

**REPORT ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR OF THE  
COMPANY AND ITS CONSOLIDATED GROUP FOR THE 2017 FINANCIAL  
YEAR**

By virtue of the provisions of Article 529 quaterdecies, paragraph 4.f) of the Companies Act (Ley de Sociedades de Capital) and Article 31.9 f, of the Regulations of the Board of Directors (Reglamento del Consejo de Administración), the Audit and Compliance Committee of Telepizza Group, S.A. (hereinafter the “**Company**”), in its meeting held on 26 February 2018, hereby issues the following report on the independence of the external auditor for the Company and its Consolidated Group for the 2017 financial year, prior to the issue by the auditors of the audit reports on its individual and consolidated annual accounts for that year.

**I.- Applicable legislation**

Article 529 quaterdecies, para 4.f) of the Companies Act (Ley de Sociedades de Capital) stipulates that the Audit and Compliance Committee shall *“issue an annual report expressing its opinion on the independence of the auditor, prior to the issue of the audit report. Said report must always include a valuation of the additional services referred to in the previous letter, considered individually and as a whole, separate from the statutory audit and in relation to the rules on independence or the regulatory legislation on auditing.”*

Paragraph 4.e) of the aforementioned provision provides that *“(…) in any case, an annual declaration shall be received from the external auditors stating their independence from the entity or entities directly or indirectly associated with them, as well as information on the additional services provided, of whatever kind, and the corresponding fees received from those entities by the external auditor or by the persons or entities associated therewith, in accordance with the provisions of the legislation on auditing accounts.”*

These obligations have been recognised in Article 31.9 of the Regulations of the Board of Directors (Reglamento del Consejo de Administración), which entrusts the following powers to the Audit and Compliance Committee with regard to external auditing:

*“(…)*

*(d) To submit proposals to the Board of Directors for the selection, appointment, re-selection and replacement of the external auditor, as well as the conditions of its commissioning, and to regularly collect information from the external auditor on the audit plan and its execution, in addition to maintaining its independence in the exercise of its duties.*

*(e) To establish an appropriate relationship with the external auditor in order to ascertain information on any aspects that could jeopardise its independence, for consideration by the Committee, and any other aspects related to the process of auditing the accounts, as well as other communications provided for in the legislation and standards on auditing. In any case, an annual declaration must be received from the external auditors stating their independence from the entity or entities directly or indirectly associated with them, as well as information on the additional services provided, of whatever kind, and the corresponding fees received from those entities by the external auditor or by the persons or entities associated therewith, in accordance with the provisions of the legislation on auditing accounts.*

*(f) To issue an annual report expressing its opinion on the independence of the auditor, prior to the issue of the audit report. Said report must always include a valuation of the additional services referred to in (e), considered individually and as a whole, separate from the statutory audit and in relation to the rules on independence or the regulatory legislation on auditing.”*

## **II.- Regulations on the independence of the Auditor or the Auditing Firm.**

Article 14.1 of Act 22/2015, of Auditing of Accounts Act (Ley de Auditoría de Cuentas) provides that *“In exercising their duties, auditors and auditing firms must be independent from the audited entities and must refrain from audit activities if it is considered that their independence could be compromised with regard to the inspection and verification of annual accounts, financial statements or other accounting documents.”*

In this sense, Article 16.1 of the Auditing of Accounts Act (Ley de Auditoría de Cuentas), which contains the cases whereby an auditor or auditing firm is not sufficiently independent in the exercise of its duties, provides that:

*“In any case, an auditor or auditing firm is considered not to be sufficiently independent in the exercise of its duties towards a company or entity, in addition to the cases of incompatibility provided for in other legislation, if the signatory auditor of the audit report:*

### *(a) Circumstances related to personal situations*

- 1. To hold a managerial, director position, or be granted a general power or attorney of the audited entity, or be employed by the audited entity. This circumstance also includes the responsible for the economic and financial area and to whom performs the internal supervision role in the audited entity, whichever is the link between them and the audited company.*
- 2. To have a significant direct interest in the audited entity derived from a contract or the ownership of a good or the ownership of a right. It will be*

*always understood that there is such an interest in the event of having financial instruments of the audited entity or of an entity linked to it when such instruments are significant for any of the parties.*

*For the purposes of the provisions of this number, the interests that are indirectly owned through diversified collective investment institutions are excluded.*

3. *To perform any transaction related with issued financial instruments, secured or otherwise supported by the audited entity.*

*For the purposes of the provisions of this number, the interests that are indirectly owned through diversified collective investment institutions are excluded.*

4. *Request or accept gifts or favours from the audited entity, except that its value is deemed to be insignificant.*

*(b) Circumstances related to the provision of services*

1. *The provision to the audited entity of accounting or preparation services of accounting records or financial statements.*
2. *The provision to the audited entity of valuation services, unless the following requirements are met:*
  - i. *That the services do not have a direct effect, or the effect has a minor importance, either relative, separately or in aggregate form, in the audited financial statements;*
  - ii. *That the estimate of the effect on the audited financial statements is documented exhaustively in the work papers corresponding to the audit work.*
3. *The provision of internal audit services to the audited entity, except that the management body of the audited entity is responsible for the overall system of internal control, the determination of the scope, risk and frequency of internal audit procedures, the consideration and execution of the results and recommendations provided by the internal audit.*
4. *The simultaneous provision of advocacy services to the audited entity, unless such services are provided by different legal entities and with different management boards, and not being referred to the resolution of litigation on issues that may have an incidence significant, measured in terms of relative importance, in the states financial statements for the period or year audited.*

5. *The provision to the audited entity of design and implementation services of internal control procedures or risk management related to the preparation or control of financial information, or the design or application of computer systems of financial information, used to generate the data included in the financial statements of the audited entity, unless this responsibility is assumed by the audited entity for the global system of internal control or the service is provided following the specifications established by said entity, which must also assume responsibility for the design, execution, evaluation and operation of the system.*

### **III.- Additional services provided by KPMG Auditores S.L. and its affiliates**

For the purposes of this report, the written declaration of independence received from the Company's auditors, pursuant to the provisions of Article 529 quaterdecies, paragraph 4.e) of the Capital Companies Act (Ley de Sociedades de Capital), which includes information on the corresponding fees for the auditing and additional services, of whatever kind, provided to the Company and its Consolidated Group [by the external auditor or] by the persons or entities associated therewith, in accordance with Article 24, paragraph 1 of the Auditing of Accounts Act (Ley de Auditoría de Cuentas), has been taken into consideration.

In the 2017 financial year, the auditing firm KPMG Auditores S.L. invoiced the Company and Group for 178,393 euros for auditing services and 6,130 euros for other accounting verification services.

The fees received by other entities affiliated with KPMG International in the 2017 financial year amounted to 73,258 euros, plus 9,000 euros for other services.

The fees received by KPMG Auditores, S.L. for accounting services, i.e. 178,393 euros, include the audits of the individual and consolidated annual accounts of the Company as well as the individual annual accounts of the Group companies that have been audited by the aforementioned firm<sup>1</sup>.

The fees for account verification services, i.e. 6,130 euros, mainly include works on proceedings for an amount of 3,630 euros, and a report on the capital increase to offset loans in an amount of 2,500 euros.

The fees for auditing services carried out by affiliates of KPMG International, i.e. 73,258 euros, relate to the auditing of the individual annual accounts of Company subsidiaries: Telepizza Poland Sp. z.o.o., Telepizza Chile S.A., Telepizza Portugal SA and Inverjenos SAS.

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<sup>1</sup> *The following companies have not been audited or have been audited by an auditor other than KPMG Mixor S.A.U.: Circol S.A.U., Telepizza Guatemala S.A., Telepizza Ecuador S.A., Shanghai Telepizza CO. LTD., Telepizza Andina S.A.C., Procusto Activos S.L., Foodco Pastries Maroc SRL., Cozicharme Comercio Productos Alimentare LDA, Bazigual SGPSU LTDA, Todopizza S.L. Foodco Pastries Panamá SA. and Telepizza Switzerland GmbH.*

The services, in addition to auditing, provided by KPMG and its affiliates for the amount of 9,000 euros relate to tax services Telepizza Chile S.A.

**IV.- Opinion of the Auditing Committee on the independence of the auditor.**

The Auditing Committee has received confirmation from the auditor of the latter's independence, in accordance with the criteria of the Auditing of Accounts Act (Ley de Auditoría de Cuentas) and, with regard to the 2017 financial year, confirmation that no circumstances have been identified that could, either individually or as a whole, pose a significant threat to the independence of auditors.

In view of the foregoing, the Auditing Committee considers that there is nothing to suggest that the auditor is not sufficiently independent to perform its duties, in consideration of the cases provided for in the Auditing of Accounts Act (Ley de Auditoría de Cuentas) and, as such, that KPMG Auditores, S.L. has acted with the independence required by the applicable legislation in order to exercise its duties to inspect and verify the financial statements.

**V.- Publication of the report**

This report on the independence of the external auditor of Telepizza Group, S.A. and its consolidated group will be published on the Company's website, together with its individual and consolidated annual accounts.

Madrid, 26 February 2018