



**REPORT MADE BY THE BOARD OF DIRECTORS OF AMREST HOLDINGS SE REGARDING THE PROPOSAL TO DELEGATE POWERS TO THE BOARD OF DIRECTORS TO ISSUE DEBENTURES OR BONDS AND OTHER FIXED-INCOME SECURITIES CONVERTIBLE INTO SHARES, WARRANTS OR ANALOGOUS SECURITIES INCLUDED IN ITEM FOURTEEN ON THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING CALLED FOR JUNE 6, 2018 ON FIRST CALL**

**I. Purpose of the report**

This report has been made by the Board of Directors of AMREST HOLDINGS, SE (“AmRest” or the “Company”) in order to support the proposal (which is submitted for approval of the shareholders at the General Shareholders’ Meeting of the Company called to be held on June 6, 2018, on first call under item fourteen on the Agenda) regarding the authorisation to the Board of Directors of AmRest, with express power of further delegation, to issue bonds, debentures and other fixed-income securities convertible into shares, warrants or analogous securities giving entitlement, directly or indirectly, to subscribe for shares of the Bank or to increase the share capital in the necessary amount, with the power to exclude the pre-emptive right on subscription and the authorisation so that the Company may guarantee all kinds of obligations to which its subsidiaries may become subject as a result of issuances of securities thereby.

**II. Rationale for the proposal**

The Board of Directors considers that the proposed resolution submitted for the approval of the shareholders at the General Shareholders’ Meeting is justified by the advisability that the Board is given an instrument which allows it to be at all times, in order to secure the most advantageous financial conditions, in a position to raise, on the primary securities market, a significant volume of funds required for appropriate financing of the corporate business, all of that with the flexibility and responsiveness required by the current competitive environment, in which the success of most strategies often depends on the Company’s ability to deal with it quickly, without incurring the delays and costs that would inevitably ensue from the holding of a General Shareholders’ Meeting.



For such purpose, pursuant to the provisions of article 319 of the Regulations of the Commercial Registry and in accordance with articles 12.3 of AmRest's Statutes –which authorise the shareholders at a General Shareholders' Meeting to delegate to the Board of Directors the power to issue the negotiable securities contemplated in the proposal– the resolution proposed under item fourteen on the Agenda is submitted to the shareholders for consideration at the General Shareholders' Meeting.

Volume of the issuances

The proposed resolution expressly delegates powers to the Board of Directors to issue, in one or more times, bonds, debentures and other fixed-income securities convertible into shares, warrants or analogous securities giving entitlement, directly or indirectly, to subscribe newly-issued shares of the Company, and to increase the share capital in the amount needed to meet requests for conversion in, to the extent that the sum of the increase made under this delegation added to all other share capital increases that have been agreed under the scope of the authorisations that the Board of Directors submits to General Shareholders' Meeting does not exceed the limit of half of the share capital envisaged pursuant to article 297.1.b) of the Spanish Companies Act approved by Royal Legislative Decree 1/2010, of July 2 (the "**Spanish Companies Act**"). For this purpose, the amount of the increase of the share capital that, as the case may be, and with the aim to meet the requests for conversion of the debentures, *warrants* and analogous securities, that are made under this delegation, will be considered within the available limit at any time to increase the share capital.

For the purposes of calculating the above limit, in the case of warrants, the sum of the warrant premiums and exercise prices of each issue resolved upon under this delegation shall be taken into account.

Conversion rate for the purpose of the conversion into shares

The proposed resolution also set out the conditions and modes for conversion bonds and other debentures into shares, in case the Board of Directors exercise this authorisation, while it expressly delegates the power to concrete the base and procedures to convert for each issuance to the Board of Directors, within the limits stated by the General Shareholder's Meeting.



In any case if the Board of Directors issue bonds, debentures and other fixed-income securities convertible or warrants under the delegation submitted for the General Shareholders' Meeting approval, the Board of Directors will issue at the time of approving the issuance a report detailing the specific conditions and modes for conversion, which will be subject to the correlative report of an independent auditor appointed by the Commercial Registry, pursuant to article 414 of the Spanish Companies Act.

In particular, the proposed resolution submitted by the Board of Directors for the General Shareholders' Meeting approval provides that the securities issued under this proposal shall be valued at their par value and the shares at a variable or fixed conversion rate (determined or undetermined) determined in the Board of Directors resolution made under the delegation.

Thus, for the purpose of the conversion, fixed-income securities shall be valued at its par value, and the new shares to be issued according to a fixed conversion rate (determined or undetermined) set by the Board of Directors on the resolution made under this delegation, or at a variable conversion rate to be determined at the time set on the Board of Directors resolution, either in accordance with the market value of the Company shares on the date(s) or in the period(s) established. as a reference, with or without a share premium, or according to any other criterion set by the Board of Directors.

Fixed-income convertible securities also may be issued with a variable conversion rate. In such case, the share price for the conversion shall be determined by the Board of Directors, including a premium or, where applicable, a discount on said share price according to the established criteria. Share premium or discount could differ for each conversion date for each issuance (or, if applicable, for each tranche of the issue).

Thus, the Board of Directors considers that this grants a sufficient scope for flexibility to establish the share value for the purposes of conversion in accordance with market conditions and other applicable factors.

The aforementioned will apply for warrants which give entitlement to subscribe newly-issued shares to the extent that the rules for convertible debentures set forth in the proposal are compatible with their specific nature.

In addition, in accordance with article 415 of the Spanish Companies Act, the delegation of powers to the Board of Directors to issue securities convertible into shares resolution



establishes, for the purpose of conversion, that the fixed income securities par value is not less than the share par value. Furthermore, in no event the debentures may be issued at a lower value than its par value.

*Exclusion of the pre-emption right on subscription.*

In accordance with article 417.7 of the Spanish Companies Act, the General Shareholder's Meeting may, when approving an issuing of convertible securities, exclude totally or partially the shareholders' pre-emption right on subscription when the company's best interest so requires. In this respect, it is expressly stated that the authorization to issue securities convertible into shares, warrants or analogous securities giving entitlement, directly or indirectly, to subscribe for shares of the Company, includes the delegation of powers to the Board of Directors to exclude the pre-emption right on subscription when the Company's best interest so requires.

The Board of Directors considers that the exclusion of the pre-emption right on subscription may, according to the market circumstances at any time, on the one hand prove to be appropriate to achieve the goals reached with this proposal, that is, to entitle the Board of Directors of the Company with sufficient response capacity to obtain the necessary resources for an adequate management of its interests; and, on the other hand, be deemed necessary from a social interest point of view.

Taking advantage of the opportunities that may arise in the market, it is essential to act with agility and swiftness. In particular, it should be flexible and swift enough to seize the moments in which the market conditions would be more favourable to the Company. In this regard, to carry out an operation recognizing the pre-emptive subscription right would increase significantly the complexity of the operation, apart from involving increased costs in time and money.

In addition, the issue should consider a pre-emptive subscription period of, at least, fifteen days and this, together with the pre-emptive deadline foreseen for the announcement publication and the necessary operational procedures to close the emission, would expose the operation to the market risk over a significant period and, in any case, greater than that of an issue in which the possibility of excluding the pre-emptive subscription right is allowed.



The Board of Directors considers that this additional possibility, which greatly expands the scope for flexibility and ability to respond under the simple delegation of powers to issue convertible bonds, is justified by the flexibility and agility that are needed to act in the current financial markets in order to seize opportunities when market conditions are most favourable. This justification also exists when the intention is to raise funds in the international markets, where it is possible to raise a large volume of funds in a rapid, agile manner in very favourable conditions provided that it is possible to launch an issue on those markets at the right time, which cannot be determined in advance. Also, it may be necessary to override the pre-emptive subscription right where the funds are to be raised by demand prospecting or bookbuilding techniques or otherwise where this is in the Company's interests. Finally, overriding the pre-emptive subscription right lowers the yield on the debt security and the associated issuing costs compared with an issue with a pre-emptive subscription right, while also having less of a distorting effect on the Company's shares during the issue placement period.

In any case, if the Board decides to override the pre-emption subscription right in relation to a specific issue of convertible securities that it decides to make under this authorisation, it must, at the time of approving the issue, issue a report detailing the specific reasons in connection with the Company's interests that justify the measure, which must be accompanied by a report by an independent expert, as referred to in article 417 of the Spanish Companies Act. Those reports will be made available to shareholders and disclosed to the first Shareholders' Meeting held after the issue decision is adopted.

In addition, neither the Spanish Companies Act nor the Statutes limits the ability of the General Shareholder's Meeting to delegate the power to exclude the pre-emptive right on subscription, other than the indirect limit of half of the share capital envisaged up to the authorisation under item thirteen on the Agenda of the Annual General Shareholders Meeting. For this reason the Board of Directors deems convenient, in line with international recommendations on good practice and recommendation 5 of the Code of Good Governance for listed companies approved by the CNMV in 2015, to limit the power to exclude the pre-emptive right on subscription, together with the delegation established under item thirteen of the Agenda, up to a maximum par value limit, as a whole, of 20% of the share capital at the time of the authorisation (this means, 10,606,946.5 Euros).



Admission to trading

Furthermore, the Company shall, when appropriate, make a request for admission to trading of the securities issued by the Company under this authorisation on official or unofficial, organised or other, and Spanish or foreign secondary markets, if the General Shareholders' Meeting decided to make a request for admission to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as set out in item fourteen of the Agenda of the General Shareholders' Meeting.

Delegation

Pursuant to the provisions of article 249.bis.1) of the Spanish Companies Act, all the powers to be granted to the Board of Directors if the resolution proposed herein is adopted shall be granted with express power of further delegation, so as to further contribute to achieving the purpose of expediting the proposed transactions.

**III. Proposed resolution to be submitted to the General Shareholders' Meeting**

The proposed resolution submitted for approval by the shareholders at the General Shareholders' Meeting reads as follows:

**“PROPOSED RESOLUTION REGARDING ITEM FOURTEEN ON THE AGENDA**

**14. *Delegation of powers to the Board of Directors to issue bonds, debentures and other fixed-income securities convertible into shares, warrants or analogous securities giving entitlement, directly or indirectly, to subscribe for shares of the Company or to increase the share capital in the necessary amount. Delegation of power to exclude de pre-emption right on subscription in the terms of article 506 of the Companies Act, up to the maximum amount of the equivalent of 20% of the share capital at the time when the increase is authorised, together with the same power as of item thirteen of the Agenda.***

*To approve the delegation of powers to the Board of Directors, as permitted by article 319 of the Regulations of the Commercial Registry and the general provisions governing the issuance of debentures, as well as pursuant to the Statutes, to issue bonds, debentures and other fixed-income securities convertible into shares, warrants or analogous securities giving*



*entitlement, directly or indirectly, to subscribe for shares of the Company or to increase the share capital in the necessary amount in accordance with the following terms and conditions:*

*1. Securities to be Issued.- The negotiable securities contemplated in this delegation may be bonds or debentures, and other fixed-income securities convertible into shares, warrants or analogous securities.*

*2. Period of the Delegation.- The issuance of the securities covered by the delegation may be effected on one or more occasions within a maximum period of five years following the date of approval of this resolution.*

*3. Maximum amount under the delegation.- The maximum net aggregate amount of the issuance(s) of convertible bonds or debentures and other fixed-income securities approved under this delegation or by other previous delegations shall be of 10,606,946.5 Euros or the equivalent thereof in another currency. To determine whether the said limit has been reached, the amounts corresponding to retirements or repurchases made or occurring during the effective period thereof will be deducted from the new issues approved under this authorisation and the outstanding amounts of issuances agreed under the terms of previous delegations to the Board of Directors shall be added, including those deriving from item thirteen of the Agenda.*

*4. Scope of the Delegation.- The delegation of powers to issue the securities contemplated in this resolution shall extend, as broadly as required by law, to the establishment of the different terms and conditions applicable to each issue (par value, issue price, redemption price, domestic or foreign currency of the issuance, form of representation, interest rate, amortisation, subordination clauses, guarantees supporting the issuance, place of issuance, applicable law, if appropriate, establishment of the internal regulations of the bondholders' syndicate and appointment of the bondholders' syndicate representative (comisario) in the case of the issuance of ordinary debentures or bonds, if required, admission to trading, etc.) and to the conduct of any and all formalities that may be necessary for the implementation of the specific issues approved under this delegation.*

*5. Basis for and terms and conditions applicable to the conversion.- In the case of the issue of convertible debentures or bonds, and for purposes of determining the basis for and terms and conditions applicable to the conversion, it is resolved to establish the following standards:*



- a) *The securities issued pursuant to this resolution shall be convertible into shares of the Company, in accordance with a fixed or variable conversion (determined or determinable), with the Board of Directors being authorised to determine whether they are mandatorily or voluntarily convertible, and if voluntarily, at the option of the holder thereof or of the Company, at the intervals and during the period established in the resolution providing for the issue, which may not exceed 30 years from the date of issue.*
- b) *For purposes of the conversion, the securities shall be valued at their face amount and the shares to be issued for their conversion, shall be valued in accordance with a fixed conversion ratio established in the resolution of the Board of Directors making use of this authorisation, or at the variable ratio to be determined on the date or dates specified in the resolution of the Board, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in such resolution.*

*In any event, the fixed ratio thus determined may not be less than the average exchange ratio for the shares on the Continuous Market on the Spanish Stock Exchanges on which the shares of the Company will be admitted for trading, in accordance with closing listing prices during a period to be set by the Board of Directors and which shall not be greater than three months nor less than 15 calendar days prior to the date of approval by the Board of Directors of the resolution providing for the issue of the fixed-income securities or the date of payment of the securities by the subscribers, at a premium or, as the case may be, at a discount on such price per share, provided that if a discount on the price per share is established, it shall not be greater than 30% of the value of the shares used as a reference as set forth above.*

- c) *It may also be resolved that the convertible fixed-income securities be issued at a variable conversion. In such case, the price of the shares for purposes of the conversion shall be the arithmetic mean of the closing prices of the shares of the Company on the relevant Market during a period to be determined by the Board of Directors, which shall not be greater than three months nor less than 15 calendar days prior to the date of conversion, at a premium or, as the case may be, a discount on such price per share. The premium or discount may be different for each date of conversion of each issue (or for each tranche of an issue, if any), provided that if a discount is established on the price per share, it shall not be greater than 30% of the value of the shares used as a reference as set forth above.*



- d) *Whenever a conversion is admissible, any fractional shares to be delivered to the holder of the debentures shall be rounded downwards by default to the immediately lower integer, and each holder shall receive in cash, if so provided in the terms of the issue, any difference that may arise in such case.*
- e) *In no event may the value of the shares for purposes of the ratio for conversion of debentures into shares be less than the par value thereof. Furthermore, in accordance with the provisions of article 415 of the Companies Act, debentures may not be converted into shares if the face value of the former is less than that of the latter.*

*When approving an issue of convertible debentures or bonds under the authorisation granted in this resolution, the Board of Directors shall issue a directors' report elaborating and specifying, on the basis of the standards described above, the basis and terms and conditions for conversion that are specifically applicable to the respective issue. This report shall be accompanied by the corresponding audit report by an auditor appointed by the Commercial Registry that is not the Company's auditor, as contemplated in article 414 of the Companies Act.*

6. *Basis for and terms and conditions applicable to the exercise of warrants and other similar securities.*- *In the case of issues of warrants, it is resolved to establish the following standards:*

*In the case of issues of warrants, to which the provisions of the Companies Act on convertible debentures shall apply by analogy, the Board of Directors is authorised to determine, in the broadest terms, in connection with the basis for and terms and conditions applicable to the exercise of such warrants, the standards applicable to the exercise of rights to subscribe for shares of the Company or, arising from the securities of this kind issued under the delegation granted herein. The standards set forth in article 5 above shall apply to such issues with such adjustments as may be necessary for purposes of making them consistent with the legal and financial rules governing this kind of security.*

*Where appropriate, references to the Spanish Stock Exchanges shall be deemed to be made to the markets, if any, on which the respective shares are listed.*

*Likewise, the Board of Directors is authorized to, when it deems appropriate, and subject, as the case may be, to the obtaining of the necessary authorizations and the conformity of the*



*assemblies of the corresponding unions of the holders of the securities, modifying the amortization conditions of the fixed income securities issued, as well as the term and the interest rate that, if applicable, accrue for those included in each of the issues made under this authorization.*

*In addition, the Board of Directors is empowered to increase the share capital in the amount necessary to meet the requests for conversion and / or exercise of the right to subscribe for shares. This power can only be exercised to the extent that the Board, by adding the capital that increases to meet the issuance of convertible bonds, warrants and other securities equivalent to these and the other capital increases that would have agreed under the authorization granted by the present General Meeting, does not exceed the limit of half of the amount of the Company's share capital as provided for in article 297.1.b) of the Companies Act. This authorization to increase the share capital includes issuing and putting into circulation, once or several times, the shares representing it that are necessary to carry out the conversion and/or exercise of the right to subscribe for shares, as well as that of amend the article relating to the share capital of the Statutes and, if applicable, cancel the part of said capital increase that was not necessary for the conversion and/or exercise of the right to subscribe for shares.*

*7. Admission to trading.- The Company shall, when appropriate, make a request for admission to trading of the securities issued by the Company under this authorisation on official or unofficial, organised or other, and Spanish or foreign secondary markets, and the Board of Directors shall be authorised as broadly as required by law to carry out all acts and formalities that may be required for admission to listing with the appropriate bodies of the various Spanish or foreign securities markets.*

*It is expressly stated for the record that if application is subsequently made for delisting, it shall be made in compliance with the same formalities as the application for listing, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting on the resolution shall be safeguarded as provided by applicable law. In addition, it is expressly stated that the Company undertakes to abide by stock market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued listing, and delisting.*



8. Exclusion of pre-emption rights. - This authorization also includes the power for the Board of Directors, pursuant to the provisions of article 511 of the Companies Act, in relation to article 417 thereof, to exclude, totally or partially, the right of preferential subscription rights of the shareholders. In any case, if the Board of Directors decides to abolish the right of pre-emption of the shareholders in relation to a specific issue of convertible bonds, warrants and other securities similar to these that, if any, it decides to make under this authorization, it will issue, at the time of approving the issuance and in accordance with the applicable regulations, a report detailing the specific reasons of social interest that justify said measure, which will be subject to the correlative report of an independent expert appointed by the Commercial Registry, to which articles 414, 417 and 511 of the Companies Act refer to. Said reports shall be made available to the shareholders and notified to the first General Meeting held after the issuance agreement.

This power shall in all cases be limited to those increases in share capital that are carried out under this authorization, as well as those made within the scope of the authorization provided for under item thirteen of the Agenda, up to a face amount maximum, together, equal to 20% of the share capital at the date of approval of this resolution.

9. Power of substitution. - Pursuant to the provisions of article 249.bis. 1) of the Companies Act, the Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.

It is stated for the record that the directors have prepared a report providing a rationale for the proposal presented herein, which has been made available to all shareholders since the notice of the General Meeting, among others, through the Company's website."

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In Madrid, on May 4, 2018