Apart from improved profitability of the Core, the last quarter was positively hit by EUR 36.9 million profit from the sale of PizzaPortal (net of transaction costs) which was partially offset by a change in provisions of EUR 8.0 million associated with master-franchise agreement resetting.

The non-IFRS 16 EBITDA of the core operations in 2019 (i.e. excluding M&As in 2018 and PizzaPortal deal) amounted to EUR 200.3 million while margin reached 11.5% and was 0.1pp higher vs. last year.

Reported operating profit (EBIT) of the Group amounted to EUR 105.6 million in 2019 or 5.4% margin. Adjusted for IFRS 16 EBIT reached EUR 100.0 million and was 39.8% higher than year ago. Non-IFRS 16 EBIT margin stood at 5.1% and was 0.5pp higher vs. last year, driven by the impact from abovementioned items, offset however by relatively higher value of impairments booked in Q4 2019, mainly in Pizza Hut France and KFC Germany. Reported EBIT in Q4 2019 reached EUR 32.6 million or 6.2% margin. Excluding IFRS 16, EBIT was at EUR 29.0 million with margin 1.3pp higher than last year.

The reported net profit attributable to AmRest shareholders amounted to EUR 65.1 million in 2019, while net margin amounted to 3.3%. In Q4 2019 reported net profit attributable to the parent reached EUR 38.0 million or 7.2% margin impacted mainly by revaluation of Glovo stake at EUR 31.7 million and impairments.

The reported EBITDA (with IFRS 16) generated in CEE in 2019 amounted to EUR 184.8 million or 22.0% margin. Excluding IFRS 16 impact, comparable EBITDA increased by 20.0% to EUR 125.5 million with margin up by 0.3pp to 14.9%. In Q4 2019 CEE achieved reported EBITDA at EUR 49.5 million or 21.4%. Without IFRS 16 segment EBITDA reached 34.1 million while margin was up by 0.9pp vs. last year to 14.7%. Profitability increase in 2019 was mainly driven by outstanding performance of Polish and Hungarian markets (24.2% and 28.2% increase in non-IFRS 16 EBITDA, respectively), where solid top line growth and maintained cost discipline resulted in further strengthening of EBITDA margins (by 1.1pp to 12.9% and by 0.7pp to 17.3%, respectively). At the same time, the results in Czechia were impacted by the increase in cost of labor and development of delivery and digital capabilities, which was offset to some extent by relatively higher margin on food. The non-IFRS 16 EBITDA in Czechia grew by 8.9% in 2019, while margin declined by 1.6pp to 19.2%. Other CEE slightly improved non-IFRS 16 EBITDA margin in 2019 vs. last year (by 0.1pp to 12.4%) despite very solid top-line growth. In Q4 2019 non-IFRS margin was impacted by strong restaurant rollout mainly at the end of the year, investments in development of Burger King brand in Romania as well as building country leadership team to ensure further growth. The company continued investing in digital channels by rolling-out

kiosks in KFC and Burger King restaurants in CEE, expanding delivery reach as well as increasing online traffic and building loyalty programs.

Russian division reached reported EBITDA in 2019 at EUR 39.8 million or 19.2% margin. Excluding IFRS 16 EBITDA amounted to EUR 21.7 million with margin at 10.5%, lower by 2.4pp vs. last year. Reported EBITDA in Q4 2019 amounted EUR 8.8 million or 15.7%. Without IFRS 16 EBITDA reached EUR 3.8 million with margin at 6.8% vs. 11.4% last year. The gap in 2019 resulted mainly from stronger marketing activities and promotions as well as partial bonus payouts to the crew in Q4 2019, investments in delivery as well as dilutive impact from Pizza Hut acquisition and one-off items that positively impacted 2018 results (EUR 1.0 million of bargain gain in Pizza Hut and VAT refund of EUR 0.6 million).

The IFRS 16 EBITDA of Western Europe division amounted to EUR 127.0 million in 2019 with margin at 15.9%. Excluding the effect from the new standard EBITDA reached EUR 70.9 million, representing a growth of 23.1% over the year and margin at 8.9% vs. 10.1% last year. In Q4 2019 reported EBITDA hit EUR 31.9 million or 15.2% margin. Without IFRS 16 EBITDA was at EUR 17.6 million while margin reached 8.4% vs. 11.7% last year.

Spanish market reported EUR 72.2 million IFRS 16 EBITDA in 2019 and margin at 25.7%. Without IFRS 16 EBITDA in the reporting period reached EUR 53.4 million while margin was at 19.0%, being 3.0pp lower than last year, mainly impacted by labor cost increase, general softness in casual dining segment and investments in delivery. In Germany the company continued integration and restructuring of the acquired businesses. The division reached break-even in 2019 based on non-IFRS 16 EBITDA figure with margin up by 1.0pp on the back of Starbucks improvement but offset by the losses incurred in KFC and Pizza Hut. Including IFRS 16 segment EBITDA reached EUR 22.0 million or 12.5% margin in the reporting period. French segment reported EBITDA in 2019 amounted EUR 27.7 million with margin at 9.3%. Excluding IFRS 16, EBITDA reached EUR 14.4 million and margin of 4.8%, being 0.9pp higher vs. last year. Profitability in France was mainly impacted by consolidation and ongoing integration processes in Sushi Shop, restructuring initiatives in Pizza Hut France and further development of digital and delivery channels.

China business visibly improved its profitability. Reported EBITDA in 2019 amounted EUR 24.1 million or 26.9% margin. Non-IFRS 16 EBITDA margin increased by 2.9pp to 12.6% in 2019 and resulted in non-IFRS 16 EBITDA at EUR 11.3 million (+58.4% year-on-year). In Q4 2019 reported EBITDA was EUR 5.5 million or 25.2%. Adjusted for IFRS 16 EBITDA reached EUR 2.2 million with margin at 10.2% which was 3.8pp higher than last year. Strong sales trends, operational efficiency along with established business model and cost discipline enabled to accelerate the growth of the market. On top of that the first Blue Frog franchise restaurant in China was opened in October 2019 and the year ended with four franchise units which shows supportive trend for further growth of brand awareness and profitability in the region.

Other segment posted record high profitability in 2019 and Q4 2019 mainly due to profit on sale of PizzaPortal to Glovo booked at EUR 36.9 million, net of transaction costs. SCM business continued building the scale and expanding its market reach which had a dilutive impact on margins.

**Table 2 Revenues and margins generated in the particular markets for the years ended 31 December 2019 and 2018**

	12 months ended 31 December 2019				12 months ended 31 December 2018	
	with IFRS16 impact		IFRS16 impact excluded		Amount	% of sales
	Amount	% of sales	Amount	% of sales		
<b>Revenue</b>	<b>1 961.5</b>		<b>1 961.5</b>		<b>1 546.9</b>	
Poland	464.8	23.7%	464.8	23.7%	409.4	26.5%
Czechia	199.8	10.2%	199.8	10.2%	169.6	11.0%
Hungary	110.5	5.6%	110.5	5.6%	89.7	5.8%
Other CEE	64.2	3.3%	64.2	3.3%	48.9	3.2%

	12 months ended 31 December 2019				12 months ended 31 December 2018	
	with IFRS16 impact		IFRS16 impact excluded		31 December 2018	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
<b>Total CEE</b>	<b>839.3</b>	<b>42.8%</b>	<b>839.3</b>	<b>42.8%</b>	<b>717.6</b>	<b>46.4%</b>
Russia	206.6	10.5%	206.6	10.5%	168.6	10.9%
Spain	281.1	14.3%	281.1	14.3%	244.3	15.8%
Germany	176.9	9.0%	176.9	9.0%	170.4	11.0%
France*	298.7	15.2%	298.7	15.2%	153.9	10.0%
Other Western Europe	39.9	2.0%	39.9	2.0%	1.2	0.1%
<b>Western Europe</b>	<b>796.6</b>	<b>40.6%</b>	<b>796.6</b>	<b>40.6%</b>	<b>569.8</b>	<b>36.8%</b>
<b>China</b>	<b>89.6</b>	<b>4.6%</b>	<b>89.6</b>	<b>4.6%</b>	<b>73.6</b>	<b>4.8%</b>
<b>Other</b>	<b>29.4</b>	<b>1.5%</b>	<b>29.4</b>	<b>1.5%</b>	<b>17.3</b>	<b>1.1%</b>
	Amount	Margin	Amount	Margin	Amount	Margin
<b>EBITDA</b>	<b>394.4</b>	<b>20.1%</b>	<b>247.8</b>	<b>12.6%</b>	<b>173.2</b>	<b>11.2%</b>
Poland	93.0	20.0%	60.0	12.9%	48.3	11.8%
Czechia	51.9	26.0%	38.4	19.2%	35.3	20.8%
Hungary	25.8	23.3%	19.1	17.3%	14.9	16.6%
Other CEE	14.1	22.1%	8.0	12.4%	6.0	12.3%
<b>Total CEE</b>	<b>184.8</b>	<b>22.0%</b>	<b>125.5</b>	<b>14.9%</b>	<b>104.5</b>	<b>14.6%</b>
<b>Russia</b>	<b>39.8</b>	<b>19.2%</b>	<b>21.7</b>	<b>10.5%</b>	<b>21.7</b>	<b>12.9%</b>
Spain	72.2	25.7%	53.4	19.0%	53.7	22.0%
Germany	22.0	12.5%	0.1	0.0%	(1.7)	(1.0%)
France*	27.7	9.3%	14.4	4.8%	6.0	3.9%
Other Western Europe	5.1	12.7%	3.0	7.7%	(0.4)	(32.9%)
<b>Western Europe</b>	<b>127.0</b>	<b>15.9%</b>	<b>70.9</b>	<b>8.9%</b>	<b>57.6</b>	<b>10.1%</b>
<b>China</b>	<b>24.1</b>	<b>26.9%</b>	<b>11.3</b>	<b>12.6%</b>	<b>7.1</b>	<b>9.7%</b>
<b>Other</b>	<b>18.7</b>	-	<b>18.4</b>	-	<b>(17.7)</b>	-
<b>Adjusted EBITDA</b>	<b>369.2</b>	<b>18.8%</b>	<b>223.9</b>	<b>11.4%</b>	<b>187.8</b>	<b>12.1%</b>
Poland	95.1	20.5%	62.6	13.5%	48.9	11.9%
Czechia	53.4	26.7%	40.1	20.1%	37.0	21.9%
Hungary	27.3	24.7%	20.6	18.6%	16.4	18.3%
Other CEE	15.4	24.1%	9.3	14.7%	7.3	14.7%
<b>Total CEE</b>	<b>191.2</b>	<b>22.8%</b>	<b>132.6</b>	<b>15.8%</b>	<b>109.6</b>	<b>15.3%</b>
<b>Russia</b>	<b>40.8</b>	<b>19.7%</b>	<b>22.9</b>	<b>11.1%</b>	<b>22.7</b>	<b>13.4%</b>
Spain	74.0	26.3%	55.3	19.7%	55.5	22.7%
Germany	23.0	13.0%	1.1	0.6%	(0.1)	(0.1%)
France*	28.0	9.4%	14.9	5.0%	9.5	6.1%
Other Western Europe	5.1	12.9%	3.1	7.9%	(0.3)	(26.5%)
<b>Western Europe</b>	<b>130.1</b>	<b>16.3%</b>	<b>74.4</b>	<b>9.3%</b>	<b>64.6</b>	<b>11.3%</b>
<b>China</b>	<b>24.8</b>	<b>27.7%</b>	<b>12.0</b>	<b>13.3%</b>	<b>8.1</b>	<b>11.0%</b>
<b>Other</b>	<b>(17.7)</b>	-	<b>(18.0)</b>	-	<b>(17.2)</b>	-
<b>EBIT</b>	<b>105.6</b>	<b>5.4%</b>	<b>100.0</b>	<b>5.1%</b>	<b>71.6</b>	<b>4.6%</b>
Poland	33.3	7.2%	30.2	6.5%	19.6	4.8%
Czechia	29.0	14.5%	27.5	13.8%	26.0	15.3%
Hungary	12.1	10.9%	11.4	10.4%	8.9	10.0%
Other CEE	1.7	2.7%	1.2	1.8%	0.6	1.6%
<b>Total CEE</b>	<b>76.1</b>	<b>9.1%</b>	<b>70.3</b>	<b>8.4%</b>	<b>55.1</b>	<b>7.7%</b>
<b>Russia</b>	<b>5.8</b>	<b>2.8%</b>	<b>6.1</b>	<b>2.9%</b>	<b>10.4</b>	<b>6.2%</b>
Spain	33.4	11.9%	33.7	12.0%	38.1	15.6%
Germany	(17.1)	(9.6%)	(16.4)	(9.3%)	(11.2)	(6.6%)
France*	(17.6)	(5.9%)	(18.6)	(6.2%)	(3.6)	(2.3%)
Other Western Europe	1.3	3.0%	1.1	3.0%	(0.5)	(41.9%)
<b>Western Europe</b>	<b>0.0</b>	<b>0.0%</b>	<b>(0.2)</b>	<b>(0.0%)</b>	<b>22.8</b>	<b>4.0%</b>
<b>China</b>	<b>6.1</b>	<b>6.8%</b>	<b>6.2</b>	<b>6.9%</b>	<b>1.7</b>	<b>2.4%</b>
<b>Other</b>	<b>17.6</b>	-	<b>17.6</b>	-	<b>(18.4)</b>	-

\* "France" includes results of Sushi Shop business in all markets of its operations for 2018 data

**Table 3 Revenues and margins generated in the particular markets for 3 months ended 31 December 2019 and 2018**

	3 months ended 31 December 2019				3 months ended 31 December 2018 (restated**)	
	with IFRS16 impact		IFRS16 impact excluded		Amount	% of sales
	Amount	% of sales	Amount	% of sales		
<b>Revenue</b>	<b>529.0</b>		<b>529.0</b>		<b>442.9</b>	
Poland	127.0	24.0%	127.0	24.0%	108.6	24.5%
Czechia	55.9	10.6%	55.9	10.6%	48.0	10.8%
Hungary	30.4	5.7%	30.4	5.7%	24.9	5.6%
Other CEE	18.7	3.5%	18.7	3.5%	13.9	3.1%
<b>Total CEE</b>	<b>232.0</b>	<b>43.8%</b>	<b>232.0</b>	<b>43.8%</b>	<b>195.4</b>	<b>44.1%</b>
<b>Russia</b>	<b>55.7</b>	<b>10.5%</b>	<b>55.7</b>	<b>10.5%</b>	<b>44.1</b>	<b>10.0%</b>
Spain	76.3	14.4%	76.3	14.4%	67.9	15.3%
Germany	46.4	8.8%	46.4	8.8%	44.7	10.1%
France*	77.8	14.7%	77.8	14.7%	66.4	15.0%
Other Western Europe	10.0	1.9%	10.0	1.9%	0.5	0.1%
<b>Western Europe</b>	<b>210.5</b>	<b>39.8%</b>	<b>210.5</b>	<b>39.8%</b>	<b>179.5</b>	<b>40.5%</b>
<b>China</b>	<b>22.0</b>	<b>4.2%</b>	<b>22.0</b>	<b>4.2%</b>	<b>18.8</b>	<b>4.3%</b>
<b>Other</b>	<b>8.8</b>	<b>1.7%</b>	<b>8.8</b>	<b>1.7%</b>	<b>5.1</b>	<b>1.1%</b>
	Amount	Margin	Amount	Margin	Amount	Margin
<b>EBITDA</b>	<b>128.0</b>	<b>24.2%</b>	<b>89.9</b>	<b>17.0%</b>	<b>48.3</b>	<b>10.9%</b>
Poland	25.2	19.8%	16.7	13.1%	11.2	10.3%
Czechia	13.8	24.7%	10.2	18.4%	10.0	20.8%
Hungary	7.1	23.3%	5.4	17.7%	3.6	14.5%
Other CEE	3.4	18.6%	1.8	9.4%	2.1	15.0%
<b>Total CEE</b>	<b>49.5</b>	<b>21.4%</b>	<b>34.1</b>	<b>14.7%</b>	<b>26.9</b>	<b>13.8%</b>
<b>Russia</b>	<b>8.8</b>	<b>15.7%</b>	<b>3.8</b>	<b>6.8%</b>	<b>5.0</b>	<b>11.4%</b>
Spain	19.8	25.9%	14.8	19.5%	16.0	23.5%
Germany	7.0	15.1%	1.5	3.2%	0.1	0.1%
France*	5.3	6.9%	2.1	2.6%	4.8	7.4%
Other Western Europe	(0.2)	(2.4%)	(0.8)	(7.8%)	(0.0)	(5.5%)
<b>Western Europe</b>	<b>31.9</b>	<b>15.2%</b>	<b>17.6</b>	<b>8.4%</b>	<b>20.9</b>	<b>11.7%</b>
<b>China</b>	<b>5.5</b>	<b>25.2%</b>	<b>2.2</b>	<b>10.2%</b>	<b>1.2</b>	<b>6.4%</b>
<b>Other</b>	<b>32.3</b>	-	<b>32.2</b>	-	<b>-5.7</b>	-
<b>Adjusted EBITDA</b>	<b>96.4</b>	<b>18.2%</b>	<b>58.7</b>	<b>11.1%</b>	<b>55.4</b>	<b>12.5%</b>
Poland	26.2	20.6%	17.9	14.0%	12.5	11.5%
Czechia	14.5	26.1%	11.1	19.7%	11.1	23.0%
Hungary	7.8	25.7%	6.1	20.2%	4.4	17.7%
Other CEE	4.1	22.0%	2.3	13.3%	2.6	19.3%
<b>Total CEE</b>	<b>52.6</b>	<b>22.7%</b>	<b>37.4</b>	<b>16.2%</b>	<b>30.6</b>	<b>15.7%</b>
<b>Russia</b>	<b>9.3</b>	<b>16.6%</b>	<b>4.4</b>	<b>7.8%</b>	<b>5.0</b>	<b>11.4%</b>
Spain	20.5	26.9%	15.7	20.5%	16.8	24.7%
Germany	7.3	15.6%	1.7	3.8%	0.7	1.5%
France*	5.4	6.9%	2.1	2.7%	6.6	9.9%
Other Western Europe	(0.2)	(1.7%)	(0.7)	(7.1%)	0.0	4.9%
<b>Western Europe</b>	<b>33.0</b>	<b>15.7%</b>	<b>18.8</b>	<b>8.9%</b>	<b>24.1</b>	<b>13.4%</b>
<b>China</b>	<b>5.7</b>	<b>25.9%</b>	<b>2.4</b>	<b>10.9%</b>	<b>1.5</b>	<b>8.2%</b>
<b>Other</b>	<b>(4.2)</b>	-	<b>(4.3)</b>	-	<b>(5.8)</b>	-
<b>EBIT</b>	<b>32.6</b>	<b>6.2%</b>	<b>29.0</b>	<b>5.5%</b>	<b>18.6</b>	<b>4.2%</b>
Poland	10.2	8.0%	8.1	6.4%	2.9	2.7%
Czechia	7.7	13.8%	7.4	13.3%	7.8	16.3%
Hungary	3.4	11.0%	3.2	10.6%	1.8	7.1%
Other CEE	0.2	1.0%	0.0	-0.6%	0.5	3.1%
<b>Total CEE</b>	<b>21.5</b>	<b>9.2%</b>	<b>18.7</b>	<b>8.1%</b>	<b>13.0</b>	<b>6.6%</b>
<b>Russia</b>	<b>(1.2)</b>	<b>(2.3%)</b>	<b>(1.3)</b>	<b>(2.5%)</b>	<b>1.8</b>	<b>4.1%</b>
Spain	6.4	8.4%	7.8	10.2%	12.5	18.4%
Germany	(6.7)	(14.4%)	(6.9)	(14.9%)	(2.8)	(6.2%)

(all figures in EUR millions unless stated otherwise)

	3 months ended 31 December 2019				3 months ended 31 December 2018 (restated**)	
	with IFRS16 impact		IFRS16 impact excluded		Amount	% of sales
France*	(20.1)	(25.7%)	(21.4)	(27.5%)	0.9	1.2%
Other Western Europe	(1.2)	(13.4%)	(1.4)	(13.1%)	(0.1)	(12.2%)
<b>Western Europe</b>	<b>(21.6)</b>	<b>(10.3%)</b>	<b>(21.9)</b>	<b>(10.4%)</b>	<b>10.5</b>	<b>5.8%</b>
China	1.9	8.8%	1.4	6.2%	(0.7)	(4.0%)
<b>Other</b>	<b>32.0</b>	-	<b>32.1</b>	-	<b>(6.0)</b>	-

\* "France" includes results of Sushi Shop business in all markets of its operations for 2018 data

\*\* The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.

**Table 4 Reconciliation of the net profit and adjusted EBITDA for years ended 31 December 2019 and 2018**

	12 months ended 31 December 2019				12 months ended 31 December 2018		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded		with IFRS 16 impact	IFRS16 impact excluded		
	Amount	% of sales	Amount	% of sales	Amount	% of sales	% of change	% of change
<b>Profit/(loss) for the period</b>	<b>66.9</b>	<b>3.4%</b>	<b>82.6</b>	<b>4.2%</b>	<b>41.3</b>	<b>2.7%</b>	<b>62.0%</b>	<b>100.0%</b>
+ Finance costs	46.0	2.3%	20.6	1.1%	16.8	1.1%	173.8%	22.6%
- Finance income	33.8	1.7%	33.8	1.7%	2.7	0.2%	1151.9%	1151.9%
+ Income tax expense	26.5	1.4%	30.6	1.6%	16.2	1.0%	63.6%	88.9%
+ Depreciation and Amortisation	249.3	12.7%	114.3	5.8%	92.1	6.0%	170.7%	24.1%
+ Impairment losses	39.5	2.0%	33.5	1.7%	9.5	0.6%	315.8%	252.6%
<b>EBITDA</b>	<b>394.4</b>	<b>20.1%</b>	<b>247.8</b>	<b>12.6%</b>	<b>173.2</b>	<b>11.2%</b>	<b>127.7%</b>	<b>43.1%</b>
+ Start-up expenses*	11.2	0.6%	12.5	0.6%	13.2	0.9%	(15.2%)	(5.3%)
+ M&A related expenses	(36.7)	(1.9%)	(36.7)	(1.9%)	3.1	0.2%	na	na
+/- Effect of SOP exercise method modification	0.3	0.0%	0.3	0.0%	0.8	0.1%	(62.5%)	(62.5%)
- Indirect taxes adjustments	0.0	0.0%	0.0	0.0%	2.5	0.2%	na	na
<b>Adjusted EBITDA</b>	<b>369.2</b>	<b>18.8%</b>	<b>223.9</b>	<b>11.4%</b>	<b>187.8</b>	<b>12.1%</b>	<b>96.6%</b>	<b>19.2%</b>

\* operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue

**Table 5 Reconciliation of the net profit and adjusted EBITDA for 3 months ended 31 December 2019 and 2018**

	3 months ended 31 December 2019				3 months ended 31 December 2018 (**restated)		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded		with IFRS 16 impact	IFRS16 impact excluded		
	Amount	% of sales	Amount	% of sales	Amount	% of sales	% of change	% of change
<b>Profit/(loss) for the period</b>	<b>38.7</b>	<b>7.3%</b>	<b>39.2</b>	<b>7.4%</b>	<b>10.1</b>	<b>2.3%</b>	<b>282.2%</b>	<b>288.1%</b>
+ Finance costs	10.5	2.0%	6.6	1.2%	5.4	1.2%	94.4%	22.2%
- Finance income	33.4	6.3%	33.4	6.3%	2.0	0.5%	1570.0%	1570.0%
+ Income tax expense	16.8	3.2%	16.6	3.1%	5.1	1.2%	231.4%	225.5%

	3 months ended 31 December 2019				3 months ended 31 December 2018 (**restated)		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded		with IFRS 16 impact	IFRS16 impact excluded		
+ Depreciation and Amortisation	65.0	12.3%	31.2	5.9%	26.1	<b>5.9%</b>	149.0%	19.5%
+ Impairment losses	30.4	5.7%	29.7	5.6%	3.6	<b>0.8%</b>	744.4%	725.0%
<b>EBITDA</b>	<b>128.0</b>	<b>24.2%</b>	<b>89.9</b>	<b>17.0%</b>	<b>48.3</b>	<b>10.9%</b>	165.0%	86.1%
+ Start-up expenses*	5.0	0.9%	5.4	1.0%	6.2	<b>1.4%</b>	(19.4%)	(12.9%)
+ M&A related expenses	(36.8)	(7.0%)	(36.8)	(7.0%)	1.7	<b>0.4%</b>	na	na
+/- Effect of SOP exercise method modification	0.2	0.0%	0.2	0.0%	(0.2)	<b>0.0%</b>	na	na
- Indirect taxes adjustments	0.0	0.0%	0.0	0.0%	0.6	<b>0.1%</b>	na	na
<b>Adjusted EBITDA</b>	<b>96.4</b>	<b>18.2%</b>	<b>58.7</b>	<b>11.1%</b>	<b>55.4</b>	<b>12.5%</b>	74.0%	6.0%

\* operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue

\*\* The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.

## Table 6 Liquidity analysis

	31 December 2019	31 December 2018
Current assets	264.8	241.8
Inventory	29.9	25.7
Current liabilities	498.9	259.9
Quick ratio	0.47	0.83
Current ratio	0.53	0.93
Cash and cash equivalents	106.2	118.4
Cash ratio	0.21	0.46
Inventory turnover (in days)	5.03	5.26
Trade and other receivables	104.6	55.5
Trade receivables turnover (in days)	15.27	9.57
Operating ratio (cycle) (in days)	20.30	14.83
Trade and other accounts payable	279.5	243.0
Trade payables turnover (in days)	45.87	46.23
Cash conversion ratio (in days)	-25.57	-31.40

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
- 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

**Table 7 Balance sheet leverage analysis**

	31 December 2019	31 December 2018
Non-current assets	2 170.2	1 200.0
Liabilities	1 958.3	1 011.2
Non-current liabilities	1 459.4	751.3
Debt	1 584.2	664.2
Share of inventories in current assets (%)	0.11	0.11
Share of trade receivables in current assets (%)	0.40	0.23
Share of cash and cash equivalents in current assets (%)	0.40	0.49
Equity to non-current assets ratio	0.22	0.36
Gearing ratio	0.23	0.39
Long-term liabilities to equity ratio	3.06	1.74
Liabilities to equity ratio	4.11	2.35
Debt/equity	3.32	1.54
Net debt/EBITDA	2.49	3.15

**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.
- Net debt/EBITDA – total interest bearing liabilities less cash and cash equivalents to last twelve month EBITDA, both excluding IFRS 16 impact

**Debt ratios**

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

The Group's equity increased by EUR 46.1 million compared to the balance at the end of 2018 and amounted to EUR 476.7 million at the end of 2019. The change in equity resulted mainly from the increase in retained earnings (EUR +65.1 million in 2019) partially offset by a decrease in reserves (EUR -27.8 million). Net debt as of 31 December 2019 was at EUR 616.4 million and leverage ratio amounted to 2.89, as a net effect of growing profitability, increased debt financing needed for accelerated organic growth and settlement of most recent M&A activities.

**Alternative Performance Measures (APM) description**

APM are metrics used by the company with the intention to describe operational or financial performance taking into account some key information or constituent and adjusting them based on the purpose of such measure. AmRest identifies the following Alternative Performance Measures in Director's Report:

1. Like-for-like or Same Store Sales ("LFL" or "SSS") – represents revenue growth from comparable restaurants (restaurants that have been operating for a period of longer than 12 months). The measure shows the ability of a restaurant or a brand to increase its sales organically. It can be closest reconciled between last twelve months core revenue growth minus last twelve months net equity openings growth.

**Table 8 Reconciliation of LFL**

	<b>31 December 2019</b>
Core revenue growth	16.4%
(-) LTM net equity openings growth	11.8%
Approx. LFL	4.6%

2. Core sales or Core revenue – presents total sales of the Group without the impact from acquisitions or sale of a business that occurred in a reporting period as well as in a year before the reporting period. It consists of the Group's total sales adjusted for revenue generated by the acquired businesses from the date of consolidation. Its purpose is to present comparable base for total revenue vs. previous year and show organic growth of the company (through net store openings and same store sales increases).

**Table 9 Reconciliation of Core revenue**

	<b>31 December 2019</b>
Total revenue	1 961.5
(-) Sales generated by acquired businesses	213.7
Core revenue	1 747.8

3. EBITDA – One of Key Performance Indicators for the company. It is a close measure of cash profitability on operations and consist of profit from operations excluding amortization and depreciation costs as well as impairments. Reconciliation of the measure is provided in tables 4 or 5. Also, the company in its periodic financial reports for 2019 presented breakdown of EBITDA and Adjusted EBITDA metrics with and without IFRS 16 impact (by simplified approach which allows to apply it progressively) in order to ensure comparability with historical data.
4. Core EBITDA and Core EBITDA margin – presents EBITDA metric of the Group without the impact from IFRS 16 and acquisitions or sale of business that occurred in a reporting period year as well as in a year before the reporting period. It consists of the Group's EBITDA adjusted for EBITDA generated by the acquired businesses from the date of consolidation. Its purpose is to show comparable profitability vs. previous year figure and show margins more related to organic growth. Core EBITDA margin is a profitability ratio of Core EBITDA in relations to Core sales or Core revenue.

**Table 10 Reconciliation of Core EBITDA**

	<b>31 December 2019</b>
Group's consolidated non-IFRS 16 EBITDA	247.8
(-) Non-IFRS 16 EBITDA generated by acquired businesses and net results from the sale transaction	47.5
<b>Core EBITDA</b>	<b>200.3</b>

Adjusted EBITDA – Measures profitability performance without startup costs (operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue), indirect tax adjustments, M&A related expenses (all material expenses connected with successful acquisition covering professional services, legal, financial, other directly connected with a transaction and effect of Stock Option Plan (SOP) exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan). It allows to present profitability for restaurants that already generate revenue and without some unusual costs related to M&A, tax adjustments or accounting adjustments related to SOP. Reconciliation of this APM is provided in tables 4 or 5.

## BRANDS OPERATED BY THE GROUP

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

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, Serbia 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. 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.

Pokaï is a virtual brand added to the Company's portfolio together with Sushi Shop business on 31 October 2018.

Lepieje and 'oi poke are virtual brands invented by AmRest in 2019.

### 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 23 000 KFC restaurants in over 135 countries worldwide.

As at 31 December 2019 the Group operated 868 KFC restaurants: 282 in Poland, 105 in the Czech Republic, 70 in Hungary, 202 in Russia, 83 in Spain, 27 in Germany, 70 in France, 10 in Serbia, 8 in Bulgaria, 8 in Croatia, 2 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 2019 AmRest ran the total of 72 Burger King restaurants – 45 in Poland, 20 in the Czech Republic, 2 in Bulgaria, 3 in Slovakia and 2 in Romania.

#### 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 2019 AmRest operated 248 La Tagliatella restaurants — 238 in Spain, 6 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 2019 AmRest ran 483 Pizza Hut restaurants – 157 in Poland, 69 in Russia, 26 in Hungary, 17 in Czech Republic, 121 in France, 85 in Germany, 2 in Armenia, 2 in Azerbaijan and 3 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 2019 AmRest operated 79 Blue Frog (72 in China and 7 in Spain) and 2 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 2019, AmRest operated 10 Bacoa restaurants in Spain.



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 2019, AmRest operated 179 Sushi Shop restaurants (125 in France, 6 in Spain, 3 in Germany, 3 in Portugal, 11 in Belgium, 3 in Italy, 2 in Luxemburg, 5 in UK, 7 in Switzerland, 3 in Saudi Arabia, 10 in UAE and 1 in Netherlands).

## Coffee category



Starbucks is the world leader in the coffee sector with about 30 000 stores in 80 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 2019 AmRest operated 376 stores (73 in Poland, 49 in the Czech Republic, 34 in Hungary, 52 in Romania, 14 in Bulgaria, 145 (plus 20 licensed stores) in Germany, 7 in Slovakia and 2 in Serbia).

## Virtual Brands



Pokaï is a virtual brand created by the group Sushi Shop in April 2018, which offers a large range of fresh, healthy and gourmet poke bowls. Its products are sold through aggregators (Deliveroo, UberEATS etc). Pokaï is present in most of the countries where Sushi Shop restaurants operate: France, Belgium, Italy, Spain, Switzerland, UK, Germany and UEA.



**Lepieje** is a virtual brand created for delivery only in response to the Shadow Kitchen project of AmRest and to the global restaurant market trends. The brand operates since 2 December 2019 in Wroclaw and it is accessible via aggregators (as at February 2020 on Glovo and Pizza Portal). The brand is inspired by the dumplings from the different parts of the world.



**'Oi Poke** is a virtual brand offering exotic bowl compositions based on meat, fish or shrimps with fresh and original additions. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi". The brand contributes to the Shadow Kitchen project of AmRest. It operates via aggregators Pizza Portal and Glovo from 18 December 2019 (SK Wroclaw Perla).

## 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 2019 AmRest's capital expenditure was financed from cash flows from operating activities and debt financing.

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 2019 and 31 December 2018.

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

	year ended	
	31 December 2019	31 December 2018
<b>Intangible assets:</b>	<b>13.6</b>	<b>126.3</b>
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	7.8	5.7
Other intangible assets	5.8	120.6
<b>Goodwill</b>	<b>2.8</b>	<b>147.1</b>
<b>Property, plant and equipment:</b>	<b>188.2</b>	<b>205.3</b>
Land	0.3	4.6
Buildings and expenditure on development of restaurants	70.2	94.7
Machinery & equipment	73.8	82.9
Vehicles	0.8	1.1
Other tangible assets (including assets under construction)	43.1	22.0
<b>Total</b>	<b>204.6</b>	<b>478.7</b>

### AmRest's New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Total
31.12.2018	1 664	474	2 138
New Openings	224	40	264
Acquisitions	0	0	0
Closings	27	36	63
<b>31.12.2019</b>	<b>1 861</b>	<b>478</b>	<b>2 339</b>

As at 31 December 2019, AmRest operated 2 339 restaurants, including 478 restaurants which are managed by franchisees (164 La Tagliatella, 218 Pizza Hut, 20 Starbucks, 6 Blue Frog, 5 Bacoa and 65 Sushi Shop). Compared with 31 December 2018, the Group runs 201 more restaurants. 264 new restaurants were opened: 127 restaurants in Central and Eastern Europe, 45 in Russia, 76 in Western Europe and 16 in China.

(all figures in EUR millions unless stated otherwise)

### Number of AmRest restaurants (as at 31 December 2019)

Countries	Brands	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
<b>Poland</b>	<b>Total</b>	<b>515</b>	<b>516</b>	<b>523</b>	<b>530</b>	<b>559</b>
	KFC	264	264	267	273	282
	BK	40	41	42	42	45
	SBX	70	71	71	71	73
	PH	140	139	142	144	157
	BF	1	1	1	-	-
	Lepieje (virtual brand)	-	-	-	-	1
	Oi Poke (virtual brand)	-	-	-	-	1
<b>Czech Republic</b>	<b>Total</b>	<b>162</b>	<b>164</b>	<b>168</b>	<b>177</b>	<b>191</b>
	KFC	97	97	97	100	105
	BK	17	17	17	19	20
	SBX	41	42	45	46	49
	PH	7	8	9	12	17
<b>Hungary</b>	<b>Total</b>	<b>104</b>	<b>106</b>	<b>107</b>	<b>112</b>	<b>130</b>
	KFC	58	60	61	63	70
	SBX	27	27	27	29	34
	PH	19	19	19	20	26
<b>Russia</b>	<b>Total</b>	<b>242</b>	<b>242</b>	<b>251</b>	<b>251</b>	<b>271</b>
	KFC	178	179	184	188	202
	PH equity	39	39	37	38	39
	PH franchised	25	24	30	25	30
<b>Bulgaria</b>	<b>Total</b>	<b>19</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>24</b>
	KFC	5	7	8	8	8
	BK	1	1	1	1	2
	SBX	13	14	14	14	14
<b>Serbia</b>	<b>Total</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>12</b>
	KFC	8	9	10	10	10
	SBX	-	-	1	1	2
<b>Croatia</b>	<b>KFC</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Romania</b>	<b>Total</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>47</b>	<b>54</b>
	SBX	46	46	46	46	52
	BK	-	-	-	1	2
<b>Slovakia</b>	<b>Total</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>12</b>	<b>13</b>
	SBX	5	5	5	6	7
	PH	2	2	2	3	3
	BK	2	2	3	3	3
<b>Armenia</b>	<b>PH franchised</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Azerbaijan</b>	<b>PH franchised</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Spain</b>	<b>Total</b>	<b>326</b>	<b>325</b>	<b>333</b>	<b>335</b>	<b>344</b>
	TAG equity	73	73	73	74	75
	TAG franchised	164	163	164	164	163
	KFC	67	66	71	74	83
	Blue Frog equity	4	4	5	5	5
	Blue Frog franchised	2	2	2	2	2
	Bacoa equity	3	4	4	4	5
	Bacoa franchised	4	4	5	5	5
	Sushi Shop equity	2	2	2	2	4
	Sushi Shop franchised	7	7	7	5	2

Countries	Brands	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
<b>France</b>	<b>Total</b>	<b>320</b>	<b>320</b>	<b>322</b>	<b>320</b>	<b>322</b>
	TAG equity	5	5	5	5	5
	TAG franchised	3	3	1	1	1
	KFC	10	10	12	12	13
	PH equity	117	117	117	112	108
	PH franchised	65	66	67	69	70
	Sushi Shop equity	86	86	87	89	89
	Sushi Shop franchised	34	33	33	32	36
<b>Germany</b>	<b>Total</b>	<b>269</b>	<b>271</b>	<b>277</b>	<b>277</b>	<b>282</b>
	SBX	139	140	143	142	145
	SBX licensed	17	17	18	19	20
	TAG equity	2	2	2	2	2
	KFC	27	27	27	27	27
	PH equity	7	8	8	9	10
	PH franchised	74	74	76	75	75
	Sushi Shop franchised	3	3	3	3	3
<b>Austria</b>	<b>KFC</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Slovenia</b>	<b>KFC</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Portugal</b>	<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
	TAG equity	2	2	2	2	2
	Sushi Shop franchised	3	3	3	3	3
<b>China</b>	<b>Total</b>	<b>63</b>	<b>62</b>	<b>64</b>	<b>71</b>	<b>74</b>
	Blue Frog equity	60	59	61	67	68
	Blue Frog franchised	-	-	-	1	4
	KABB	3	3	3	3	2
<b>Belgium</b>	<b>Total</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>
	Sushi Shop equity	5	5	5	5	5
	Sushi Shop franchised	3	4	5	6	6
<b>Italy</b>	<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
	Sushi Shop equity	1	1	1	1	1
	Sushi Shop franchised	2	2	2	2	2
<b>Switzerland</b>	Sushi Shop equity	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>
<b>Luxembourg</b>	Sushi Shop equity	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Netherlands</b>	Sushi Shop equity	-	-	1	1	1
<b>UK</b>	Sushi Shop equity	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>UAE</b>	Sushi Shop franchised	<b>8</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>10</b>
<b>Saudi Arabia</b>	Sushi Shop franchised	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Iran</b>	Sushi Shop franchised	<b>1</b>	<b>1</b>	<b>1</b>	-	-
<b>Total AmRest</b>		<b>2 138</b>	<b>2 148</b>	<b>2 195</b>	<b>2 227</b>	<b>2 339</b>

## PLANNED INVESTMENT ACTIVITIES

AmRest's strategy is to leverage its unique culture, international capability, operational excellence attitude and superior brand portfolio to grow scalable and highly profitable restaurants globally.

Similar to previous periods, AmRest intends to further strengthen its leadership position in European restaurant markets. Currently, the Company is focused on integrating most recent acquisitions and reorganization of restaurant network as well as building franchise excellence and strategy to further fuel growth across proprietary brands. The potential for growth in the existing markets of AmRest's operations

allows for accelerated organic expansion through increased number of new openings. Development of lighter store formats increases availability of new locations across Europe as well as pool of potential franchisees.

Potential acquisitions still remain an important factor of AmRest's growth. On the back of recently finalized M&A transactions, AmRest has set its footprint on 8 new markets with a lot of white space to cover and opportunities to explore. As a partner of choice and leading European restaurant operator AmRest is well-positioned for any sector consolidation or buyouts.

In the light of growing popularity of take-away and delivery segments, AmRest will continue investing in digital channels as well as developing delivery capabilities and cooperation across all markets, including intensified testing of a shadow kitchen concept (delivery-only formats). Initial investment in Glovo along with recent sale transaction of PizzaPortal enables to fuel further growth of Glovo's scale and at the same time reinforce AmRest core operations while still being up-to-date with trends in a fast-changing environment of food delivery.

Similar to previous years, improvement of ROIC, increasing scalability and market presence as well as building the long-term growth platform of top-tier brands 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 2019

### **Termination of Share Purchase Agreement – TELE PIZZA, S.A.U.**

On July 26, 2018 AmRest Sp. z o.o. („AmRest Poland”) and TELE PIZZA, S.A.U. (“Seller”) signed a Share Purchase Agreement (“SPA”), 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 8 million.

The completion of the transaction was 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”).

On March 7th, 2019 AmRest informed that the SPA was automatically terminated due to failure to meet the conditions precedent specified in the SPA before the Long Stop Date (i.e. failure to obtain the consent for the concentration from the Office of Competition and Customer Protection before the Long Stop Date).

### **Share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V.**

On March 27, 2019 AmRest was notified by its controlling shareholder, FCapital Dutch, B.V. (Grupo Finaccess subsidiary; “FCapital”, the “Purchaser”), and one of its significant shareholders, Gosha Holdings, S.à.r.l. (“Gosha”, the “Seller”), that FCapital and Gosha have executed a share sale agreement pursuant to which the Purchaser would acquire from the Seller its entire shareholding in AmRest (the “Transaction”). The Transaction was expected to be settled on 10 May 2019.

On May 9, 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha, consisting of 23 426 313 shares representing 10.67% of the Company's share capital, for a price per share of EUR 13.22, amounting an aggregate of EUR 309 695 857.86. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

### **Agreement with Glovoapp23 S.L.**

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. (the "Agreement") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal"). At 30 September 2019, Restaurant Partner Polska Sp. z o.o. was classified as a disposal group held for sale. On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in PizzaPortal to Glovo. The price consideration (EUR 35 million, including earn-out as the requirements have been met) is secured by the registered pledge on Pizza Portal shares.

On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the Agreement and final settlement of the transaction. In consideration for the transfer of 100% of shares in PizzaPortal AmRest received total sale price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million and newly issued shares of Glovo, which constituted final settlement of the Agreement.

As a result of the abovementioned transaction AmRest holds 7.5% stake in Glovo's share capital. (non-diluted)

### **EXTERNAL DEBT**

In the reporting period covered by this report the Company did not enter in any significant agreements concerning external debt nor issue any debt instruments.

### **SHAREHOLDERS OF AMREST HOLDINGS SE**

To the best of AmRest's knowledge as at 31 December 2019 AmRest Holdings had the following shareholder structure:

<b>Shareholder</b>	<b>Number of shares and votes at the Shareholders' meeting</b>	<b>% of shares and votes at the Shareholders' meeting</b>
FCapital Dutch B. V.*	147 203 760	67.05%
Nationale-Nederlanden OFE	9 912 576	4.51%
Artal International S.C.A.	10 900 000	4.96%
Aviva OFE	6 803 384	3.10%
Other Shareholders	44 734 463	20.38%

\*FCapital Dutch B. V. is the sole shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finaccess 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.

### **CHANGES IN THE PARENT COMPANY'S GOVERNING BODIES**

According to the share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V. described in "Significant events and transactions in 2019" section of this report, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

Consequently, the composition of the Board of Directors was adapted; being formed by 4 independent members after the appointments of Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella, and 3 proprietary directors representing Finaccess.

As per article 529 point 2.b) of the Spanish Capital Companies Act, both appointments shall be submitted for ratification to the next General Shareholders Meeting.

In addition, on this date, following the recommendation of the Compensations and Remuneration Committee, the Board has also resolved to appoint Mr. Mark Chandler as CEO of AmRest, and Mr. Eduardo Zamarripa as new Chief Financial Officer of AmRest.

As at 31 December 2019 the composition of the Board of Directors was as follows:

- Mr. José Parés Gutiérrez
- Mr. Carlos Fernández González
- Mr. Luis Miguel Álvarez Pérez
- Mr. Emilio Fullaondo Botella
- Ms. Romana Sadurska
- Mr. Pablo Castilla Reparaz
- Mr. Mustafa Ogretici
  
- 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 has not changed.

## **CHANGES IN THE NUMBER OF SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS**

During the year 2019 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.

As at 31 December 2018 Mr. Henry McGovern held directly 172 340 AmRest's shares with a total nominal value of EUR 17 234. On 14 May 2019 (being the last day of his term of office on the Board) he held 302 340 shares of the Company with a total nominal value of EUR 30 234.

As at 31 December 2018 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar (the Company's Board of Directors members) held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631.3. On 31 December 2019, as a result of execution of the share sale agreement with FCapital Dutch, B.V. settled on 9 May 2019, Gosha Holdings S.a.r.l. didn't hold any AmRest's shares.

As at 31 December 2018 FCapital Dutch B.V. - the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7. On 31 December 2019, as a result of execution of the share sale agreement with Gosha Holdings S.a.r.l. settled on 9 May 2019, FCapital Dutch B.V. held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376.

## **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.

The Company acquires the own shares for the purposes of execution of stock option programs: Employee Stock Option Plan and Management Incentive Plan.

In the period between 1 January 2019 and 31 December 2019, AmRest purchased a total of 89 000 own shares, with a total nominal value of EUR 8 900.0 and representing 0.0405% of the share capital for a total price of approx. PLN 3.9 million (EUR 0.9 million). During the same period, the Company disposed a total of 951 323 own shares with a total nominal value of EUR 95 132.3 and representing 0.4333% 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 2019 AmRest held 724 415 own shares with a total nominal value of EUR 72 441.5 and representing 0.3299% 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 11 thousand (CZK 300 thousand) and SCM sp. z o.o. amounting to EUR 1.4 million (PLN 6.1 million).

## 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 2019 and 2018 is as follows:

	2019	2018
<b>Number of days:</b>		
Average period of payment to suppliers	23.43	22.78
Ratio of payments	23.93	22.96
Ratio of outstanding invoices	17.85	20.28
<b>Millions of EUR:</b>		
Total payments	186.5	176.8
Outstanding invoices	16.8	12.3

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

On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the agreement concluded with Glovoapp23 S.L. ("Glovo") on August 13, 2019 ("Agreement") and final settlement of the transaction. In consideration for the transfer of 100% of shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal") AmRest received total transaction price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million and newly issued shares of Glovo, which constituted final settlement of the Agreement.

As a result of the abovementioned transaction AmRest holds 7.5% stake in Glovo's share capital (non-diluted).

## 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.

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 coronavirus and its spread across the world**

AmRest operates restaurants in China which has been affected recently by health issues regarding coronavirus. The Chinese government as well as local authorities have taken measures in order to limit the exposure people may have on each other in order to limit spreading of the virus, one of which was to prolong holiday period after Chinese New Year. Also people have been more cautious in terms of visiting shopping malls or staying in the crowded areas. Not only has it effect on the number of restaurants being opened but also on the general traffic level in the restaurants in China. Also there are confirmed cases of virus spreading across Europe which is the main area of AmRest operations. Although relatively still low in terms of people infected there is a risk of disease spreading out rapidly. It is reasonable to expect that such thing could impact on the Group's results in a more visible way.

#### **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 the catering sector are still relatively lower than in other branches, 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. Russia is one of the largest markets for AmRest. 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 adjust strategic intentions and operational decisions, which will minimize business risks.

#### **Risk related to the exit of the UK from the European Union**

It is difficult to predict how the 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 EU 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 2019, the Group had already been in discussions with the financing institutions to secure liquidity to fulfil its liabilities in the next 12 months.

The Group analyzes liquidity needs with particular focus on maturity of debt and proactively investigates various forms of financing that could be utilized if needed. As part of liquidity management, the Group typically refinances debt at 3-4 quarters prior to final maturity dates.

### **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 35 to the Consolidated Financial Statements as for the year ended 31 December 2019.

### **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 policies, 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.

## **FINANCIAL DATA OF AMREST FOR 3 AND 12 MONTHS ENDED 31 DECEMBER 2019**

### **Consolidated income statement for 3 and 12 months ended 31 December 2019**

	year ended		3 months ended	
	31 December 2019	31 December 2018 (restated)	31 December 2019	31 December 2018 (restated*)
<b>Continuing operations</b>				
Restaurant sales	1 855.6	1 460.6	499.7	418.3
Franchise and other sales	105.9	86.3	29.3	24.6
<b>Total revenue</b>	<b>1 961.5</b>	<b>1 546.9</b>	<b>529.0</b>	<b>442.9</b>
Restaurant expenses:				
Food and merchandise	(523.8)	(416.8)	(140.5)	(118.6)
Payroll, social security and employee benefits	(469.6)	(357.2)**	(89.5)	(103.4)**
Royalties	(88.6)	(74.6)	(24.4)	(20.6)
Occupancy and other operating expenses	(560.3)	(451.3)**	(188.6)	(130.3)**
Franchise and other expenses	(73.7)	(62.3)	(21.6)	(17.7)
General and administrative expenses	(147.3)	(115.1)	(38.8)	(34.3)
<b>Total operating costs and losses</b>	<b>(1 863.3)</b>	<b>(1 477.3)</b>	<b>(503.4)</b>	<b>(424.9)</b>
Net impairment losses on financial assets	(4.1)	(1.5)	(3.7)	(0.4)
Net impairment losses on other assets	(35.4)	(8.0)	(26.7)	(3.2)
Other operating income/expenses	46.9	11.5	37.4	4.2

(all figures in EUR millions unless stated otherwise)

<b>Profit from operations</b>	<b>105.6</b>	<b>71.6</b>	<b>32.6</b>	<b>18.6</b>
Finance income	33.8	2.7	33.4	2.0
Finance costs	(46.0)	(16.8)	(10.5)	(5.4)
<b>Profit before tax</b>	<b>93.4</b>	<b>57.5</b>	<b>55.5</b>	<b>15.2</b>
Income tax	(26.5)	(16.2)	(16.8)	(5.1)
<b>Profit for the period</b>	<b>66.9</b>	<b>41.3</b>	<b>38.7</b>	<b>10.1</b>
<b>Profit attributable to:</b>				
Shareholders of the parent	65.1	43.0	38.0	10.7
Non-controlling interests	1.8	(1.7)	0.7	(0.6)
<b>Profit for the period</b>	<b>66.9</b>	<b>41.3</b>	<b>38.7</b>	<b>10.1</b>
Basic earnings per ordinary share in EUR	0.30	0.20	0.17	0.05
Diluted earnings per ordinary share in EUR	0.29	0.20	0.17	0.05

\* The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.

\*\* The comparative data were restated as a result of an reclassification adjustment described in note 44 of the Consolidated Financial Statement for 2019 (presentation adjustment of expenses from Payroll, social security and employee benefits to Occupancy and other operating expenses, in the amount of: for the year ended 31 December 2018: EUR 17.9 million, for 3 months ended 31 December 2018: EUR 6.5 million).

The above consolidated income statement should be read in conjunction with the accompanying notes in the Consolidated Financial Statement for 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

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 2019**



## INTRODUCTION

According to the 11/2018 law of 28 December, relating to non-financial information and diversity, the Board of Directors of AmRest Holdings SE<sup>1</sup> is issuing this Non-financial Information Statement (NFIS) for the 2019 Financial Year as part of the Consolidated Directors' Report which is presented with Consolidated Annual Accounts. This statement has a public character and may be reviewed on the following website: [www.amrest.eu](http://www.amrest.eu).

The statement is an independent part of the Consolidated Director's Report for 2019 and includes information concerning all the subsidiaries of AmRest Holdings SE. In the cases where the data presented does not apply to all AmRest units, the scope is specified exactly. As of 31 December 2019, AmRest operated 2339 equity and franchised restaurants and coffee houses in 26 countries.

Although the franchised restaurants of AmRest are a part of its portfolio, the group does not disclose information regarding these restaurants, as they are operated by third parties.

The Board of Directors analyses the group's performance by geographical breakdown into divisions therefore the information might be presented in this way. Own restaurant and franchise business is analyzed by four operating segments presenting group performance in geographic breakdown. Geographical areas are identified based on the similarity of products and services, similar characteristics of the production process and on the customer base and economic similarities (i.e. exposure to the same market risks).

AmRest had been disclosing non-financial information since 2017, when it did so in accordance with Polish law. Since moving the domicile of AmRest Holdings SE to Madrid in 2018, the group discloses its non-financial information in accordance with Spanish law. On 28 February 2020 the Company's registered office was changed to Paseo de la Castellana 163, 28046 Madrid, Spain. The following NFIS has been prepared in accordance with the GRI Sustainability Reporting Standards, which are listed in the table at the end of the statement. The material topics covered in the following document were diagnosed during the dialogue with stakeholders, as further explained in Section 3 (CSR Strategy, Stakeholders and Material topics) herein.

The reporting scope is from 1 January 2019 to 31 December 2019. All the data is presented as of 31 December 2019 unless stated otherwise.

## AMREST'S BUSINESS MODEL AND OPERATIONS IN 2019

AmRest Holdings, SE is the leading multi-brand franchise restaurant operator in Europe with a portfolio of twelve leading-class brands.

AmRest serves meals in more than 2300 locations across 26 countries, mostly in Europe. The group operates self-owned restaurants and franchises. AmRest offers on-premise and off-premise dining, including drive-thru windows, takeout for pickup, phone, online ordering and aggregators platforms.

At the end of 2019 its brand portfolio included four franchise brands (KFC, Pizza Hut, Burger King, Starbucks) and five self-owned brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop) as well as the virtual brands Pokai, Lepieje, 'Oi Poke. AmRest restaurants serve high-quality meals made from fresh products following original recipes and strict standards for each of the brands.

The operations of AmRest are well-diversified across five 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.
5. Virtual brands, represented by Pokai, Lepieje, 'Oi Poke.

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<sup>1</sup> 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.

Currently, AmRest operates 2 339 restaurants in 26 countries, including Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Netherlands, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE and Saudi Arabia.

The table below outlines the different brands' business models.

<b>Brand</b>	<b>Business model</b>
KFC 	KFC is a global restaurant chain specializing in chicken meals, a world pioneer of quick service restaurants. KFC is a brand for those who value high quality products and service at a good price. Every day, around 12 million customers are served in over 23 000 chain restaurants in over 135 countries around the world. AmRest Holdings operates over 800 KFC units in 12 countries: Poland, Czech Republic, Hungary, Russia, Bulgaria, Serbia, Croatia, Spain, France, Germany, Austria and Slovenia.
Pizza Hut 	Pizza Hut is one of the largest restaurant chains in the world. The brand offers a wide selection of pizzas straight from the oven, prepared with fresh ingredients. Since the opening of the first restaurant in 1958, Pizza Hut is known for its perfect service and relaxed atmosphere. AmRest Holdings operates over 450 restaurants (both equity and franchise) in 9 countries: Poland, Czech Republic, Hungary, Russia, Slovakia, Armenia, Azerbaijan, France and Germany. AmRest is developing the brand in the following formats: Pizza Hut Dine-In - restaurants with waiter service, Pizza Hut Express – the concept of offering a fresh pizza, prepared in 5 minutes, in front of guests and Pizza Hut Delivery - restaurants offering deliveries in 30 minutes.
Starbucks 	Starbucks is a global leader in the coffee sector, offering its guests a wide selection of coffees from around the world, tea, as well as a wide range of fresh snacks and desserts. In 2019 Starbucks coffee houses operated by AmRest were present in 8 markets: Poland, Germany, Czech Republic, Slovakia, Hungary, Romania, Bulgaria and Serbia.
Burger King 	Founded in 1954, the Burger King brand is the second largest fast food hamburger chain in the world. The original HOME OF THE WHOPPER®, the Burger King system operates in more than 17 000 locations in more than 100 countries and U.S. territories. AmRest operates Burger King outlets in Poland, Bulgaria, the Czech Republic, Slovakia and as of 2019, Romania.
La Tagliatella 	La Tagliatella is a dynamically growing international Casual Dining chain. AmRest's acquired the brand in April 2011. La Tagliatella restaurants are operated by AmRest and its franchisees. As of 2019, the brand is present in four countries: Spain, Portugal, France and Germany.
Blue Frog 	Blue frog is an unusual concept combining elements of a casual restaurant with a wide bar offer. The restaurant offers dishes known from the American kitchen enriched by distinct Asian influences. In 2019 the brand was present in two countries: China and Spain.
KABB 	KABB Bistro Bar is a premium Dine-In restaurant serving dishes in China. AmRest became an owner of the KABB brand in December 2012 by purchasing the majority stock of the Blue Horizon Hospitality Group LTD.
Sushi Shop 	Sushi Shop became part of AmRest's portfolio in October 2018. Sushi Shop operates a chain of 179 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, Portugal, Belgium, Luxemburg, Netherlands, the UK, Germany, Switzerland, Italy, Saudi Arabia and UAE. Delivery orders account for 55% of the group's sales, while sales for takeout stand at 32%.

Brand	Business model
Pokaï	 <p>Pokaï is a virtual brand created by the group Sushi Shop in April 2018, which offers a large range of poke bowls. Its products are sold through aggregators only (Deliveroo, UberEATS etc). Pokaï is present in all of the countries where Sushi Shop restaurants are, except for shops in Luxembourg, the Netherlands, Saudi Arabia and Portugal.</p>
Bacoa	 <p>Bacoa is a chain of 10 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.</p>
Lepieje	 <p>Lepieje is a virtual brand created for delivery only in response to the Shadow Kitchen project of AmRest and to the global restaurant market trends. The brand operates since 2 December 2019 in Wroclaw and it is accessible via aggregators (as at February 2020 on Glovo and Pizza Portal). The brand is inspired by the dumplings from the different parts of the world.</p>
'Oi Poke	 <p>'Oi Poke is a virtual brand offering exotic bowl compositions based on meat, fish or shrimps with fresh and original additions. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi". The brand contributes to the Shadow Kitchen project of AmRest. It operates via aggregators Pizza Portal and Glovo from 18 December 2019 (SK Wroclaw Perla).</p>

AmRest has focused on the development and expansion of its mature brands and expanding the portfolio. The group has been growing continuously every year by opening more restaurants and conquering new markets. Recently, the AmRest Group has been implementing the strategy that aims to make it the restaurant market leader in the Quick Service Restaurants and Casual Dining Restaurants segments by developing brand restaurant chains reaching the scale and meeting the profitability criteria.

AmRest strategy is to leverage the culture, international capability and superior brand portfolio to grow scalable, highly profitable restaurants globally.

In the coming years, the Company will continue to strengthen its position as the restaurant market leader in Europe. In 2019 the group implemented a new strategy of growth based on four key pillars: Operations, Food Service, Franchising and Digital & Delivery.

#### Four pillars of AmRest growth:

- **Operations:** Every restaurant run by AmRest should provide an excellent experience to its guests and at the same time have healthy and profitable business economics.
- **Food Service:** A sustainable and agile beginning to end food service offering, which delivers excellence in margin, innovation, quality, supports organization growth and generates commercial value, serving both internal and external customers, underpinned by AmRest culture.
- **Franchising:** With a clear strategy, proper business model and market know-how, in addition to great brands, AmRest provides attractive offers to new partners and as a consequence gives them a sense of stability and security.
- **Digital & Delivery:** AmRest is all about customers and the experience they get when entering its restaurants. The goal for this area is to transform real life experiences and make them consistent with the experiences AmRest customers get in the online world.

The model will enable 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 2017 and 2019. The restaurant count includes self-owned restaurants and franchises.

**Table. Restaurants and coffee houses operated by AmRest Holdings SE.**

Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
1 657 <sup>2</sup> restaurants	2 138 <sup>3</sup> restaurants	2 339 restaurants

**Table. Restaurants and coffee houses operated by AmRest Holdings SE in 2019 by brand**

Brand	Restaurant count (2017)	Restaurant count (2018)	Restaurant count (2019)	Self-owned restaurants	Franchise restaurants	No. of countries where the brand was present in 2019
KFC	669	779	<b>868</b>	868	0	12
Pizza Hut	330	444 <sup>4</sup>	<b>483</b>	265	218	9
Starbucks	319 <sup>5</sup>	358 <sup>6</sup>	<b>396</b>	376	20	8
La Tagliatella	236	249	<b>248</b>	84	164	4
Burger King	54	60	<b>2</b>	72	0	5
Blue Frog	45	67	<b>79</b>	73	6	2
KAAB	4	3	<b>2</b>	2	0	1
Sushi Shop	0	171	<b>179</b>	114	65	12
Bacoa	0	7	<b>10</b>	5	5	1
Lepieje	0	0	<b>1</b>	1	0	1
'Oi Poke	0	0	<b>1</b>	1	0	1
<b>Total number of restaurant and coffee houses</b>	<b>1 657<sup>7</sup></b>	<b>2 138<sup>8</sup></b>	<b>2 339</b>	1 861	478	-

## Franchisors and franchisees

AmRest has been developing a portfolio of global restaurant brands and leaders in their categories – KFC, Pizza Hut, Burger King and Starbucks – based on franchise and partnership agreements. This means that in selected markets AmRest holds the right to manage such restaurants based on agreements signed with the brand owners: Yum! Brands, Burger King Europe and Starbucks EMEA. Long-term, well-arranged cooperation with partners allowed AmRest to develop a high level of independence in terms of the management model.

AmRest is a franchisee of Yum! Brands Inc. for the **KFC** and **Pizza Hut** brands. Starting from 2017 the Group as a master-franchisee of Pizza Hut brand 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.

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

<sup>2</sup> Restated (1 636 reported in 2018).

<sup>3</sup> Restated (2 126 reported in 2018).

<sup>4</sup> Restated (449 reported in 2018).

<sup>5</sup> Restated (301 reported in 2018).

<sup>6</sup> Restated (341 reported in 2018).

<sup>7</sup> Restated (1 639 reported in 2018).

<sup>8</sup> Restated (2 126 reported in 2018).

AmRest's portfolio also includes owned brands. As an owner, the group may grant franchises to independent entities.

**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 Blue Horizon Hospitality Group LTD. In 2018 AmRest started granting the franchise to unrelated entities in Spain and since 2019 also in China.

**Bacoa** brand was acquired by AmRest on 31 July 2018. 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.

**Pokaï** became part of AmRest by acquisition of Sushi Shop Group SAS.

**Table. Number of AmRest Holdings SE business partners in 2019 by type**

Type of partner	2017	2018	2019
<b>Franchisees</b>	161	194	353
<b>Franchisors</b>	4	4	4

While developing the global business AmRest remains an active member of the local community. The company is involved in many local industry organizations:

- China
  - Shanghai GiftCard Association
  - Shanghai JinQiao Economic and Technological Development Zone Enterprise Association
  - Shanghai Bar Profession Association
  - American Chamber of Commerce in Shanghai
- Russia
  - Saint-Petersburg Chamber of Commerce and Industry
- Poland
  - American Chamber of Commerce
  - Związek Pracodawców Hoteli, Restauracji i Cateringu (Association of HORECA Employers)
  - Young Presidents Organization Poland
- Czech Republic
  - Asociace Pro Rozvoj Trhu Nemovitostí (Association for Real Estate Development)
- Croatia
  - Croatian Chamber of Economics
- Germany
  - Bundesverband Systemgastronomie (The Federal Association of the System Catering)
  - Industrie- und Handelskammer (Chamber of Commerce and Industry)
- France
  - SNARR (National Professional Restaurant Union)
- Hungary
  - Chamber of Commerce
- Spain
  - Comité Horeca de AECOC (HORECA Committee)
  - Asociación progreso dirección - APD (Formación) (Association for Progress and Management)
  - Asociación Empresarial de Marcas de Restauración-Fehrcarem (Business Association of Restaurant Brands)
  - Asociación Española del Franquiciado (Spanish Association of Franchisees)
  - Asociación del Cluster Food Service de Cataluña (Association of the Food Service Cluster of Catalonia).

Total amount of money paid as membership fees is EUR 242 363.

## CSR STRATEGY, STAKEHOLDERS AND MATERIALITY TOPICS

To effectively carry out the activities as a responsible company, AmRest implements the Responsible Business and Sustainable Development Strategy of AmRest's for 2015-2020 (CSR Strategy). In 2019, the company started the process of revising the strategy.

The CSR Strategy covers four pillars. In each area AmRest carries out many activities, both locally and globally:

1. Our food:
  - a. Constant improvement of the nutritional value of our food, paying maximum attention to its quality and safety throughout the entire supply chain.
2. Our people
  - a. Culture of inclusiveness; employer of choice.
3. Our environment
  - a. Acting in an environmentally-friendly manner in all operating areas.
4. Our communities
  - a. Brands recognized by employees, customers and local communities as a socially engaged brand.

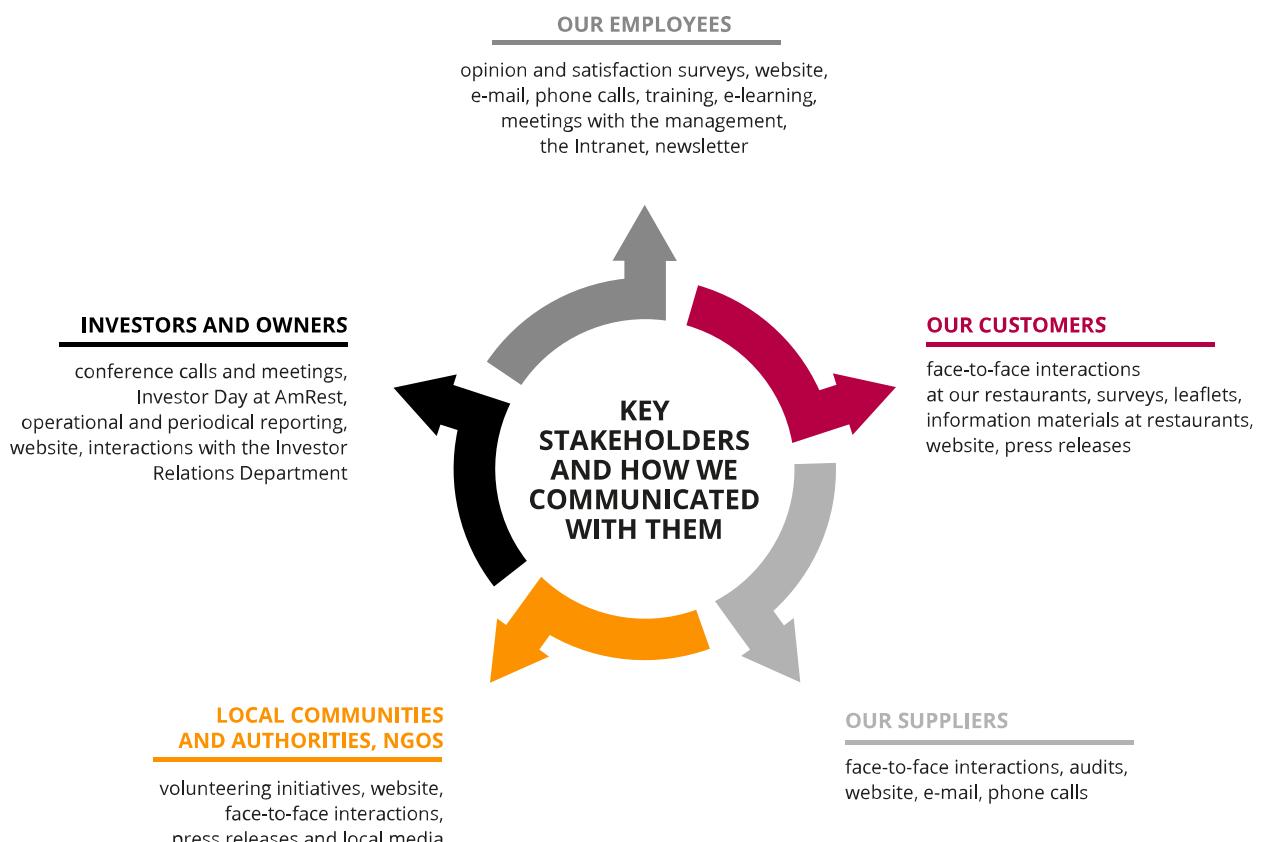
**Infographic. Four pillars of Responsible Business and Sustainable Development Strategy of AmRest.**



### Stakeholders

An AmRest stakeholder is anyone who influences the company and whom the company influences through its operations. The stakeholders were identified in 2015 by conducting internal workshops with members of the Executive Team during the process of developing the Responsible Business and Sustainable Development Strategy of AmRest. The most important ones were and remain still: employees, including employees with disabilities, customers of all brands, investors, suppliers (including regular and long-standing business partners), and local communities and local authorities in the regions where the group operates.

## Infographic. Key stakeholders of AmRest Holdings SE and the way of communication



### Materiality topics

Before the first non-financial reporting process (2017) AmRest conducted a survey among its stakeholders. They were asked which aspects of the company's performance should be included in the non-financial reporting. The survey provided detailed information on the stakeholders' views of AmRest. The respondents indicated the issues which, in their opinion, should be discussed in the sustainability report. These included environmental matters as well as employee and supplier relations. The most important topics were:

- ensuring a high quality of produce and the products made from it, including compliance with existing regulations and reliable ingredient listing,
- consumer satisfaction,
- waste minimization/maximum use of ecological packaging,
- description of the supply chain and criteria of supplier selection,
- resource management, including water and energy consumption,
- employee policy together with occupational health and safety,
- working for local communities and employee volunteering initiatives.

As part of the survey, interviews were also conducted with the key stakeholders. In this way the company learned how the stakeholders perceived and understood responsible business and what they thought of AmRest. The stakeholders believed that the group needed to report on such topics as corporate governance and management, workplace relations, supply chain, financial performance, and social engagement.

In 2018, 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.

In September 2019 the group started the strategy revision process by conducting an external stakeholders' panel with representatives from many areas. The purpose of the panel meeting was to learn the opinions and expectations of stakeholders regarding the direction of AmRest activities in terms of sustainable development

and responsible business. The meeting was conducted in accordance with international standard for dialogue (AA1000 Stakeholder Engagement Standard).

During the workshop a list of thematic areas that stakeholders believe should be particularly important for AmRest as a responsible company were defined:

- SUPPLY CHAIN: ethics, social clauses, products origins, environmental impacts
- ENVIRONMENTAL MATTERS: circular economy, food waste, carbon footprint
- PRODUCTS AND DIVERSITY OF THE OFFER: healthier, vegetarian/vegan options
- WORKPLACE MANAGEMENT: accessibility, dialogue with employees
- SOCIAL COMMITMENT AND CONSUMER EDUCATION: building partnerships with experts on social topics.

The participants also shared their thoughts and recommendations on the topic of responsible business and sustainability.

In October 2019 AmRest organized an internal workshop dedicated to learn the opinions and recommendations of employees, representing various areas of the company's departments, on current and future environmental management priorities in AmRest's day-to-day operations.

During the meeting, the most impactful Sustainable Development Goals<sup>9</sup> (SDGs) for AmRest were listed in terms of AmRest's future environmental policy and the relationship between specific tasks assigned to the SDGs and AmRest's activities. The most important SDGs for AmRest are:

- Goal 2. Zero hunger
- Goal 12. Responsible consumption and production
- Goal 13. Climate action
- Goal 15. Life on land

During the company's annual strategic offsite meeting, the Board of Directors established the priorities for the coming years, which include accelerating organic expansion through franchisees and a disciplined mergers & acquisitions strategy; increasing profitability, mainly in Western Europe; continuing our efforts to consolidate leadership in the home delivery segment; maintaining healthy leverage levels; offering our employees exciting growth opportunities; and continuing to support our corporate social responsibility initiatives. The purpose of all this is to transform AmRest into the leading and most profitable restaurant operator in Europe.

The results of all above will be a basis for the preparation of AmRest Environmental Policy and the company's sustainable development goals for the upcoming years.

## FOOD-RELATED ISSUES

One of the most relevant issues for 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 products from local suppliers. Food quality and safety is one of the four key priorities of the Responsible Business and Sustainable Development Strategy of AmRest.

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;

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<sup>9</sup> The Sustainable Development Goals (SDGs) are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs, set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030, are part of UN Resolution 70/1, the 2030 Agenda.

- 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'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. From Q4 2019 all audits in AmRest franchised brands (KFC, Pizza Hut, Burger King, Starbucks) are conducted globally by external company which is trained and controlled by the franchisors.

The number of audits conducted in 2019 in AmRest Holdings is 6091. 100% of AmRest restaurants were inspected.

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;
- 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.

## **Suppliers**

AmRest's presence in 26 countries poses a great logistical challenge. The group has been working with a range of suppliers who deliver the best food quality and safety, as attested by appropriate certificates. The reliability, credibility, and professionalism of AmRest business partners' make it possible to serve fresh products at more than 2 000 restaurants all over the globe every day.

AmRest values well-established cooperation with local suppliers. The company still cooperates with the suppliers from the opening of the first Pizza Hut restaurant in Wroclaw in 1993. Direct purchases from local suppliers (which are over 80% of suppliers for the Central Europe division) are carried out through the company - SCM, which is responsible for all processes in the purchasing procedure.

As part of the agreement each supplier cooperating with SCM sings the AmRest Code of Conduct which addresses the social and environmental matters such as child labor, discrimination, health and safety, protection of the environment.

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.

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.

In 2019 AmRest cooperated with 18 148 suppliers.

Total expenditure for local AmRest's suppliers was 88.63%.

The table below presents the number of AmRest business partners between 2017 and 2019.

**Table. Number of AmRest Holdings SE suppliers in 2019 by type**

	2017	2018	2019
<b>Suppliers</b>	11 931	13 846	16 836
(incl. food suppliers):	1 167	1 211	1 312
<b>Total</b>	<b>12 150</b>	<b>14 044</b>	<b>18 148</b>

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.

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

**Table. AmRest Holdings SE procurement budget**

Supplier category	Budget share
Local suppliers	88.63%
Foreign suppliers	11.37%

In 2019 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.

### **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.

Complaints<sup>10</sup> are handled by AmRest's Customer Care Department. 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 via:

- phone,
- e-mails,
- online contact forms on KFC, Pizza Hut, Starbucks, Burger King, AmRest.eu websites
- Social Media pages,
- or directly to the staff of the restaurant (who may ask the customer to file the complaint in writing).

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

The total number of complaints received in 2019 was 198 923.

The maximum average response time is 72 hours.

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

**Table. Overall consumer satisfaction in 2019 by brand**

Brand	Score <sup>11</sup>
Bacoa	90
Blue Frog	94
Burger King	67
KFC	57
La Tagliatella	79
Pizza Hut	58
Starbucks	79
Sushi Shop	76

<sup>10</sup> 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.

<sup>11</sup> 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 2019 by brand**

Brand	No. of inquiries
Bacoa	1 706
Blue Frog	5 739
Burger King	20 371
KFC	287 005
La Tagliatella	25 716
Pizza Hut	145 618
Starbucks	164 446
Sushi Shop	56 618

Customer satisfaction results are communicated down from top management (Brand Presidents) 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 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.

The service gathers feedback from various sources, including online contact forms, 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.
- 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.

### Diversification of the offer

The main trend that impacts and will impact the offers of AmRest brands is personalization and limiting of meat consumption. Products like milk alternatives and vegan/vegetarian are becoming more and more popular. The ability to personalize the order by changing products into e.g. lactose-free gives a sense of uniqueness to the customers and expresses respect for them.

In 2019 AmRest biggest brands – KFC, Burger King, Pizza Hut and Starbucks – introduced products for people who wanted to limit their meat consumption or who were vegetarian. In May KFC in Poland introduced the Halloumi Burger and Twister that gained good reviews from customers. In November Burger King launched Rebel Whopper globally, which consists of a plant-based patty. The "artificial meat" was also introduced in Pizza Hut in Russia and Poland. Starbucks' food offer is based mainly on products that are vegetarian.

Consumers want to feel special, that is why they tend to lean towards products that meet their (often very specific) expectations. Together with suppliers and producers, AmRest is constantly seeking the best solutions for its guests.

## **ENVIRONMENTAL ISSUES**

In today's volatile environment, sustainable growth implies undertaking actions which are good for the future of the Planet. AmRest's ambition is to be not only an active player, but also an agent of change contributing to building a better world for current and future generations.

In 2019 AmRest started preparing a global environmental policy for AmRest Holdings. Due to legislative differences across the countries where AmRest operates and the group's rapid growth, AmRest Holdings SE hasn't adopted a global environmental policy for the whole group yet. However, the group is aware that the scale of its operations impacts the environment and wants to manage those impacts in a careful and responsible manner. That is why the company expects 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.

### **GREEN Project - Global Remodeling of Energy Efficiency**

The goal of the GREEN project was to remodel the energy efficiency of AmRest's new and existing restaurants to reduce electricity consumption and partly offset the rise in energy prices.

In 2019 the project was implemented in Poland, the Czech Republic, Russia, Romania, Hungary and Germany. The targets (-3% kWh vs LY, additional -5% kWh vs LY in the long term) were fully achieved in Poland, the Czech Republic and Hungary. The short term goal has been fulfilled in Romania. Although in Russia and Germany, AmRest had many energy efficiency solutions, the goals haven't been achieved in these countries.

#### **Selected energy efficiency solutions implemented<sup>12</sup>:**

- 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 is working on implementing the system in each of its stores.
- In most markets AmRest uses optimized equipment-operating procedures which are explained in detail in the information material for employees.
- 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 system 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.

AmRest restaurants and coffee houses work to minimize the environmental impact of their operations in accordance with each brand's procedures. In addition, the brands implement many eco-friendly solutions.

#### **Pro-environmental activities from examples of selected brands:**

##### **KFC**

- The KFC brand participates in the HARVEST program, which prevents food waste by sharing it with the poorest.
- GreenWay project - developing a network of e-vehicle chargers at KFC restaurants in Poland.

##### **Pizza Hut**

- The pizza boxes are recyclable and are made from 70% recycled paper.
- "No straw" action in Poland – straws handed out at the request of guests.
- In the Czech Republic and Slovakia, waste is segregated by category: BIO, plastic, paper and mixed waste.
- In Poland Pizza Hut participates in the HARVEST program and donates unsold food to Food Banks. The brand also joined the Too Good to Go program at the end of 2019.

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<sup>12</sup> In the AmRest Group, energy from renewable sources is not used.

## **Starbucks**

- Guests who visit the coffee house with their own cup and do not use paper cups receive a discount for any beverage.
- In Poland and Germany Starbucks participates in the Too Good to Go program, that prevents food waste.
- Coffee houses in Poland share packages of coffee waste with their guests so that it can be reused for plants or DIY peelings.

## **Sushi Shop**

- The Sushi Shop brand participates in the catering industry program, Too Good to Go, which works at reducing food waste. This is why Sushi Shop reduces the weight of food waste and CO<sub>2</sub> emissions from such waste.
- The brand no longer inserts menu leaflets to orders placed online. Leaflets are added at the request of our guests.

## **KFC LEED:**

October 2019 the KFC Kraków Opolska restaurant was opened. It is the first restaurant opened by the AmRest Holdings SE that has been designed with eco-friendly efficient solutions, e.g. solar panels, heat recovery systems, smart control systems of air volume, smart light automation and usage of reused materials. Due to the opening the company applied for LEED certification. The restaurant achieved LEED certification on 28 January 2020.

## **A paper revolution in Poland - Document Management System and digital confirmation of card payment**

AmRest makes every effort to ensure that the company's development is carried out in compliance with the highest standards of care for the environment. In the last five years AmRest in Poland archived over 1 200 000 paper invoices. The growing business meant more and more paper in use. By 2019 the Polish market generated about 50 boxes of paper a month.

In 2019 the company developed the Document Management System (DMS) which would end the era of paper invoices. The first phase was introduced in September. The digital archive system has many advantages:

- reduces the usage of paper,
- shortens the time of document flow from the delivery time (from days via post to seconds using digital solutions) to placing the documents in binders and boxes,
- saves storage space.

DMS is an example of an eco-friendly solution that helps the company operate more effectively. AmRest plans to also launch the program on other markets.

Another initiative that aimed at reducing the usage of paper was switching to digital confirmation of card payment. From February 2019 KFC, Burger King and Starbucks in Poland, do not print the paper confirmation of payment by card for internal usage (accounting). Only a copy for the client is printed. Previously, both paper confirmations were printed, then one had to be stored and then sent to the office for accounting.

## **Energy**

In 2019 AmRest Holdings SE used **1 301 590.71 GJ** of electricity.

**Table. AmRest Holdings electricity consumption in 2019 by country (GJ)**

Country	2018	2019
Austria	399.70	1 042.52
Belgium	-	1463.00
Bulgaria	6 442.60	8433.00
China	38 742.70	47 072.31
Croatia	10 481.00	6 658.39

Country	2018	2019
Czech Republic	106 073.75	124 260.75
France	121 814.60	123 071.75
Germany	80 280.00	74 358.00
Hungary	69 011.50	75 530.25
Italy	-	293.00
Luxembourg	-	585.00
Netherlands	-	146.00
Poland	379 006.40	384 030.00
Portugal	-	2 952.00
Romania	8 674.84	10 433.00
Russia	204 815.80	190 633.22
Serbia	11 460.00	8 606.12
Slovakia	1 332.00	3 555.80
Slovenia	957.40	863.80
Spain	179 552.80	234 383.80
Switzerland	-	1 756.00
United Kingdom	-	1 463.00
<b>TOTAL</b>	<b>1 219 045.09</b>	<b>1 301 590.71</b>

The total electricity consumption in 2019 increased compared to the previous year by 6.7%. This is caused by expanding the data source<sup>13</sup>, the organic growth of AmRest – 200 new restaurants opened globally - but also by climate changes, e.g. higher temperatures in Europe implies a higher demand for air conditioning usage.

## Fuel

**Table. Fuel consumption of AmRest car fleet in 2019 (liter)<sup>14</sup>**

Metric	Country	DIESEL (liter)	PETROL (liter)
Austria	4 127.40	-	
Belgium	-	61 696.00	
Bulgaria	-	-	
China <sup>15</sup>	-	-	
Croatia	-	-	
Czech Republic	95 552.96	751.35	
France	108 966.77	219 988.00	
Germany	139 068.00	15 426.00	
Hungary	-	196 033.60	
Italy	-	2 322.00	
Luxembourg	-	9 815.00	
Netherlands	-	1 161.00	
Poland	418 348.00	56 761.00	

<sup>13</sup> In 2018 Sushi Shop markets did not disclose information.

<sup>14</sup> Bulgaria, Croatia, Slovenia, Portugal – no data available.

<sup>15</sup> In China employees do not use company cars.

Metric	Country	DIESEL (liter)	PETROL (liter)
	Portugal	-	-
	Romania	20 663.01	8 050.88
	Russia	7 602.00	95 154.00
	Serbia	1 031.00	1 618.00
	Slovakia	8 831.65	-
	Slovenia	-	-
	Spain	195 398.00	12 186.00
	Switzerland	-	11 900.00
	United Kingdom	-	57 241.00
	<b>TOTAL</b>	<b>999 588.79</b>	<b>750 103.83</b>

## Carbon footprint

AmRest is working on reducing greenhouse gas emissions, especially by aiming to optimize energy consumption by reducing electricity consumption, and improving the data collection process needed to calculate emissions. In 2019 the company gathered data about:

- energy consumption from all markets where the group operates;
- fuel consumption of car fleet from all markets except Bulgaria, Croatia, Slovenia and Portugal;
- and business trips from all countries except of Austria, Bulgaria, Croatia, Portugal, Slovenia, Spain.

The numbers provided were the basics for calculating the carbon footprint of AmRest Holdings in 2019.

**Table. Scope 1 and Scope 2 for AmRest Holdings [tCO2e]**

	2019
Scope 1	50 973.59
Scope 2	161 508.69

## Water

In 2019 AmRest Holdings SE used **2 241 181 m<sup>3</sup>** of water.

**Table. Water withdrawal in 2019 by country [m<sup>3</sup>]**

Country	2018 (m <sup>3</sup> )	2019 (m <sup>3</sup> )
Austria	558	1 613
Belgium	-	1 358
Bulgaria	27 409	32 816
China	155 432	190 505
Croatia	10 957	11 509
Czech Republic	169 888	186 929
France	835 316	301 367
Germany <sup>16</sup>	-	-
Hungary	106 854	120 758
Italy	-	8 834

<sup>16</sup> No data available. All locations in this country have water charges included in the rent as a flat fee.

Country	2018 (m³)	2019 (m³)
Luxembourg	-	4 684
Netherlands	-	611
Poland	469 779	480 081
Portugal	-	2 147
Romania	44 292	48 752
Russia	420 000	481 000
Serbia	12 710	14 692
Slovakia	2 583	3 757
Slovenia	1 779	2 897
Spain	308 133	340 355
Switzerland	-	4 548
United Kingdom	-	1 968
<b>TOTAL</b>	<b>2 565 690</b>	<b>2 241 181</b>

#### **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) only wash basins with water-saving aerators and proximity sensors are used in the bathrooms. In the KFC LEED in Kraków the water for plants inside and outside the building comes from collected rainwater.

#### **Potential effect on biodiversity**

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

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

With regards to provisions and guarantees for environmental risks AmRest has no specific environmental insurance.

#### **Waste management**

The variety of waste management solutions implemented and different legal requirements across individual countries and stores are the two reasons why AmRest has not adopted a global system of waste management and monitoring yet. 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.

The 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 2019 AmRest generated 57 101.32 tonnes of non-hazardous waste. Hazardous waste are defined in accordance with national laws hence the data are not comparable. The company will work to address the issue and improve data collection in upcoming years.

**Table. Total amount of waste generated by type and disposal method [tonnes]**

Country	Type of waste		Disposal method	
	Non-hazardous	Organic	Recycled	Reused <sup>17</sup>
Austria	34.77	10.89	13.08	3.67
Belgium	202.00	-	-	-
Bulgaria	1 076.00	-	-	-
China	2 352.00	-	-	217.22
Croatia	143.10	34.36	108.74	14.65
Czech Republic	2 389.42	561.44	454.23	284.46
France	6 174.12	-	-	170.80
Germany	4 184.00	10.80	1 816.00	161.61
Hungary	9 144.00	13.48	616.93	86.71
Italy	47.00	-	-	-
Luxembourg	138.00	-	-	-
Netherlands	5.00	-	-	-
Poland	7 347.19	502.03	349.90	422.62
Portugal	146.00	-	60.00	3.72
Romania	2 538.00	420.00	-	-
Russia	11 610.75	6517.25	1 065.80	921.97
Serbia	220.00	-	3.40	26.61
Slovakia	-	-	-	4.89
Slovenia	24.97	-	24.97	3.29
Spain	8773.00	243.76	3 930.00	417.88
Switzerland	373.00	-	-	-
United Kingdom	179.00	-	-	-
<b>TOTAL</b>	<b>57 101.32</b>	<b>8 314.01</b>	<b>8 443.05</b>	<b>2 740.1</b>

Following the Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment, AmRest is working on the reduction of plastic within its restaurants and coffee houses. Under the new rules, single-use plastic plates, cutlery and straws will be banned by 2021. AmRest has planned actions for 2020 to reduce the use of plastic within its brands in Europe.

In addition to the new plastic reduction goals, AmRest has an existing commitment to source 100% of our fiber-based packaging from certified/or recycled sources by the end 2020, which has already been achieved in Poland.

In Poland and Russia there are the Environmental Protection Specialist positions within organization that handle the topics of national requirements regarding environment such as waste management or sustainable use of land and water resources. In 2019 there were three people holding this position.

<sup>17</sup> To minimize its potentially negative impact on the environment and biodiversity, AmRest separates used oil and sells it to biofuel producers. In this category AmRest Holdings SE also discloses information about used oil transferred to external companies for biofuel producing. Used oil is not counted in total waste amount.

## EMPLOYEE ISSUES

AmRest Holdings SE draws its success from its unique 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 the recruitment of a diverse workforce.

As of December 31, 2019 AmRest Holdings SE employed 51 804 workers across 23 countries<sup>18</sup>.

**Table. AmRest Holdings SE employees in total and dismissals by gender**

	2018	2019
<b>Employee count</b>	<b>47 055<sup>19</sup></b>	<b>51 804</b>
incl. women	25 471 <sup>20</sup>	27 495
incl. men	21 584 <sup>21</sup>	24 309
<b>Number of dismissals</b>		
Women	1 236	1 137
Men	1 408	1 917

**Table. AmRest Holdings SE employees in total and dismissals by work classification**

	2019
Employees of restaurants and coffee houses (OPS)	49 393
Restaurant support team (RST)	2 411
<b>Number of dismissals</b>	
OPS	3 012
RST	42

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

	2018	2019
<b>Permanent contract</b>	<b>31 325<sup>22</sup></b>	<b>34 868</b>
incl. women	17 308 <sup>23</sup>	18 986
incl. men	14 017 <sup>24</sup>	15 882
<b>Temporary contract</b>	<b>15 730<sup>25</sup></b>	<b>16 936</b>
incl. women	8 163 <sup>26</sup>	8 509
incl. men	7 567 <sup>27</sup>	8 427

<sup>18</sup> AmRest operates in 26 markets, but reports employment in 23 countries, as in 22 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. Four of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

<sup>19</sup> Restated (48 846 reported in 2018)

<sup>20</sup> Restated (26 376 reported in 2018)

<sup>21</sup> Restated (22 470 reported in 2018)

<sup>22</sup> Restated (33 041 reported in 2018)

<sup>23</sup> Restated (18 175 reported in 2018)

<sup>24</sup> Restated (14 866 reported in 2018)

<sup>25</sup> Restated (15 805 reported in 2018)

<sup>26</sup> Restated (8 201 reported in 2018)

<sup>27</sup> Restated (7 604 reported in 2018)

**Table. Average number of permanent contracts in 2019.<sup>28</sup>**

<b>Permanent contract</b>	<b>32 983.4</b>
incl. women	18 119.7
incl. men	14 863.7

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

<b>Full-time employees</b>	<b>22 798</b>
incl. women	12 595
incl. men	10 203
<b>Part-time employees</b>	<b>29 006</b>
incl. women	15 161
incl. men	13 845

**Table. AmRest Holdings SE employees by age and type of employment contract**

<b>Permanent contract</b>	<b>34 868</b>
<30	23 310
30-50	10 409
>50	1 149
<b>Temporary contract</b>	<b>16 936</b>
<30	15 224
30-50	1 464
>50	248

**Table. Number of dismissals by age**

<b>Number of dismissals</b>	<b>2019</b>
<30	2 271
30-50	691
>50	92

**Table. AmRest Holdings SE employees by work classification and type of employment contract**

<b>Permanent contract</b>	<b>34 868</b>
OPS	32 624
RST	2 244
<b>Temporary contract</b>	<b>16 936</b>
OPS	16 769
RST	167

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

## Policies

In 2019 AmRest Holdings SE and its employees were bound by the group's **Code of Business Conduct**. The Code of Business Conduct complements AmRest's Core Values. It is a set of rules and standards of ethical behavior which the employees should follow in everyday actions. The Code applies to all employees and coworkers at all levels, including the directors, executives and officers of companies belonging to the AmRest Group in each country where it operates. The aim of the document is to describe behaviors that are

<sup>28</sup> The data has been collected on a quarter basis. Data from Q1-Q3 were collected from all markets except Belgium, Italy, Luxembourg, Netherlands, Spain, Switzerland, United Kingdom (the Sushi Shop employees). In Q4 the employees from all markets have been included.

acceptable and not acceptable at AmRest: a set of norms to apply to the relations with the customers and coworkers, as well as Business Partners, media, local authorities and communities where the group operates.

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

AmRest also has a global **Diversity Policy** that is aimed at creating a work environment in which each employee feels respected and valued and where they can fully realize their potential, which contributes to the success of the whole organization.

In 2018 the Board of Directors adopted a global **Gender Policy**, which was implemented and communicated in 2019. The policy is 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 the AmRest Core Values, supplemented by the Code of Business Conduct.

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 organizational 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, transferal 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 the 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 2019 AmRest ran **Spread Your Wings**, 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 2019, thanks to the implementation of new software, the process was standardized across all AmRest markets.

**Table. Selected development program outcomes at AmRest in 2019<sup>29</sup>**

Review Boards convened	1 726
inlc. employees who passed the Review Board	1 416
Employees evaluated as part of the Job Performance Appraisal	8 208
Employees who participated in Spread Your Wings	2 075

The total number of training hours of new employees globally is **1 313 113 for OPS** and **3 832 for RST**.

**AmSpace** is an integrated human resources management system and a crucial HR tool in an organization of AmRest's scale. The platform has two modules:

1. internal promotion (training and individual development plans)
2. succession planning (short and long-term employee development).

Currently, AmSpace has nearly 40 000 active users. Most importantly, it is available to users in their native languages.

Functionalities available in AmSpace:

- User profile
- Knowledge base: a library and search engine to find AmRest employees and materials
- E-courses
- Surveys/opinion polls
- FUN Index – a platform to measure employee experience, analyse the results and create action plans
- Personal development (including the possibility of creating an Individual Development Plan)
- Performance management (monthly priorities, annual goals, employee assessment)
- AmNet – internal communications.

AmRest uses a flexible working time system. The company favors the task-based system. Restaurants employees can influence their work schedules, which makes it easier for them to maintain work-life balance.

Actions aimed at facilitating conciliation and encouraging the co-responsible exercise of this 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. Total number of AmRest Holdings employees by country<sup>30</sup>**

Country	2018	2019
Austria	15	<b>39</b>
Belgium	204	<b>290</b>
Bulgaria	325	<b>442</b>
China	2 354	<b>2 275</b>

<sup>29</sup> 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 of RST 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.

<sup>30</sup> AmRest operates in 26 markets, but reports employment in 23 countries, i.e. in 22 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 employee. Four of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

Country	2018	2019
Croatia	202	<b>214</b>
Czech Republic	6 745	<b>7 626</b>
France	5 213 <sup>31</sup>	<b>5 145</b>
Germany	3 072	<b>3 363</b>
Hungary	1 824	<b>1 997</b>
Italy	23	<b>19</b>
Luxembourg	86	<b>88</b>
Netherlands	-	<b>9</b>
Poland	15 095	<b>16 785</b>
Portugal	55	<b>84</b>
Romania	590	<b>749</b>
Russia	6 597	<b>7 436</b>
Serbia	242	<b>315</b>
Slovakia	81	<b>260</b>
Slovenia	19	<b>16</b>
Spain	4 175	<b>4 430</b>
Switzerland	181	<b>152</b>
United Kingdom	88	<b>69</b>
USA	3	<b>1</b>
<b>TOTAL</b>	<b>47 055<sup>32</sup></b>	<b>51 804</b>

**Table. Average annual salary by gender, positioning within organization and segments<sup>33</sup> (China, Western Europe, Russia, Central Europe) in EUR, in 2019.<sup>34</sup> Total salary pay gap between men and women by position within the organization.**

	thousand EUR		thousand EUR		GAP <sup>35</sup>	
	2018	Men	2019	Women		
Level	Men	Women	Men	Women		
China	L1	6.1	5.7	<b>6.7</b>	<b>6.6</b>	-1%
	L2	11.9	10.7	<b>14.1</b>	<b>13.0</b>	-8%
	L3	15.8	14.9	<b>17.9</b>	<b>17.1</b>	-4%
	L4	25.2	24.0	<b>28.2</b>	<b>28.5</b>	+1%
	L5	40.4	46.1	<b>60.1</b>	<b>61.9</b>	+3%
	L6	-	-	-	<b>110.1</b>	n.a.

<sup>31</sup>Restated (6 870 reported in 2018).

<sup>32</sup>Restated (48 846 reported in 2018).

<sup>33</sup>The segments are defined in note number 6 of Annual Accounts.

<sup>34</sup>Due to data protection and confidentiality, AmRest Holdings SE does not disclose information about remuneration in some countries as there are two or less persons employed on a given level.

<sup>35</sup>1-(Average annual salary of employed women/average annual salary of employed men).

	Level	thousand EUR		thousand EUR		GAP <sup>35</sup>	
		2018		2019			
		Men	Women	Men	Women		
Western Europe	L1	15.7	15.9	10.5	10.3	-2%	
	L2	21.6	22.2	22.1	22.5	+2%	
	L3	24.4	26.1	27.7	26.7	-4%	
	L4	36.3	33.8	34.4	33.2	-4%	
	L5	59.9	63.3	52.6	52.6	0%	
	L6	106.3	101.7	87.6	97.7	+12%	
Russia	L1	3.6	3.6	4.1	4.3	+5%	
	L2	5.4	5.2	6.0	6.0	0%	
	L3	7.9	6.9	8.4	8.0	-5%	
	L4	10.9	9.1	14.0	13.0	-7%	
	L5	22.4	23.0	27.0	27.0	0%	
	L6	-	-	47.0	70.0	+49%	
Central Europe	L1	7.5	7.4	7.3	7.3	+1%	
	L2	9.7	9.4	9.7	9.5	-3%	
	L3	13.2	12.4	13.0	12.4	-5%	
	L4	19.2	17.7	18.9	17.1	-9%	
	L5	36.9	35.5	37.2	35.8	-4%	
	L6	71.3	64.9	72.1	63.4	-12%	
<b>Group Pay Gap</b>						-1% <sup>36</sup>	

**Table. Total average annual salary by age in EUR in 2019.**

	thousand EUR
<30	11.1
30-50	20.8
>50	34.0

The Board of Directors compositions as well as the breakdown of the remunerations is set forth in the table below:

**Table. Total annual remuneration of Board of Directors, including variable remuneration, allowances, compensation in 2019.**

Name	Period	Type	thousand EUR	
			FY 2018	FY 2019
José Parés Gutiérrez	From 01/01/2019 to 31/12/2019	Proprietary Director, Chairman of the Board	75	75
Luis Miguel Álvarez Pérez	From 01/01/2019 to 31/12/2019	Proprietary Director, Vice-Chairman of the Board	75	75

<sup>36</sup> In total women earn 1% less than men.

Name	Period	Type	thousand EUR	
			FY 2018	FY 2019
Carlos Fernández González	From 01/01/2019 to 31/12/2019	Proprietary Director	75	75
Henry Joseph McGovern	From 01/01/2019 to 14/05/2019	Executive Director	1 364	16 143
Steven Kent Winegar Clark	From 01/01/2019 to 14/05/2019	Proprietary Director	84	28
Pablo Castilla Reparaz	From 01/01/2019 to 31/12/2019	Independent Director	100	100
Mustafa Ogresici	From 01/01/2019 to 31/12/2019	Independent Director	100	100
Romana Sadurska	From 14/05/2019 to 31/12/2019	Independent Director	-	60
Emilio Fulluaondo Botella	From 14/05/2019 to 31/12/2019	Independent Director	-	60
<b>Total</b>			<b>1 872</b>	<b>16 716</b>

The 2018-2021 Directors Remuneration Policy sets the following fixed components:

- Board member: 75 thousand euros per annum per director.
- Independent director and member of the Executive Committee or any of the advisory committees: 25 thousand euros additional euros per independent director.

Directors Remuneration Policy was approved at the general shareholders' meeting held on 6 June 2018 and will remain in force until 2021 unless the general shareholders' meeting so resolves to amend or replace it. According to the policy, Executive directors may receive additional remuneration for performing executive functions. In 2019, Mr. McGovern being the only executive director was entitled to a variable cash remuneration.

In addition, he also received a cash amount after the exercise of his share options granted under the MIP and SOP programs which were granted to him in his capacity as first executive of the Company, previous to and independent from his status as Board member. Total remuneration for 2019 and 2018 considers share based schemes in the amount of EUR 15 460k and EUR 836k consequently.

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

	thousand EUR	
	FY 2019	FY 2018
<b>Total Remuneration</b>	<b>10 476</b>	<b>2 151</b>
Fixed	2 173	1 545
Variable	543	387
Share based remuneration schemes	7 760	219
Other	-	-
Allowances	-	-

Managers should be understood as group of person discharging managerial responsibilities (senior management staff who are not executive directors). Average remuneration (fixed and variable part but excluding remuneration resulting from share based schemes) of Managers by gender in 2019 was as follows: women EUR 299k and man men EUR 314 k. Share based remuneration schemes are long-term incentive plans with life of options up to 10 years, with dates and amounts of exercise depending 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.

In the group there are neither long-term saving systems nor life insurance premiums.

**Table. Indicator of diversity**

	Number of employees	Percentage of all employees
<b>Disability</b>	<b>1 071</b>	<b>2%</b>

**Table. AmRest Holdings employees covered by collective bargaining agreements<sup>37</sup>**

Country	Number of employees
France	3 164
Germany	3 068
Portugal	84
Spain	4 700
Switzerland	152
<b>TOTAL</b>	<b>11 168</b>

**Table. Information about occupational health and safety in AmRest Holdings in 2019.**

Work-related injuries	men	366
	women	366
Injury rate for employees <sup>38</sup>	men	16.59
	women	14.68
Work-related fatalities	men	0
	women	0
Absenteeism among employees <sup>39</sup>	men	172 575
	women	387 119
Type of injuries	broken hands and legs; bone fractures; dislocations or sprains or tears; hot water, steam or chemical burns; internal injures	

## SOCIAL ISSUES

As a socially involved company, AmRest cares about its impact on neighborhoods and local communities.

An extremely important value for the company is the appreciation of diversity and AmRest undertakes initiatives dedicated to local communities that respond to their needs and are adapted to the local environment. AmRest's ambition is to positively influence the environment, share its success and constantly inspire others to act.

The social engagement of AmRest Holdings SE is governed by the **Responsible Business and Sustainable Development Strategy of AmRest for 2015-2020 (CSR Strategy)**, which identifies local communities as one of its focus areas.

Selected strategic goals:

- AmRest is perceived as a socially responsible business that helps solve important social issues **in its surrounding environment**.

<sup>37</sup> Collective bargaining agreements do not work in other countries of employment.

<sup>38</sup> Number of accidents / number of employees by gender \* 1000. Based on data from 13 markets, representing 90% of employment.

<sup>39</sup> This includes absence from work because of incapacity of any kind, not just as the result of work-related injury or disease. Permitted leave absence such as holidays, study, maternity or paternity leave, and compassionate leave are excluded. The data is reported in days.

- 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 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 2019 AmRest Holdings SE spent EUR 176 600 on social causes.

**Table. Expenditure on community service projects by country**

Amount of money spent on social projects	thousand EUR	
	2018	2019
Poland	57.4	64.6
Germany	49.5	27.1
Russia	3.8	4.7
Hungary	3.4	1.5
China	-	43.6
Czech Republic	6.3	26.0
Spain	1.0	9.1
<b>TOTAL</b>	<b>121.4</b>	<b>176.6</b>

Additional, KFC in Russia conducted two fund-raising actions during which the brand collected additional EUR 104 307 which was transferred directly to the Opening Horizons Foundation.

#### **Community service projects carried out in 2019 in Poland:**

**Burger King** in Poland cooperated with one of the biggest non-profit organization, Wielka Orkiestra Świątecznej Pomocy (The Great Orchestra of Christmas Charity). The foundation supports pediatric and geriatric wards by supplying them with vital medical equipment. Once a year thousands of volunteers participate in the fund-raising, collecting money from around the world. Burger King became an official partner, offering a free Whooper Jr for every WOŚP (GOCC) volunteer in Poland.

**KFC** in Poland participated in the DKMS foundation campaign to fight blood cancer. The stem cell donor registration day was held in KFC restaurants in Wroclaw, Poland in the middle of May.

**Pizza Hut** sponsored over 300 pizzas for participants of the Polish edition of Destination Imagination, the biggest educational program in the World, aimed at developing creativity and skills needed in the XXI century.

**AmRest**, as a strategic partner, continued to support SIEMACHA Spot Wroclaw, an educational space for children, where they can develop their passions and gain new experiences. The company organized culinary workshops and special events like KFC Olympic Games or Pizza Day.

AmRest is determined to work to reduce food waste. In 2019 a few of AmRest's brands were involved in two global schemes: **Harvest** and **Too Good To Go**.



AmRest launched **Harvest** in 2016. It is a scheme for donating surplus food from restaurants to institutions and organizations that support those in need. In 2019 Harvest operated across KFC restaurants in Poland, Hungary, Serbia, Bulgaria and Spain and in Pizza Hut restaurants in Poland. AmRest also donates the surpluses from its warehouses in Poland. Overall, Harvest donations in 2019 exceeded 190 thousand kilograms of food worth over EUR 1.1 million in total. In the beginning of 2020 Burger King in Poland joined the scheme.

**Table. Harvest: key figures (2019)**

	KFC	Pizza Hut	Warehouses	Total
Amount of food donated (kg)	180 272	1 971	7 777	190 020
Value of food donated (thousand euro)	1 095	12	20	1 127
No. of participating stores	289	16	-	305
No. of participating markets	5	1	1	-

**Table. Harvest by country and brand**

HARVEST at AmRest	No. of participating KFC restaurants	No. of participating Pizza Hut restaurants
Poland	210	16
Spain	19	-
Hungary	46	-
Bulgaria	4	-
Serbia	10	-
<b>TOTAL</b>	<b>289</b>	<b>16</b>



## Too Good To Go

**Too Good To Go** is 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 2019 the scheme covered 102 Sushi Shop restaurants across 6 countries (France, Belgium, the UK, Germany, Spain, Italy). In 2019 33 Starbucks coffee houses and 16 Pizza Hut restaurants in Poland joined the scheme. The program was also implemented in 7 Starbucks coffee houses in Germany.

**Table. Too Good To Go in Europe: key figures**

	Sushi Shop	Pizza Hut	Starbucks
No. of meals saved	140 443	2 435	6 500
No. of stores	102	16	40
No. of markets	6	1	2
Tonnes of less CO <sub>2</sub>	351	6.1	16.33

## Employees engagement

In 2019 as many as 2 118 AmRest workers participated in 373 employee volunteering projects benefiting 34 572 people across Poland, Germany, Russia, Hungary, China, the Czech Republic and Spain. The amount of money spent on non-profit entities was EUR 278 181.

AmRest implemented exactly 12 grant projects as part of the employee volunteering scheme in Poland. The "AmRest Volunteers" program, founded in 2015, is the biggest voluntary initiative in Poland. The program is open to employees of all levels and the rules are very simple: a group of three with an idea for helping, have to fill in the formula estimating the budget, make a plan for support and share ideas on how to involve the local community. In 2019 AmRest Volunteers supported the youth, elderly and the environment.

**Table. The employee volunteering scheme in selected countries**

	Spain	Poland	Germany	Russia	Hungary	Czech	China	Total
No. of volunteering projects carried out	1	20	15	300	4	31	2	<b>373</b>
No. of employee volunteers	0	175	150	1 500	50	213	30	<b>2118</b>
No. of beneficiaries	300	3 200	800	1 000	200	29 000	72	<b>34 572</b>

In 2019 AmRest has launched an innovative program supporting NGOs in Poland.



**AmHero** allows AmRest employees to donate money via the benefits platform. The company allows the regular transfer of money to a selected organizations in the following categories: health of children, adults treatment, people with disabilities, animals, nature protection, seniors, education, culture, activities for the city, women's rights, action against exclusion. Ten non-governmental organizations selected through the survey conducted among employees qualified to the pilot version launched in 2019. The program is run through a cafeteria system - an online platform that allows employees within a certain limit, depending on the position, to choose from the benefits offered. Funds are transferred through the system operating in Poland. The employee is able to indicate in the given month one organization from the list to which AmRest will transfer funds.

#### **General idea of CSR activities of Starbucks across countries**

As a global company rooted in local neighborhoods, Starbucks wants to bring people closer together – no matter what background, education or personal orientation have shaped each and every one of us. Starbucks believes in equality, diversity and mutual respect. The brand's heritage is of a liberal, socially responsible and open-minded entrepreneur. That's why Starbucks fosters a culture of opportunities for everyone. A culture of humanity.

#### **Starbucks initiatives across the markets**

##### ■ Romania

Starbucks on the Romanian market, was involved in renovating the "Barbu Catargiu" Second Elementary School in Maia, Ialomița County, by organizing a day of volunteering on the school building site and covering modernization costs of almost EUR 29 thousands. Nearly 40 Starbucks Romania volunteers took part in school renovation work, for a school that hosts about 200 students, in Maia. Starbucks also donated the amount of EUR 28 thousands to the project, which covers rehabilitation expenses and sponsored 60 schoolbags packed with school supplies for the entire year for girls and boys from the 5-8th grade and 100 schoolbags for the younger students, both girls and boys, from the 1st-4th grade.

##### ■ Germany

From November 2019 an additional cup charge of 5 cents for every hot drink ordered in a paper cup was implemented in Starbucks. Starbucks hopes the rollout will encourage even more customers across the country to make the switch to reusable cups. Starbucks donated 100% of the funds raised to the WWF.

##### ■ Poland

In May, Starbucks gave away 10 000 reusable cups to their guests for free. In this way, the brand thanked its guests for 10 years spent together. It was also part of the "Bring Your Own Tumbler" campaign, which has been conducted in Poland for 10 years. The campaign promotes pro-ecological practices among Starbucks guests, encouraging them to reduce the consumption of paper cups. As part of the campaign, every guest at Starbucks, who decides to buy any drink in their own mug, receives a discount of PLN 1.

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 regulation. 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, AmRest goes beyond wheelchair access: it also makes sure to accommodate the elderly and the hearing and visually impaired.

## KEY NON-FINANCIAL FACTORS

1. Capital Markets Day:
  - a. AmRest organized the event in Warsaw in October. It was dedicated to institutional investors and analysts. During the meeting AmRest shared its strategy, growth perspectives as well as discussed these topics with participants.
2. New markets openings:
  - a. Burger King opened the first restaurant in Romania in September.
  - b. Starbucks entered Serbia in April, opening the first coffee house in Belgrade.
  - c. Sushi Shop opened the first restaurant in the Netherlands.
3. Digital growth within the company:
  - a. Over 1 000 digital kiosks operating in KFC and Burger King restaurants in Poland, Czech Republic and Hungary.
  - b. 649 digital menu boards in KFC, Pizza Hut, Burger King and Starbucks across countries.
4. Preparation for establishing AmRest Foundation:
  - a. At the end of 2019 the resolution of the Board of Directors was signed regarding the establishment of the corporate foundation of AmRest Holdings SE.

In 2019 AmRest Holdings SE **operated 2 339 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, Netherlands, the UK, the UAE, Saudi Arabia.

**In 2019 AmRest's restaurants and coffee houses handled ca. 262 500 000 transactions<sup>40</sup>, which is 15% more than in 2018.**

**Table. Restaurants operated by AmRest Holdings SE in 2019 by type**

Country	Self-owned restaurants	Franchise restaurants	Total
Armenia	0	3	<b>3</b>
Austria	2	0	<b>2</b>
Azerbaijan	0	2	<b>2</b>
Belgium	5	6	<b>11</b>
Bulgaria	24	0	<b>24</b>
China	70	4	<b>74</b>
Croatia	8	0	<b>8</b>
Czech Republic	191	0	<b>191</b>
France	177	145	<b>322</b>
Germany	184	98	<b>282</b>

<sup>40</sup> Does not include Sushi Shop Group.

<b>Country</b>	<b>Self-owned restaurants</b>	<b>Franchise restaurants</b>	<b>Total</b>
Hungary	130	0	<b>130</b>
Italy	1	2	<b>3</b>
Luxembourg	2	0	<b>2</b>
Netherlands	1	0	<b>1</b>
Poland	559	0	<b>559</b>
Portugal	2	3	<b>5</b>
Romania	54	0	<b>54</b>
Russia	241	30	<b>271</b>
Saudi Arabia	0	3	<b>3</b>
Serbia	12	0	<b>12</b>
Slovakia	13	0	<b>13</b>
Slovenia	1	0	<b>1</b>
Spain	172	172	<b>344</b>
Switzerland	7	0	<b>7</b>
UAE	0	10	<b>10</b>
UK	5	0	<b>5</b>
<b>Total restaurant count:</b>	<b>1 861</b>	<b>478</b>	<b>2 339</b>

### Taxes

AmRest believes that it has the 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.

**Table. Profits earned by country**

<b>Country</b>	<b>Profit/(loss) before tax</b>	<b>thousand EUR</b>
Austria		(1 150.8)
Belgium		(657.3)
Bulgaria		574.0
China		5 026.8
Croatia		(536.0)
Czech Republic		23 501.2
France		(15.8)
Germany		(18 139.1)
Hungary		11 191.8

<b>Country</b>	<b>Profit/(loss) before tax</b>	<b>thousand EUR</b>
Italy		230.0
Luxembourg		394.8
Malta		(82.5)
Netherlands		(508.4)
Poland		25 516.5
Portugal		(108.2)
Romania		3273.7
Russia		4 940.0
Saudi Arabia		177.8
Serbia		(66.6)
Slovakia		(535.4)
Slovenia		(134.4)
Spain		81 692.6
Switzerland		1 747.1
UAE		659.9
UK		(780.5)
USA		(4 791.8)

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. Income taxes paid (unearned)**

<b>Country</b>	<b>Income taxes paid (unearned)</b>	<b>thousand EUR</b>
Austria		1.00
China		452.00
Czech Republic		2 744.00
France		3 519.00
Germany		4.00
Hungary		2 426.00
Poland		2 704.00
Portugal		5.00
Russia		1 451.00
Slovakia		26.00
Spain		9 453.00

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 2019 by country**

Country	The public subsidies received	thousand EUR
Bulgaria	EU grants for youth employment	10.8
Spain	Patent Box 2018	774.1

## RISK MANAGEMENT AND NON-FINANCIAL RISKS

The AmRest Holdings SE 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.

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.

In 2019 the Group conducted the update of the Risk Map. The AmRest Management Team along with representatives from IT, Brand Reputation, Finances, Supply Chain and Operations evaluated the document and included additional new risks, for e.g. environmental risks, which is the next step in the process of creating an environmental policy for AmRest Holdings.

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 the operating areas of AmRest related to materiality topics, 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	Possible considerable adverse effect on the issues:				
	S	HR	E	PHR	CP
Risk that the Company will be negatively perceived by public opinion due to improper care of social / public interests.	✓				
Risk that the response of the Company to ecological trends will not be consistent with strategic goals or will harm its competitive advantage (e.g. significantly increase costs). Risk that the insufficient response to trends or its communication will damage the reputation of the Company and decrease its sales.	✓		✓		

Risk	Possible considerable adverse effect on the issues:				
	S	HR	E	PHR	CP
Risk that the Company and its suppliers fail to meet environmental norms and standards.	✓		✓		
Risk related to consumption of foods: risk of an accident, food poisoning or other event that results in customer liability	✓	✓	✓		
Risk that regulations, processes, training systems and information flow functioning in the Company will not be adequate to ensure compliance with the regulations regarding environmental protection.	✓	✓	✓		
Risk that brand image will be harmed by internal or external events. Risk that brand name will be used by third party to the detriment of the Company.	✓				
Risk related to improper implementation and execution of anti-corruption procedures including lack of ensuring the protection of "whistle-blowers".	✓	✓		✓	✓
Risk related to keeping the employees in key positions	✓	✓		✓	
Risk related to labour costs associated with employees and employment and retention of professional staff	✓	✓		✓	
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.		✓			
Risk of breaking the law or other regulations by conducting improper business practices.	✓	✓	✓	✓	✓
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.	✓	✓	✓		
Risk of lack of support for ethical rules by Top Management and non-ethical behaviour of employees.	✓	✓	✓	✓	✓
Social and environmental risks (CSR viewpoint). Having implemented the Code of Business Conduct and the CSR Strategy, AmRest prevents, among others, the following risks:					
<ul style="list-style-type: none"> <li>■ negative perception of the company by the public in connection with undue care paid by AmRest to social/public interests;</li> <li>■ lack of awareness and sensitivity of managers with regard to the ethics and rules of responsible business;</li> <li>■ major negative impact of the company's operations on the environment;</li> <li>■ inadequate response to environmental trends;</li> <li>■ damage to AmRest's reputation caused by AmRest cooperation with unethical suppliers of low reputation;</li> <li>■ 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</li> </ul>	✓	✓	✓	✓	✓

### The approach to risk management in 2019:

In 2019 there were no situations related to AmRest operations in any of the markets which had a negative impact on the company or a brand image and 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 Global Crisis Management Procedure which provides the framework for addressing crisis or potential crisis in 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. This was further reinforced in 2018 by conducting a dedicated training session for 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 classroom training on the roles and responsibilities in the crisis management process of Area Coaches and General Managers of Pizza Hut and KFC in Germany was also run at the end of 2018.

In the same year AmRest re-launched the crisis escalation protocol across all markets via a distribution and posting on the premises of a dedicated sticker with relevant instructions for the store staff. To support the General Managers and Area Coaches in handling local incidents and issues, a related manual was created in 2018 in cooperation with the Customer Care team.

The ownership of the Global Crisis Management Procedure remains with the AmRest Brand Reputation (formerly 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 2019:**

- Review and update of the Procedure by the Executive Team, Brand Presidents and Heads of key functions in the organization
- Revision and adaptation of the Crisis Escalation Protocol to align it with the new operational structure – a single Market Crisis Leader was replaced with multiple leaders per brand.
- Crisis College for Pizza Hut in Poland conducted together with Yum!
- E-learning course on crisis management for operations staff – General Managers and Area Coaches/District Managers across AmRest brands – was developed and launched in 5 countries
- A survey checking the awareness and effectiveness of the Crisis Management Process was conducted in 15 countries
- Stress test conducted in three markets.

## **ANTI-CORRUPTION POLICY**

AmRest wants its activities to be based on the highest ethical standards. That is why the group compiled its values and principles into a globally binding document. The **Code of Business Conduct** is a guide to AmRest's obligatory rules that the employees have to follow. The Code covers such subjects as: relations with the customers and business partners, mutual relations in the workplace or gift policy. Under the new provisions, every gift whose value exceeds EUR 100 must be reported to a superior.

In 2018, the Board of Directors approved other global policies and 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 were communicated and implemented at the start of 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.**

At AmRest, open communication is a vital element that delivers valuable insight and helps the company enhance and protect its employees and business. The Speak Openly program delivers on that mission by allowing employees at all levels to voice concerns, raise issues and provide feedback in a safe environment. It is based on an alternative two-way communication process that enables AmRest employees to address any issue that is important to them.

In 2019 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, the Czech Republic, Hungary).

In 2019 there was one case of employee misconduct.

## HUMAN RIGHTS POLICIES

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 2019.

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 were 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 it 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 Chief People Officer,
- a representative of the Internal Audit Department,
- a representative of the Legal Department,
- a representative of the Employee Relations Department,
- a representative of the Brand Reputation Department,
- a representative of each country/region Country Leadership Team (CLT).

In 2019 AmRest employees could report any wrongdoing via:

- direct contact with local Compliance department representatives
- direct contact with Country Leadership Teams or Ethics Committee representatives
- email
- phone
- online service Speak Openly (for countries: Bulgaria, the Czech Republic, Poland and Romania).

During the reporting period there were 134 incidents reported. The Group plans to implement in 2020 a new online tool which will be available to every AmRest employee on a global level.

As an international franchise, AmRest places diversity at the centre of its corporate culture. Since 2018 AmRest is a signed **Diversity Charter in Poland**. Supported by the European Commission, the EU Platform of Diversity Charter 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 2019 there were **no confirmed discrimination instances neither violation of human rights** at AmRest Holdings SE.

## GRI STANDARDS CONTENT INDEX

Non-financial Information Report. Contents index of the Law 11/2018		
	GRI reporting criteria	Pages
<b>General information</b>		
Brief description of the group's business model	GRI 102-2 GRI 102-7	41
Geographical presence	GRI 102-3 GRI 102-4 GRI 102-6	42
Objectives and strategies of the organization	GRI 102-14	43
Main factors and trends that may affect future evolution	GRI 102-14 GRI 102-15	43
<b>General</b>	Reporting framework	GRI 102-54
Description of the applicable policies	GRI 103-2	49-50, 61, 75-76
<b>Management approach</b>	The results of these policies	GRI 103-2
The main risks related to these issues involving the activities of the group	GRI 102-15	73-74
<b>Environmental questions</b>		
Environmental management	Current and predictable impacts of the company's activities on the environment and, if applicable, on health and safety.	GRI 102-15
	Environmental assessment or certification procedures	GRI 103-2
	Resources dedicated to the prevention of environmental risks	GRI 103-2
	Application of the precautionary principle	GRI 102-11
	Amount of provisions and guarantees for environmental risks	GRI 103-2
Contamination	Measures to prevent, reduce or repair air pollution emissions (including noise and light pollution)	GRI 102-46
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	GRI 103-2 GRI 306-2
	Actions to combat food waste	GRI 103-2 GRI 306-2
	Water consumption and water supply according to local constraints	GRI 303-5 (2018 GRI version)
Sustainable use of resources	Use of raw materials and measures taken to improve the efficiency of their utilization	GRI 102-46
	Energy use, direct and indirect	GRI 302-1
	Measures taken to improve energy efficiency	GRI 103-2 GRI 302-4
	Use of renewable energies	GRI 302-1
	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	GRI 305-1 GRI 305-2 GRI 305-3
Climate change	Measures taken to adapt to the consequences of climate change	GRI 103-2
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	GRI 305-4 GRI 305-5
Protection of biodiversity	Measures taken to protect or restore biodiversity	GRI 102-46
	Impacts caused by activities or operations in protected areas	GRI 102-46 n.a.

## Non-financial Information Report. Contents index of the Law 11/2018

<b>Social and personnel questions</b>			
<b>Employees</b>	Total number and distribution of employees according to country, gender, age, country and professional classification	GRI 102-8 GRI 405-1	59-61
	Total number and distribution of work contract modalities	GRI 102-8	60
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	GRI 102-9	60
	Number of dismissals by sex, age, and professional classification	GRI 103-2	60-61
	Salary gap	GRI 103-2 GRI 405-2	63-64
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	GRI 103-2 GRI 405-2	64-65
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	GRI 103-2 GRI 405-2	65
	Implementation of employment termination policies	GRI 103-2	61
	Employees with disabilities	GRI 405-1	66
	Work schedule organization	GRI 103-1	63
Number of hours of absenteeism	GRI 403-9 (2018 GRI version)	66	
<b>Work organization</b>	Measures aimed to facilitate the conciliation while encouraging the co-responsible performance by both parents	GRI 401-2	63
<b>Health and safety</b>	Work health and safety conditions	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018 GRI version)	66
	Work accidents, in particular their frequency and severity, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	66
	Occupational diseases, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	66
	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	GRI 103-1	61
	Percentage of employees covered by collective agreement by country	GRI 102-40	66
<b>Social relationships</b>	The balance of collective agreements, particularly in the field of health and safety at work	GRI 403-3	66
	Policies implemented for training activities	GRI 103-2 GRI 404-2	62
	The total amount of training hours by professional category	GRI 404-1	62
<b>Training</b>	Universal accessibility for people with disabilities	GRI 103-2	66
<b>Universal accessibility for people with disabilities</b>	Measures taken to promote equal treatment and opportunities between women and men	GRI 103-2	61, 77
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	GRI 103-2	-
	Measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	GRI 103-3	77
	Policy against any type of discrimination and, where appropriate, diversity management	GRI 103-4	77
	<b>Equality</b>		

## Non-financial Information Report. Contents index of the Law 11/2018

<b>Information about the Respect for human rights</b>			
<b>Human rights</b>	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	GRI 102-16 GRI 102-17 GRI 412-1	77
	Claims regarding cases of human rights violations	GRI 103-2 GRI 406-1	77
<b>Information about anti-bribery and anti-corruption measures</b>			
<b>Corruption and bribery</b>	Measures adopted to prevent corruption and bribery	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	75
	Measures adopted to fight against anti-money laundering	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	75
	Contributions to foundations and non-profit-making bodies	GRI 102-13 GRI 201-1	46, 67
<b>Information about the society</b>			
<b>Commitment by the company to sustainable development</b>	Impact of the company's activities on employment and local development	GRI 103-2 GRI 203-2	67-70
	The impact of company activity on local populations and on the territory	GRI 413-1 GRI 413-2	67-70
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	GRI 102-43 GRI 413-1	47
	Actions of association or sponsorship	GRI 103-2 GRI 201-1	46, 67
	The inclusion of social, gender equality and environmental issues in the purchasing policy	GRI 103-2	50
<b>Subcontractors and suppliers</b>	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	GRI 102-9 GRI 308-1	50
	Supervision systems and audits, and their results	GRI 102-9 GRI 308-2	50
	Customer health and safety measures	GRI 103-2	51
<b>Consumers</b>	Claims systems, complaints received and their resolution	GRI 103-2 GRI 418-1	52
	Benefits obtained by country	GRI 201-1	71-72
<b>Tax information</b>	Taxes on paid benefits	GRI 201-1	72
	Public subsidies received	GRI 201-4	73

A close-up photograph of a woman with dark, curly hair laughing heartily. She is holding a large sandwich with both hands, her mouth wide open showing her teeth. She is wearing a light-colored, sleeveless top and a thin necklace with a small pendant. The background is blurred, suggesting an indoor setting.

**AmRest Holdings SE**

# **ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**for the year ended 31 December 2019**

**Data identify issuer:**

**Ending date of reference financial year** 31/12/2019

**Tax Identification Code [C.I.F]** A88063979

**Registered name** AmRest Holdings SE

**Registered office** Paseo de la Castellana, 163, 10º floor, 28046 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			

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	4.96	0.000	0.000	0.000	4.96
AVIVA Otwarty Fundusz Emerytalny AVIVA BZWBK SA	3.10	0.000	0.000	0.000	3.10
Nationale-Nederlanden Open Pension Fund	4.51	0.000	0.000	0.000	4.51

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

**State the most significant shareholder structure changes during the year:**

Name of shareholder	Date of transaction	Description of transaction
Malgorzata Ewa McGovern	09/05/2019	Sale of all the shares representing the 10.67% of the share capital, of the controlling shareholder FCapital Dutch, B.V. (Finaccess Group)

**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	0.000	67.05	0.000	0.000	67.05	0.000	0.000

Total percentage of voting rights held by the Board of Directors	<b>67.05</b>
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Remarks

**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.	41.31	0.000	41.31	0.000
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL LUX, S.A.R.L.	25.74	0.000	25.74	0.000

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 González.

**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

**A.6 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.

**A.7 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

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

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

Yes \_ No X

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

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

**A.8 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 67.05% 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.9 Complete the following table with details of the company's treasury shares:**

At the close of the year:

<b>Number of direct shares</b>	<b>Number of indirect shares (*)</b>	<b>Total percentage of share capital</b>
724,415	-	0.3299%

(\*) through:

Name of direct shareholder	Number of direct shares

Total:	
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Explain any significant changes during the year:

Explain significant changes
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**A.10 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.11 Estimated working capital:**

	%
Estimated working capital	19.76

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.12 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

Description of

**A.13 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.14 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

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 (*segunda 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:**

Date of General Meeting	Attendance data					Total	
	% physically present	% present by proxy	% distance voting				
			Electronic voting	Other			
14/05/2019	0,00%	79,26%	0,00%	0,00%	79,26%		
Of which, free float	0,00%	12,18%	0,00%	0,00%	12,18%		
06/06/2019	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, it only has been included information relating to the two general shareholders' meetings held since such transfer of domicile.

**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

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

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

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

**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](http://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

**C1.1 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

**C1.2 Please complete the following table on directors:**

Name of director	Natural person representative	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
Romana Sadurska		Independent	Vocal	May 14, 2019	May 14, 2019	Board of Directors' meeting resolution	July 28, 1951
Emilio Fullaondo Botella		Independent	Vocal	May 14, 2019	May 14, 2019	Board of Directors' meeting resolution	May 22, 1971
Pablo Castilla Reparaz		Independent	Member-Lead Independent Director	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	December 6, 1960
Mustafa Ogetici		Independent	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	June 3, 1978
<b>Total number of Directors</b>							<b>7</b>

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	
Henry Joseph McGovern	Executive	October 5, 2017	May 14, 2019	N/A	Yes	Henry Joseph McGovern
Steven Kent Winegar Clark	Vocal	October 5, 2017	May 14, 2019	N/A	Yes	Steven Kent Winegar Clark

#### **Explain cause of resignation, dismissal or any other reason**

Resignations submitted due to the sale of all of both their participations in the Company which motivated their presence on the Board of Directors. In the case of Henry McGovern, his relationship as Executive Managing Director of AmRest Group, was terminated, as well.

**C1.3 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
	<b>Total number of Executive Directors</b>	<b>0</b>
	<b>Percentage of Board</b>	<b>0.00</b>

**PROPRIETARY DIRECTORS**

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
José Parés Gutiérrez	<b>Grupo Finaccess S.A.P.I. de C.V.</b>	CEO of Finaccess Capital since 2013, in charge of portfolio management and Chairman of the Board of Restaurant Brands New Zealand Limited. He spent 19 years of his career working in various roles for Grupo Modelo and was the member of the Board of Crown Imports (Chicago, Illinois), Vice Chairman of the Board of MMI (Toronto, Canada), member of the Board of DIFA (Mexico) and a former member of the Mexican Brewers Association (Cámara de Cerveceros de México).
Luis Miguel Álvarez Pérez	<b>Grupo Finaccess S.A.P.I. de C.V.</b>	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. Member of the Board of Restaurant Brands New Zealand Limited. Held several roles at Grupo Modelo. Currently a member of the board of numerous companies and NGOs.

<b>Carlos Fernández González</b>	<b>Grupo Finaccess S.A.P.I. de C.V.</b>	Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. He is also currently a non-executive director of Inmobiliaria Colonial Socimi, S.A. and member of the Board of Restaurant Brands New Zealand Limited. 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 (such as independent Board member of Banco Santander).
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**Total number of proprietary directors** 3

**Percentage of Board** 42.86

## INDEPENDENT DIRECTORS

<b>Name of director</b>	<b>Profile</b>
<b>Pablo Castilla Reparaz</b>	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, Director Secretary at OpenBank and Member Secretary of Grupo Vitaldent. Mr. Castilla held the position of International and Corporate Legal Manager of Banco Santander for more than 20 years.
<b>Mustafa Ogretici</b>	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 active investor in real estate.
<b>Romana Sadurska</b>	She has more than thirty years of experience in different positions related to the legal sector. During more than fifteen years, she was a partner and general secretary of the Spanish law firm, Uría Menéndez, and she also managed the office of the aforementioned law firm in Central and Eastern Europe. She is currently Executive Vice President of the Professor Uría Foundation, and serves as administrator of the Aspen Institute Spain, she is a member of the International Advisory Board of the Instituto de Empresa Business School and the Advisory Board of Uría Menéndez. She is also an honourably member of the Polish Academy of Gastronomy.
<b>Emilio Fullaondo Botella</b>	He has held senior management positions for more than twenty-three years in the beer industry, leading various departments related to the financial area of the Mexican beer group Grupo Modelo, including the position of Chief Financial Officer for a period of four years and subsequently in the Belgian company AB InBev, following the acquisition by Grupo Modelo as Chief People Officer for Middle Americas until his resignation in January 2019. He is also an independent director of the Restaurant Brands company, which is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).
<b>Number of independent directors</b>	<b>4</b>
<b>Percentage of the Board</b>	<b>57.14</b>

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
<b>Total number of other external directors</b>			
<b>Percentage of the Board</b>			

**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	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Proprietary	0	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Independent	1	0	N/A	N/A	14.29%	0.00%	N/A	N/A
Other external	0	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Total	1	0	N/A	N/A	14.29%	0.00%	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, ethnic 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**

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. Ms. Romana Sadurska was appointed in May 2019 by co-opting to fill one of the vacancies that arose after the resignation of the members Mr. Henry McGovern and Mr. Steve Winegar.

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**

**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. To fulfil with this commitment, in May 2019, the first member of AmRest Board of Directors, Ms. Romana Sadurska, was appointed.

**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

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.

**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
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**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	Inmobiliaria Colonial Socimi, S.A.	Board Member
Carlos Fernández González	Restaurant Brands New Zealand Limited.	Board Member
José Parés Gutiérrez	Restaurant Brands New Zealand Limited.	Chairman of the Board
Luis Miguel Álvarez Pérez	Restaurant Brands New Zealand Limited.	Board Member
Emilio Fullaondo Botella	Restaurant Brands New Zealand Limited.	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  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)

16,716

Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

**Remarks**

Simultaneously to tendering his resignation, in March 2019, Mr. McGovern exercised all his vested options under the share based remuneration schemes of AmRest; said options were settled in the amount of EUR 15,460 thousands.

**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 Executive Officer
Eduardo Zamarripa	Chief Financial Officer
Olgierd Danielewicz	Chief Operations Officer
María Elena Pato-Castel Tadeo	Equity 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
Robert Żuk	Chief Information Officer
<b>Total senior management remuneration (thousand euros)</b>	10,476

**Remarks**

Mr. Adam Sawicki left AmRest in August 2019.

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

Yes  No

**Description of the amendment**

On July 30, 2019, the Regulation of the Board of Directors was amended to regulate the newly created Health and Safety Committee.

**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**

According to its evaluation of the 2018 exercise, in 2019 the Board of Directors has put in place the Health and Safety Committee, it has increased the efficiency of its meetings by using the Executive Committee to address urgent issues and it has increased gender diversity within the Board of Directors and the percentage of independent directors.

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 2019 at a meeting held in February 2020.

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

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

**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:**

Yes  No

	Age limit
Chairman	
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

**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.**

<b>Number of Board meetings</b>	<b>12</b>
<b>Number of Board meetings without the chairman</b>	<b>0</b>

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:

<b>Number of meetings</b>	<b>8</b>
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Remarks
The coordinating member of the Board of Directors has attended all meetings. Since May 2019, there is no executive director on the Board.

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

<b>Number of meetings held by the Executive Committee</b>	<b>10</b>
<b>Number of meetings held by the Audit Committee</b>	<b>6</b>
<b>Number of Meetings held by the Appointments and Remuneration Committee</b>	<b>10</b>
<b>Number of meetings held by the Appointments Committee</b>	<b>N/A</b>
<b>Number of meetings held by the Remuneration Committee</b>	<b>N/A</b>
<b>Number of meetings held by the Health and Safety Committee</b>	<b>2</b>

Remarks

**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.

<b>Number of meetings when at least 80% of directors attended</b>	<b>11</b>
% of attendance over total votes during the year	92%
<b>Number of meetings in situ or representations made with specific instructions of all directors</b>	<b>12</b>
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100%

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

Yes  No

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   No  X

Outgoing auditor	Incoming auditor

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)	39.9	2.4
Amount invoiced for non-audit services/Amount for audit work (in %)	14%	0% 4%

**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    No  X

Explanation of reasons

**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	2	2

	<b>Individual</b>	<b>Consolidated</b>
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 since 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 20% (individual) and 37% (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  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  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

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 Schuldcheindarlehen („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	0
Type of beneficiary	Description of agreement
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
<b>Are these clauses notified to the General Shareholders' Meeting?</b>		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	Proprietary
Luis Miguel Álvarez Pérez	Member	Proprietary
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 AND CONTROL COMMITTEE

Name	Post	Category
Emilio Fullaondo Botella	Chairman	Independent
Pablo Castilla Reparaz	Member	Independent
Mustafa Ogresici	Member	Independent
% of proprietary directors		0.00%
% of independent directors		100%
% 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; (ii) The creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens; and (iii) Any transactions with related parties.

The Audit Committee's annual report for 2019 – 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 2018 fiscal year prior to them being put together by the Board of Directors; (ii) with regard to external auditing, the Committee monitored the actions and services provided by KPMG, their reasonableness and justification, and the quality of the contracted services; (iii) with regard to internal auditing, the Audit and Control Committee promoted a project to review and update the Company's risk map, in addition to perform 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 2019, 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) promoted a process to improve the Company's consolidation systems; (vi) review of the notifications received from the Spanish Stock Market Regulator (CNMV); and (vii) 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	Emilio Fullaondo Botella / Pablo Castilla Reparaz / Mustafa Ogresici
Date of appointment of the chairperson	14 May 2019

#### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
Pablo Castilla Reparaz	Chairman	Independent
Luis Miguel Álvarez Pérez	Member	Proprietary
Romana Sadurska	Member	Independent
Emilio Fullaondo Botella	Member	Independent

% of proprietary directors	25.00%
% of independent directors	75.00%
% 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.

## HEALTH AND SAFETY COMMITTEE

Name	Post	Category
Mustafa Ogresici	Chairman	Independent
José Parés Gutiérrez	Member	Proprietary
Pablo Castilla Reparaz	Member	Independent

% of proprietary directors	33.00%
% of independent directors	66.00%
% 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 Health and Safety Committee must be made up of a minimum of three and a maximum of five directors, all of them non-executive and, at least two of them, must be independent directors. The Chairman must be an independent director. The Health and Safety Committee shall be validly formed when the majority of its members attended, being present or represented by proxy. The agreements shall be adopted by a majority of concurrent members, present or represented by proxy.

The competencies of the Health and Safety Committee are: (i) to review, to supervise and to suggest to the Board of Directors the framework and policies of the Health and Safety Risk Management of the Company; (ii) to evaluate and to advise the Board of Directors on the various strategies to achieve the Health and Safety goals of the Company; (iii) to review and to suggest to the Board of Directors, the health and safety performance goals and to evaluate the performance in relation to those goals; (iv) to monitor the compliance by the Company with both, the Health and Safety policies and the applicable Health and safety laws; (v) to ensure that the systems used to identify and to manage the Health and Safety risks of the Company are adequate for the intended purposes and are applied effectively, periodically reviewed and continually improved; (vi) the Committee should ensure that the Board of Directors is kept informed and updated on issues related to Health and Safety risks; (vii) to ensure that the Company is effectively structured to manage and to prevent risks related to Health and Safety, which includes having trained employees, adequate communication proceedings and enough documentation; (viii) to examine and to advise the Board of Directors on the suitability of the resources available for the Health and Safety management systems and programmes of the Company; and (ix) to monitor and to supervise all incidents or matters related to Health and Safety, as well as the measures taken by the Board of Directors to avoid their repetitions.

The Committee was founded in July 2019 and it had its first meeting in December 2019. At that meeting the work plan for 2020 was approved to undertake the tasks entrusted.

**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 Number %	Year t-3 Number %
Executive committee	0.00%	0.00%	N/A	N/A
Audit committee	0.00%	0.00%	N/A	N/A
Appointments and remuneration committee	25.00%	0.00%	N/A	N/A
Appointments committee	N/A	N/A	N/A	N/A
Remuneration committee	N/A	N/A	N/A	N/A
<u>Health and Safety</u> committee	0.00%	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](http://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 Investments Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	164

**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)
Remarks		

**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 and Control 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](http://www.amrest.eu)) also governs this matter under section 2.3.

Global Internal Audit and Internal Control Department reviews during its assignments any risks related to potential or existing conflicts of interest. In case of identifying such risks, this Department provides recommendations, requests for action plans and later monitors & verifies their implementation. This Department 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.

**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 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 the Global Internal Audit and Internal Control Department risks and opportunities. The Global Internal Audit and Internal Control Department 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 is communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks. The Risk Map report is 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 and Control 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 – is responsible for designing and execution of risk strategy and control mechanisms which decrease negative impact and/or probability of risks. Ensures employees comply with the risk management policy and support a culture where risks can be identified, addressed and escalated.
- Global Internal Audit and Internal Control Department - analyses and evaluates risk management, internal controls and corporate governance and provides recommendations supporting risk reduction.
- Employees and Co-workers - Comply with risk management policies and procedures.

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.

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 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.

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 coronavirus and its spread across the world - AmRest operates restaurants in China which has been affected recently by health issues regarding coronavirus. The Chinese government as well as local authorities have taken measures in order to limit the exposure people may have on each other in order to limit spreading of the virus, one of which was to prolong holiday period after Chinese New Year. Also people have been more cautious in terms of visiting shopping malls or staying in the crowded areas. Not only has it effect on the number of restaurants being opened but also on the general traffic level in the restaurants in China. Also there is still a potential risk of virus spreading across Europe which is the main area of AmRest operations. It is reasonable to expect that such thing could impact on the Group's results in a more visible way.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. Risk related to the current geopolitical situation - AmRest conducts its business in countries where political situation is uncertain, e.g. Russia. Russia is one of the largest markets for AmRest. The recent geopolitical and economic turmoil witnessed in the region, 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.

15. Risk related to the exit of the UK from European Union - It is difficult to predict how the 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.

16. 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.

17. Liquidity risk - The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. The Group analyzes liquidity needs with particular focus on maturity of debt and proactively investigates various forms of financing that could be utilized if needed. As part of liquidity management, the Group typically refinances debt at 3-4 quarters prior to final maturity dates.

18. 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 the risk of dispute in the case of a potential tax control.

19. 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.

20. 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.

21. 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.

22. 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 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 areas and defined, together with the Audit and Control Committee, audit frequency.

#### **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 Department supports AmRest Management in risks identification and provides recommendations in area of risk management, collects action plans from the Management, which address risks, and monitors and verifies their implementation.

There are the following committees operating at AmRest in order to respond and supervise entity's main risks:

- Audit & Control Committee;
- Health and Safety 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
- advise 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 Department reviews during its assignments any risks related to responsibilities and reporting lines, proper distribution of work and duties. In case of identifying such risks, this Department provides recommendations, requests for action plans and later monitors and verifies their implementation. Audit reports, including risks, recommendations, action plans and status of action plans implementation are communicated to the Audit and Control Committee and to the Top Management.

Internal Audit functionally reports to the Audit and Control 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 Board of Directors at the request of the HR Department Director.

- **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 offers access to an email address to safely and confidentially report any breach of any internal procedures or policies, the Code of Conduct, regulatory breaches or the 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 College
- AmRest University.

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 organisation, 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 a 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 ensures 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 the following:**

**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 organisation'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 Global Internal Audit and Internal Control Department 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 CEO and/or the Audit and Control 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. The Committee meets often with the external auditor to comply with this function;
- 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 advise 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 X | Complies partially | Explanation |

**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 |

At the General Meeting held in June 2019, such a verbal presentation was not made by the Chairman, since all the attending shareholders other than the controlling shareholder, who has representation on the Board, attended through proxies to the Chairman of the Board, thus making it unnecessary the explanation at the meeting.

**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 X | Complies partially | Explanation |

**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. GSM is 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 establishes 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 |

**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 |

**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 X | Complies partially | Explanation |

**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 X | Complies Partially | Explanation | |**

**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 |

**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 |

**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 |**

**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 | **Complies partially X |** Explanation |

The internal audit department, which operates under direct supervision of the Audit Committee, periodically performs a review and update of the Group's risk map. In addition, it often meets with the Audit Committee to define the strategy with respect of the Group's risk. The task to ensure that the risk management and control systems adequately mitigate risks is not specifically attributed to a special department of the Company.

**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 (currently, there is no executive directors at AmRest Group).

**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 (currently, there is no executive directors at AmRest Group).

**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 X | Complies Partially | Explanation | Not Applicable |

**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 includes 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.

**59. 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 | **Complies Partially X** | 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<sup>th</sup> 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**

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**José Parés Gutiérrez**

Chairman of the Board

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**Luis Miguel Álvarez Pérez**

Vice-Chairman of the Board

---

**Carlos Fernández González**

Member of the Board

---

**Emilio Fullaondo Botella**

Member of the Board

---

**Romana Sadurska**

Member of the Board

---

**Pablo Castilla Reparaz**

Member of the Board

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**Mustafa Ogretici**

Member of the Board

Madrid, 28 February 2020

