REPORT OF THE BOARD OF DIRECTORS OF TELEPIZZA GROUP, S.A. IN RELATION TO THE PROPOSED RESOLUTION REFERRED TO IN THE FIFTH ITEM OF THE GENERAL SHAREHOLDERS' MEETING AGENDA, TO BE HELD ON 27 JUNE 2018 AND 28 JUNE 2018, IN FIRST AND SECOND CALLS, RESPECTIVELY, IN CONNECTION WITH A STRATEGIC ALLIANCE AND MULTIJURISDICTIONAL MASTER FRANCHISE AGREEMENT BETWEEN PIZZA HUT INTERNATIONAL, LLC AND TELEPIZZA GROUP

The purpose of this report is to justify the resolution proposal submitted to the General Shareholders' Meeting of Telepizza Group, S.A. ("**Telepizza**" or the "**Company**") under the fifth item of its agenda, in connection with a strategic alliance and multijurisdictional master franchise agreement between Pizza Hut International, LLC ("**Pizza Hut**") and Telepizza group (the "**Transaction**").

Considering the strategic importance of the Transaction, the Board of Directors has agreed to submit to the General Shareholders' Meeting the approval of the Transaction and the transactions it entails (as described below), and has prepared this report to provide the shareholders with the most relevant information in relation to it.

1. RATIONALE OF THE TRANSACTION

The Transaction contemplates a strategic alliance and multijurisdictional master franchise agreement between Telepizza and Pizza Hut to accelerate their joint growth across Latin America (excluding Brazil), the Caribbean, Spain[1], Portugal and Switzerland.

The negotiations until the signing of the contractual documentation 15 May 2018 were carried out throughout, approximately, 14 months, during which, the Board and its Commissions, in addition to the 14 ordinary meetings, held a total of 10 extraordinary meetings to follow up on the Transaction and on its negotiations. The Company's Board of Directors was advised by, among others, PwC (tax, accounting and valuation advisor) and Uría Menéndez Abogados, S.L.P. (legal advisor). Moreover, the Board appointed a world leader U.S. consulting firm for

[1] The master franchise agreement for Spain includes the possibility that Telepizza operates and develops the Pizza Hut network in the Principality of Andorra.

the strategic issues and Barclays Bank PLC (acting through its investment bank) to advise it in the relations with investors.

Pizza Hut, a division of Yum! Brands, Inc. ("**Yum! Brands**"), is the largest pizza restaurant company of the world with nearly 17,000 restaurants in over 100 countries. As a result of the Transaction, Telepizza, in addition to the outlets of its network (currently, 1,600), will operate approximately 1,000 Pizza Hut outlets, and will become Pizza Hut's largest master franchisee globally by unit count and a world leader pizza operator, with an ambitious growth plan in the next years.

With the Transaction, the Company seeks to recognize its capacity to manage the network and supply pizza dough and ingredients, and to boost its international growth plan (taking advantage of the existing synergies between both groups). The Company will nearly double the number of outlets to more than 2,500, expanding its international reach to 37 countries (more than 500 million potential consumers) and it is expected that its chain sales will increase by a maximum of EUR 1.1 billion annually. Additionally, considering the commitments undertaken in the Transaction, the Company targets an EBITDA of EUR 100 million by 2021.

As a result of the foregoing, the Board of Directors of Telepizza expects the alliance to be a tool for value creation for Telepizza's shareholders, franchisees, clients and employees.

2. STRUCTURE OF THE TRANSACTION

2.1 General principles of the Transaction

2.1.1 About the Pizza Hut network: As previously mentioned, the Transaction contemplates a strategic alliance and master franchise agreement between Telepizza and Pizza Hut in the following territories: Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland, which main terms and conditions are summarized as follows:

Telepizza will acquire exclusive master franchise rights in relation to the Pizza Hut system, and, consequently, Telepizza will *(i)* assume the franchisor position in the existing Pizza Hut franchise agreements; and *(ii)* be able to open and operate new Pizza

Hut outlets, whether equity or franchised. Additionally, Telepizza will manage the Telepizza and Pizza Hut supply chain in said territories.

2.1.2 **About the Telepizza network:** In Spain and Portugal, where the Company's presence and recognition are stronger, as well as in Bolivia, El Salvador and Guatemala[2], where the Company also keeps a relevant activity, Telepizza will keep exploiting the Telepizza system, as franchisor, pursuant to terms which are substantially identical to the current ones. In the rest of the territories affected by the master franchise agreements, the Company has undertaken to carry out the conversion, within certain time limits[3], of the current Telepizza outlets to Pizza Hut outlets.

2.1.3 **About the territories not subject to a master franchise agreement:** In respect of the other territories where Telepizza is currently present but which are not subject to any master franchise agreement, see section 2.7 below.

2.1.4 **About the Telepizza distinctive signs:** In order to keep operating the Telepizza outlets, Telepizza will maintain an usufruct on the Telepizza distinctive signs (including both on the trademarks and domain name registrations and applications)[4], while the bare ownership will be contributed to a newly constituted joint venture to be incorporated by Telepizza and in which Pizza Hut will have a minority stake, that is not controlling. The usufruct will have an initial term of 30 years (maximum legal term); and after this period has elapsed, the usufruct would be renewed or, failing this, Telepizza will automatically be granted an exclusive license on such distinctive signs, pursuant to terms substantially identical to those of the usufruct. Pizza Hut will have a call option over such bare

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[2] In Bolivia, El Salvador and Guatemala there will not be conversion obligation for Telepizza outlets, but Telepizza, always observing the contractual terms in force until their termination, will seek the divestment of the Telepizza network (El Salvador and Guatemala) or its conversion to Pizza Hut (Bolivia).

[3] Which are longer in the case of Chile, considering the more significant presence and recognition of Telepizza group in such country (see section 2.5.3).

[4] The distinctive signs include the Telepizza trademarks, commercial names and domain names and, generally, the signs meant to be used for the Telepizza system worldwide (except Iran). Nonetheless, to simplify, we refer to such signs as "Telepizza distinctive signs" or the "Telepizza trademarks".

ownership, which may in general be exercised within 18 months following the third anniversary of the granting of said call option.

2.2 Master franchise terms and conditions

2.2.1 Geographic scope

Pursuant to the agreement with Pizza Hut, Telepizza will become its exclusive master franchisee in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland[5].

2.2.2 Duration

The initial duration of the master franchise agreements for Spain, Portugal and Chile will be 30 years, renewable for two additional ten-year terms each; thus, the duration of the master franchise agreements in such jurisdictions would be 50 years. In the other jurisdictions, the initial duration of the master franchise agreement will be ten years, renewable for a second ten-year term and a third five-year term. In such case, therefore, the duration of such agreements could be extended to up to 25 years.

Telepizza will be entitled to renew the master franchise agreements provided it complies with the following renewal conditions: (i) notify Pizza Hut, with at least 12 months in advance, its intention to renew the relevant agreement; and (ii) neither be in breach of the agreement which may lead to its termination nor be in breach of the development targets[6].

2.2.3 Economic aspects

(i) Upfront payment. For the acquisition of the exclusive rights in the master franchise territories, Telepizza will pay Pizza Hut a total amount of EUR 11.85 million in a maximum term of three years following the closing.

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[5] In México, initially, the rights to use and exploit Pizza Hut trademark for the development of outlets are not granted exclusively.

[6] For the territories other than Spain, Portugal and Chile, as described in section 2.5.1, the renewal of a master franchise agreement for years 21 to 25 will require Telepizza and Pizza Hut to agree on a plan for the opening of outlets for these five years.

(ii) Fees. Telepizza and Pizza Hut will receive the monthly fees and other fees generated from the exploitation of the Telepizza and Pizza Hut outlets for as long as the agreement is in force.

As such, and in general, Telepizza will pay to Pizza Hut 3.5% of sales from Pizza Hut equity and franchised outlets and, likewise, 3.5% of sales from Telepizza equity and franchised outlets as "*alliance fees*"; thus, for as long as the royalties collected from franchisees amount to 6%, Telepizza will retain the remainder 2.5%[7].

Additionally, other economic concepts derived from the agreements entered into with the relevant franchisees, as initial, renewal or transfer fees, will be pooled, subject certain exceptions, incentives and grace periods.

(iii) *Royalty credit*. Notwithstanding the foregoing, a certain amount of the annual sales is exempt from royalties during the first 17 years of the agreement. Said annual amount will be, initially, US$250 million, which will decline annually from third year until reaching zero in seventeenth anniversary.

(iv) Incentive: The agreement contemplates an incentive in favor of Telepizza of a US$25 million payable during the first three years, subject to the compliance of certain development and conversion of Telepizza outlets to Pizza Hut outlets targets, as described in section 2.5 below.

2.2.4 Termination of the master franchise rights

As usual, the agreements set out several termination events, such as:

(i) Breach by Pizza Hut: The master franchise agreement sets out certain early termination events by Telepizza in case of Pizza Hut's breach of its contractual obligations. In addition to the termination events common to both parties, the following termination events attributable to Pizza Hut may be highlighted: *(a)* failure to pay the incentive mentioned previously, *(b)* breach of Telepizza's preferential rights in relation to a new

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[7] Notwithstanding the foregoing, in Guatemala and El Salvador and for the Telepizza outlets opened in Bolivia prior to the closing of the Transaction, Telepizza will pay Pizza Hut 58.33% of the fees collected by Telepizza. In the territories where master franchise rights are not granted (Poland, Russia, United Kingdom, Malta, Czech Republic, France, Morocco and Angola), the same criterion will be generally applicable during the first two years.

retail pizza project which Pizza Hut intends to develop in the territories where the Telepizza group operates as Pizza Hut master franchisee; *(c)* breach of the restrictions on use, encumbrance and disposal of the Telepizza trademarks included in the Umbrella Agreement (as defined in section 2.8 below); *(d)* unreasonably revoking of authorization granted to Telepizza or its subsidiaries to supply to Pizza Hut and Telepizza outlets; or *(e)* breach of the exclusive rights granted to the entities of Telepizza group which are master franchisees.

The consequences in such case are the following:

(a) Telepizza could terminate the relevant master franchise agreements, in which case, it would have to assign to Pizza Hut the sub-franchised outlets operated under the Pizza Hut system in the relevant territory to be exploited by Pizza Hut or a third party nominated by it, as franchisor. In relation to the Pizza Hut equity outlets, Telepizza could keep them as such, subject to a franchise agreement with Pizza Hut.

(b) Telepizza would continue operating its equity and franchised outlets as owner (in respect of the first ones) and franchisor (in respect of the second ones), under the Telepizza distinctive signs and would terminate the supplementary agreement, maintaining, in any case, the exclusive and gratuitous usufruct on the Telepizza trademarks or, upon expiration of the term of the usufruct, an equally exclusive and gratuitous license.

(c) Telepizza would not be subject to a post-contractual non-compete obligation.

(d) Pizza Hut could not require the sale to it of the Pizza Hut and Telepizza outlets owned by Telepizza.

(ii) Breach by Telepizza: The master franchise agreements in each territory may be terminated by Pizza Hut in case of Telepizza's breach of the obligations under the agreement in said territory (i.e., of payment, of compliance with certain standards – especially in relation to food safety–, of the applicable laws to the outlets, of the non-compete restrictions, of sale of non-approved products or from non-approved suppliers, infringement of intellectual property, lack of supervision and control of franchisees or systematic reiteration of breaches), even though the parties have agreed a cure period for most events.

(iii) Expiration of the term of a given master franchise agreement, without it being renewed, as set out in section 2.2.2 above.

The consequences of termination in case of breach by Telepizza or upon expiration of the term of the agreement are the following:

(a) Telepizza should assign to Pizza Hut all sub-franchise agreements for Pizza Hut outlets in the relevant territories.

(b) Pizza Hut could require Telepizza to transfer, in consideration for a market price determined by an independent third party, all of its Pizza Hut equity outlets. In case Pizza Hut does not exercise such option, Telepizza would continue operating as franchisee of its equity outlets through franchise agreements with Pizza Hut.

(c) Pizza Hut would have the option to request the termination of the usufruct on the Telepizza distinctive signs for the relevant territory and, together with it, the termination of the supplementary agreement (as described further in section 2.8(ii)), the assignment to it of all Telepizza franchise outlets in the relevant territory and the possibility to acquire, in consideration for a market price determined by an independent third party, all Telepizza equity outlets (in case Pizza Hut does not exercise such option, Telepizza would continue operating as franchisee of its equity outlets through franchise agreements of different terms, depending on their opening dates).

(d) Telepizza would have a 1-year post-contractual non-compete obligation (without prejudice to the non-compete obligation inherent to franchise agreements, where applicable).

(e) The termination of the master franchise rights, on the contrary, would not imply the termination of Telepizza supply agreements entered into in connection with Pizza Hut and Telepizza networks.

2.2.5 Change of control

As usual in master franchise agreements (since they are trust based relationships and of great importance for the franchisor), in case of change of control in Telepizza or Tele Pizza, S.A.U. without Pizza Hut's prior consent, the latter will be entitled to terminate all or part of the master franchise agreements and the effects of termination would be equivalent to those in case of breach by Telepizza[8].

For the purposes of this termination event, change of control will be understood as:

(i) For as long as Telepizza is a listed company, the direct or indirect acquisition of 30% or more of the shares of Telepizza by a Competitor or a Restricted Acquirer (both terms are defined in the schedule of definitions herein attached).

(ii) In case of both Tele Pizza, S.A.U. and Telepizza (if it ceases to be a listed company), the sale of an interest in such entities *(a)* exceeding 1% in case the acquirer is a Competitor; *(b)* above 29.9% in case the acquirer is neither a Competitor nor a Restricted Acquirer; or *(c)* any interest if it is a Restricted Acquirer. Nonetheless, there will be no change of control if the acquirer had been previously confirmed as an Approved Acquirer (term of which is defined in the schedule of definitions herein attached) through a procedure agreed by the parties for this purpose.

Without prejudice to the foregoing, in case a third party not included in the restrictions described in this section acquires the control in Telepizza or Tele Pizza, S.A.U. or if Pizza Hut authorizes the change of control set out in paragraphs (i) and (ii) above, Telepizza shall pay a transfer fee to Pizza Hut amounting to US$ 2.5 million or, if greater, 0.25% of Telepizza's total enterprise value[9].

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8 Moreover, the change of control in any other company of the Telepizza group, which is a mater franchisee, without the consent of Pizza Hut, will constitute a termination event for the relevant master franchise agreement. For this purpose, change of control will be regarded as such in case of acquisition *(a)* of any interest by a Competitor or Restricted Acquirer; or *(b)* of an interest above 49% or which grants the company's control by any other third party.

9 Such transfer fee will not be applicable if (i) the acquirer is a member of the group of a shareholder holding 3% or more of Telepizza's voting shares and (ii) it acquires control within the 24 months following the closing of the Transaction.

2.3 Operating the supply chain and business opportunities in this regard

As agreed between Telepizza and Pizza Hut, Telepizza will be entitled to manage the supply chain for the Telepizza and Pizza Hut networks in the territories subject to a master franchise agreement. Moreover, once the requirements for it have been met, Telepizza will become an authorized supplier for Pizza Hut outlets.

Additionally, the parties have agreed to explore the possibility to extend the pizza dough supply, produced by Telepizza group, beyond the territories covered by the master franchise agreements and to include other franchise concepts within Yum! Brands group.

2.4 Operating the Telepizza distinctive signs

As laid down in the Umbrella Agreement entered into by the parties, Telepizza will incorporate a Spanish limited liability company (*joint venture*) to which it will contribute the bare ownership on the Telepizza trademarks. In turn, Pizza Hut will become a shareholder of said joint venture, after taking the stake of EUR 1 par value, while it will be granted certain protective rights in respect of, among others, the matters that may affect the bare ownership on the Telepizza trademarks, with the aim of preserving them ahead of the potential exercise of the call option, as it will be explained below. The corporate relations between both shareholders of the joint venture will be regulated by means of a shareholders' agreement, to be signed at the Transaction's closing.

Moreover, Telepizza and Pizza Hut have agreed that, once the joint venture is incorporated and both companies are its shareholders, the joint venture will grant a call option in favor of Pizza Hut over the bare ownership of the Telepizza distinctive signs for an amount of EUR 1.75 million, which will be exercisable, in general, within a 18-month window from the third anniversary of the closing of the Transaction. The price of exercise of the option, which amounts to EUR 10.1 million, was determined by an expert appointed by Telepizza on the basis of the market value of the bare ownership on the Telepizza trademarks in three years (that is, excluding the usufruct that the Telepizza group retains).

Telepizza preserves the exclusive right to use and enjoy the Telepizza trademarks and, therefore, the ability to license and sub-license the trademark, so that it will continue to operate its business and trademark as it has done until today.

The usufruct is constituted for the maximum legal term (a 30-year period); upon expiration of such term, and unless the parties have agreed upon its renewal, the bare owner will become the rightful owner of the Telepizza distinctive signs, although an exclusive and gratuitous license in favor of Telepizza will be automatically constituted, pursuant to terms substantially identical to those of the usufruct, in order for it to continue exploiting them in the territories where it operates the Telepizza system and for as long as it does so.

2.5 Opening and conversion targets

2.5.1 Opening targets

The Umbrella Agreement sets out an ambitious development plan of the Telepizza-Pizza Hut combined network, which contemplates the opening of new outlets during the term of the master franchise agreements. Generally, the Umbrella Agreement envisages the opening of new outlets to be mainly operated under the Pizza Hut system.

During the initial ten years, Telepizza shall promote the opening of a total of 1,300 new equity and franchised outlets (250 in the first three years). Failing to meet such targets, between year 4 and 10 of the agreement, Pizza Hut may impose on Telepizza a penalty for each outlet not opened as per targets (shortfall). Between years 11 and 20, Telepizza undertakes to open 125 new outlets per year, making a total of 1,250 outlets.

In Chile, Spain and Portugal, from year 21 onwards, the annual system sales in each one of these three countries shall increase in line with a given growth rate[10]. As for the other jurisdictions, the parties have not agreed on the development targets after year 21; thus, it will be necessary to agree with Pizza Hut on a new development plan in order to extend the master franchise agreement rights in such jurisdictions.

The breach of the outlet opening target would only entail the early termination of the relevant master franchise agreement if the number of outlets opened fall below 1,000 outlets (or the number of outlets that shall be opened in the relevant year of measurement). Additionally, the Company will be entitled to a cure period and will have the right to offset the opening shortfalls

[10] Particularly, the parties have agreed that the sales in each of the three countries shall increase annually in accordance with the average annual growth rate of the Gross Domestic Product in the two previous years.

with the excess in openings above the agreed development targets. In Chile, Spain and Portugal, the termination regime has less stringent thresholds, as mentioned in section 2.5.3 below.

Additionally, the Umbrella Agreement contemplates an obligation to maintain, at all times and subject to a grace period of 5 years, a number of equity outlets operated under the Pizza Hut system representing, at least, 10% of the total Pizza Hut outlets existing in the territories included in the master franchise agreements.

2.5.2 Conversion target

As previously described, the Umbrella Agreement contemplates the gradual conversion, within certain time limits, of the Telepizza outlets to Pizza Hut in the jurisdictions affected by the Transaction, except for Spain, Portugal, Bolivia, El Salvador and Guatemala, where there will be no conversion obligation and, as such, Telepizza will continue exploiting the Telepizza network or location (without prejudice to the right to open Pizza Hut outlets). The general regime is of five years, except in Chile, which is of ten years.

In case the level of conversion is below 80% of the conversion targets, in the relevant year of measurement, Pizza Hut could terminate the master franchise agreement in the relevant Territory , subject to certain conditions and cure periods set out in the Umbrella Agreement.

2.5.3 Special regime for Spain, Portugal and Chile

In the case of Spain, Portugal and Chile, a different regime in relation to the opening and conversion targets was agreed upon in order to limit the possibility of terminating the agreements in said territories. Thus:

(i) If Telepizza does not reach the minimum global opening threshold (equity or franchised) in all territories affected by the Transaction, the master franchise agreements for Spain, Portugal and Chile will not be terminated (or, where applicable, would be renewed), provided the number of Pizza Hut or Telepizza outlets existing at the date of signing of the Umbrella Agreement in such three countries remains flat plus 50 new outlets in Spain and Portugal.

(ii) As mentioned in section 2.5.2 above, in Spain and Portugal, there is no conversion obligation and in Chile, the deadline for full conversion is twice as the one for the other territories.

2.6 Arrangements in relation to the conducting of the business by Telepizza and Pizza Hut and the agreed limitations

The Umbrella Agreement includes, furthermore, certain limitations in respect of the conducting of the business by Telepizza[11] as, for instance, the ones described as follows:

(i) *Blackout*. During the first two years of the alliance, Telepizza will not be able to engage in any new business, whether or not food business, unless agreed with Pizza Hut.

(ii) Non-compete obligation. In the case of the affected territories by the Transaction, for as long as the master franchise agreements are in force and during one additional year, Telepizza could not be engaged in any informal restaurants, quick service restaurants and/or take away or home delivery services if pizza, pizza and pasta, ready-to-eat chicken, Mexican food, or beef burger represent more than 20% of the food products sold in the business. The foregoing is without prejudice to the possibility to carry out the manufacturing and non-retail commercialization of any pizza related products (including pizza dough and other pizza ingredients), provided that Telepizza does not use Pizza Hut trademark and know-how and does not supply to a competitor, as defined in the Umbrella Agreement. This obligation will be limited to a three-year period following the completion of the transfer of the bare ownership on the Telepizza distinctive signs to Pizza Hut, upon the potential exercise of the call option referred to in section 2.4 above, for those countries not included in the master franchise agreements.

Likewise, once the non-compete obligation in relation to a certain territory expires, and for as long as other master franchise agreements remain in force and for one year thereafter, if Telepizza decides to develop a competitive business, it should adopt certain measures to ensure that the Pizza Hut know-how is nor used (*i.e.*, a different management team, adequate IT measures, etc.).

[11] It is worth noting that the parties have agreed on certain limitations on the conducting of the business on the territories where Telepizza is not yet present (the so-called "*non operative territories*").

(iii) Limitation in connection with participating in any competing franchise network, with the purpose of protecting Pizza Hut's know-how and preventing the latter from being used by its main competitors. For as long as one master franchise agreement is in force and for one additional year, Telepizza cannot operate outlets (whether as master franchisee, franchisee or similar) belonging to one of the main competing pizza networks.

(iv) Pizza Hut's right of first offer in relation to a new pizza business. For as long as one master franchise agreement is in force, in the event that Telepizza decides to develop or acquire a new pizza retail business in any territory, Pizza Hut will have a right of first offer to participate in it together with Telepizza.

(v) As the case may be, upon the exercise of the call option described in section 2.4 above, a supplementary agreement to the usufruct regulation will enter into force, by virtue of which, certain aspects of the Telepizza business (for instance, the manuals, approved products, approved suppliers, selection of franchisees, among others) shall comply with, among others, the core principles of Pizza Hut in terms of food quality and food safety, information security and protection of image and reputation (the so-called "*Red Lines*").

On the other hand, for as long as there is one master franchise agreement in force, if Pizza Hut decided to develop a new pizza retail project in the affected territories by the master franchise agreements, Telepizza will have a right of first offer and, subsidiarily, provided the conditions for it are met, a right of first refusal to become the exclusive operator of such new project.

2.7 Framework of actions in countries not included in the master franchise agreement

Apart from the territories affected by the master franchise agreements (and Ireland and Iran), Telepizza currently operates in Angola, France, Malta, Morocco, Poland, Czech Republic, United Kingdom and Russia. In such territories, the terms of the agreements in force in such territories will be observed until their termination. Notwithstanding the foregoing, Telepizza will employ its best efforts to transfer the operative outlets in such jurisdictions to a third party (including Pizza Hut or its master franchisee in the relevant territory) or convert them to Pizza Hut outlets. In general, during the first two years, Telepizza will pay Pizza Hut 58.33% of the fees collected by Telepizza as royalties in such territories. After this period, as the case may be, the regular fee will be paid.

In respect to Ireland, where Telepizza is the majority shareholder in a joint venture incorporated for the Apache business, Telepizza and Pizza Hut have agreed to analyze different alternatives so that said business would form part of the Transaction in the future, observing at all times the contractual commitments in place with the local partner.

Finally, in relation to Iran, Telepizza will continue the master franchise business operated by Momenin Investment Group in said territory whilst the current regulatory uncertainties in terms of sanctions in relation to such country have not been cleared.

2.8 Contractual structure

The Transaction is structured through a framework agreement called umbrella agreement entered into by Pizza Hut, Telepizza and Tele Pizza, S.A.U. on 15 May 2018 (the "**Umbrella Agreement**"), which sets forth the main terms and conditions of the Transaction, and which have been previously described; and attach the rest of the contractual documentation in agreed form, which will be signed on the closing of the Transaction, namely:

(i) The template of Pizza Hut master franchise agreement for the different territories, to be entered into by the entities of the Telepizza group, as master franchisees, with the relevant master franchisor entities of the Pizza Hut group; and the templates of Pizza Hut franchise agreements (which will be entered into by each Pizza Hut franchised or equity outlet[12]); and

(ii) The agreements related to the joint venture, namely: *(a)* an agreement between the shareholders of the joint venture, to which the bare ownership on the Telepizza distinctive signs will be contributed; *(b)* a call option over such bare ownership in favor of Pizza Hut; *(c)* a regulation of the usufruct on the Telepizza distinctive signs; *(d)* a supplementary agreement to the latter, in case the call option is exercised by Pizza Hut;

[12] The template of franchise agreement differs, depending on whether the outlet is directly operated by an entity of Telepizza group (equity outlets) or by a third party (franchised outlets).

and *(e)* an agreement with an intellectual property agent for the provision of certain services in relation to the daily management of the Telepizza distinctive signs.

The entry into force of the Umbrella Agreement is subject to the following conditions precedent being met: *(i)* approval by the General Shareholders Meeting of Telepizza, *(ii)* approval of the Transaction by the relevant antitrust authorities, *(iii)* obtaining a waiver from Telepizza financing banks, and *(iv)* no change of control affecting the Company between the date of signing (on 15 May) and closing of the Transaction. For the purpose of the last condition precedent, there will not be a change of control if a third party acquiring control *(a)* were, at the date of signing of the agreements, a shareholder with 3% or more of Telepizza's voting share capital; and *(b)* vote in favor of the approval of the Transaction at the General Shareholders Meeting of Telepizza.

3. PROPOSED RESOLUTION TO GENERAL SHAREHOLDERS' MEETING

A full text of the proposed resolution submitted to approval of the General Shareholders Meeting, referred to the fifth item of its agenda, is verbatim transcribed as follows:

"***Fifth.- Review and approval, where applicable, of a strategic alliance and multijurisdictional master franchise agreement between the Company and Pizza Hut International, LLC.***

To approve a strategic alliance and multijurisdictional master franchise agreement between the Company and Pizza Hut International, LLC, as well as the granting to the latter, by the subsidiary to be incorporated by the Company, of a call option over the bare ownership on all of the Telepizza distinctive signs, under the terms and conditions that are described in the Board of Director's report approved on 24 May 2018.

In the context of the above, it is agreed to delegate on the board of directors, with express faculties of substitution, the authority to carry out as many actions as are necessary or merely convenient for the conclusion of the transaction and perform as many acts as are necessary, recommended, required or convenient for its most complete execution, including, by way of clarification but not limited to, negotiating and signing any agreements necessary to implement the transaction, signing and submitting to any public authorities, including the European Commission, the Spanish Commission on Markets and Competition (in its acronym in Spanish, CNMC) and the Spanish Securities Market Commission (in its acronym in Spanish, CNMV), all documents deemed necessary within the framework of the transaction, or the granting of the public documents that are required."

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In San Sebastián de los Reyes (Madrid), on 24 May 2018.

SCHEDULE OF DEFINITIONS

"**Approved Acquirer**" means any acquirer which passes the verification process carried out by the financial advisor appointed by Telepizza and is approved by Pizza Hut. The acquirers deemed approved will not need the subsequent consent of Pizza Hut in order to acquire an interest in the Telepizza group, without prejudice to the payment of the transfer fee, where applicable

"**Restricted Acquirer**" means *(i)* the government of any jurisdiction that is subject to an embargo imposed by the United Nations, the United States government, or the European Union or any of its member states; *(ii)* persons or entities resident in such jurisdictions or which have been identified by any government or authority as a person or entity with whom transactions with U.S. persons or entities or their affiliates are prohibited or restricted; *(iii)* persons (or affiliates) who have been Yum! Brands franchisees and *(iv)* persons (or affiliates) who have previously been opposing parties in litigation disputes involving Yum! Brands (or its subsidiaries).

"**Competitor**" means the persons (or related entities, including as well master franchisees, franchisees or licensees) exploiting a business related to the wholesale or retail preparation, marketing or sale of given food products, provided that, in the relevant menus, the following categories (a) pizza, (b) ready-to-eat chicken, or (c) Mexican food, exceed certain thresholds (in particular, that more than 20% of the menu corresponds to any one of such categories, more than 35% of the menu relates to a combination of two of such categories, or more than 50% to three), provided that: such persons operates, directly or indirectly, outlets that generate at least EUR 50,000,000 in sales in any of such categories (for the purpose, the company's outlets, as well as those of its sub-franchisees, licensees or sub-licensees will be taken into account, but not those of its franchisors, master franchisors or licensors).

Additionally, the following will also be deemed Competitors *(a)* certain companies[13] (including its related entities or any person which is its master franchisee, franchisee, sub-franchisee, licensee, or sub-licensee). The list of companies included herein may be updated by Pizza Hut,

[13] McDonald's Corporation, Papa John's International, Inc., Restaurants Brands Int'l Inc., Domino's Pizza Inc., Chick-fil-A Inc., Little Caesars Pizza, Inc., Chipotle Mexican Grill, Inc. and Popeye's Louisiana Kitchen Inc.

subject to certain limitations; or *(b)* a private equity or financial entity with an interest in any of the companies described previously or referred to in the preceding paragraph, unless the investment is managed by a different entity.

A Competitor will not, nevertheless, be regarded as such for the purpose of change of control if, at the time of the acquisition of the interest in Telepizza or Tele Pizza, S.A.U., it publicly announces its commitment to divest as required to not fall under the referred thresholds and concludes such divestments within three months.