Consolidated Financial Statements for the year ended 31 December 2020

AmRest Holdings SE

24 FEBRUARY 2021

This document has been prepared for convenience purposes only.
AmRest Group's consolidated annual report has been prepared in XHTML format.

AmRest

AmRest

(all figures in EUR millions unless stated otherwise)

Consolidated income statement for the year ended 31 December 2020

	Note	year ended 31 December 2020	31 December 2019
Continuing operations			
Restaurant sales		1 452.3	1 855.6
Franchise and other sales		70.6	105.9
Total revenue	5,7	**1 522.9**	**1 961.5**
Restaurant expenses:			
Food and merchandise		(413.2)	(523.8)
Payroll and other employee benefits		(409.6)	(469.6)
Royalties		(67.9)	(88.6)
Occupancy and other operating expenses		(517.0)	(560.3)
Franchise and other expenses		(54.6)	(73.7)
Gross Profit		**60.6**	**245.5**
General and administrative expenses		(143.4)	(147.3)
Net impairment losses on financial assets	10	(6.2)	(4.1)
Net impairment losses on other assets	10	(84.6)	(35.4)
Other operating income/expenses	9	31.1	46.9
Profit/loss from operations		**(142.5)**	**105.6**
Finance income	11	2.1	33.8
Finance costs	12	(61.0)	(46.0)
Profit/loss before tax		**(201.4)**	**93.4**
Income tax expense	13	17.7	(26.5)
Profit/loss for the period		**(183.7)**	**66.9**
Attributable to:			
Shareholders of the parent		(182.0)	65.1
Non-controlling interests		(1.7)	1.8
Profit/loss for the period		**(183.7)**	**66.9**

		year ended 31 December 2020	year ended 31 December 2019
Basic earnings per ordinary share in EUR	28	(0.83)	0.30
Diluted earnings per ordinary share in EUR	28	(0.83)	0.29

The above consolidated income statement should be read in conjunction with the accompanying notes.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of comprehensive income for the year ended 31 December 2020

		year ended	
	Note	**31 December 2020**	**31 December 2019**
Profit/loss for the period		**(183.7)**	**66.9**
Other comprehensive income	25		
Exchange differences on translation of foreign operations		(19.3)	9.0
Net investment hedges		(10.9)	1.7
Income tax related to net investment hedges		1.8	(0.3)
Other comprehensive income/loss for the period		**(28.4)**	**10.4**
Total comprehensive income/loss for the period		**(212.1)**	**77.3**
Attributable to:			
Shareholders of the parent		(210.3)	75.7
Non-controlling interests		(1.8)	1.6

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of financial position at 31 December 2020

	Note	31 December 2020	31 December 2019
Assets			
Property, plant and equipment	14	475.0	584.9
Right-of-use assets	15	709.6	852.7
Goodwill	17	312.1	350.2
Intangible assets	16	240.7	253.5
Investment properties		4.9	5.2
Financial assets measured at fair value	19	-	76.2
Other non-current assets	20	22.9	25.1
Deferred tax assets	13	37.6	22.4
Total non-current assets		**1 802.8**	**2 170.2**
Inventories	21	26.5	29.9
Trade and other receivables	22, 37	60.4	104.6
Corporate income tax receivables		7.3	4.8
Other current assets	23	12.6	19.3
Cash and cash equivalents	24	204.8	106.2
Total current assets		**311.6**	**264.8**
Total assets		**2 114.4**	**2 435.0**
Equity			
Share capital		22.0	22.0
Reserves		170.1	178.3
Retained earnings		114.6	296.6
Translation reserve		(48.9)	(29.7)
Equity attributable to shareholders of the parent		**257.8**	**467.2**
Non-controlling interests	25	6.9	9.5
Total equity	25	**264.7**	**476.7**
Liabilities			
Interest-bearing loans and borrowings	29, 37	676.5	656.0
Lease liabilities	15	616.6	719.4
Employee benefits liability	31	0.3	0.6
Provisions	32	32.0	22.8
Deferred tax liability	13	39.0	51.4
Other non-current liabilities		7.2	9.2
Total non-current liabilities		**1 371.6**	**1 459.4**
Interest-bearing loans and borrowings	29, 37	94.3	64.1
Lease liabilities	15	144.8	144.7
Trade and other accounts payable	34	235.4	279.5
Corporate income tax liabilities		3.6	10.6
Total current liabilities		**478.1**	**498.9**
Total liabilities		**1 849.7**	**1 958.3**
Total equity and liabilities		**2 114.4**	**2 435.0**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of cash flows for the year ended 31 December 2020

		year ended	
	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit/loss for the period		(183.7)	66.9
Adjustments for:			
Amortisation/ Depreciation		253.4	249.3
Net interest expense		46.4	43.0
Foreign exchange result		11.5	(1.5)
Result on disposal of property, plant and equipment and intangibles		2.1	1.6
Result on disposal of Pizza Portal		-	(37.1)
Impairment of non-financial assets		84.6	35.4
Share-based payments		2.6	(9.6)
Fair value measurement of financial assets		-	(31.7)
Tax expense		(17.7)	26.5
Rent concessions		(18.6)	-
Other		0.7	(0.6)
Working capital changes:	24		
Change in trade and other receivables and other assets		27.0	(30.4)
Change in inventories		2.2	(3.9)
Change in payables and other liabilities		(24.5)	32.7
Change in provisions and employee benefits		8.9	6.3
Cash generated from operations		194.9	346.9
Income tax paid/received		(16.1)	(21.2)
Net cash from operating activities		**178.8**	**325.7**
Cash flows from investing activities			
Net cash outflows on acquisition		-	(24.1)
Proceeds from the sale of the business		20.0	-
Proceeds from the sale of property, plant and equipment, and intangible assets		7.6	0.4
Proceeds from the sale of financial assets measured at fair value		75.5	-
Purchase of property, plant and equipment		(84.9)	(182.7)
Purchase of intangible assets		(6.5)	(13.6)
Net cash used in investing activities		**11.7**	**(220.0)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		0.6	0.9
Repurchase of treasury shares	25	-	(0.9)
Proceeds from loans and borrowings	29	139.6	71.6
Repayment of loans and borrowings	29	(80.9)	(15.8)
Payments of lease liabilities including interests paid		(134.9)	(148.3)
Interest paid	29	(19.4)	(17.9)
Interest received		0.8	0.5
Dividends paid to non-controlling interest owners	26	(0.8)	(1.4)
Transactions with non-controlling interest		-	(5.8)
Net cash from financing activities		**(95.0)**	**(117.1)**
Net change in cash and cash equivalents		**95.5**	**(11.4)**
Effect of foreign exchange rate movements		3.1	(0.8)
Balance sheet change of cash and cash equivalents		98.6	(12.2)
Cash and cash equivalents, beginning of period		106.2	118.4
Cash and cash equivalents, end of period	24	**204.8**	**106.2**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of changes in equity for the year ended 31 December 2020

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2020		**22.0**	**178.3**	**296.6**	**(29.7)**	**467.2**	**9.5**	**476.7**
Profit/loss for the period		-	-	(182.0)	-	**(182.0)**	(1.7)	**(183.7)**
Other comprehensive income/loss		-	(9.1)	-	(19.2)	**(28.3)**	(0.1)	**(28.4)**
Total comprehensive income/loss		-	**(9.1)**	**(182.0)**	**(19.2)**	**(210.3)**	**(1.8)**	**(212.1)**
Transaction with non-controlling interests		-	-	-	-	**-**	(0.8)	**(0.8)**
Share based payments	25	-	0.9	-	-	**0.9**	-	**0.9**
As at 31 December 2020		**22.0**	**170.1**	**114.6**	**(48.9)**	**257.8**	**6.9**	**264.7**

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2019		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**
Profit for the period		-	-	65.1	-	**65.1**	1.8	**66.9**
Other comprehensive income		-	1.4	-	9.2	**10.6**	(0.2)	**10.4**
Total comprehensive income		-	**1.4**	**65.1**	**9.2**	**75.7**	**1.6**	**77.3**
Transaction with non-controlling interests		-	(5.1)	-	-	**(5.1)**	(2.0)	**(7.1)**
Deferred payment in shares	25	-	(13.0)	-	-	**(13.0)**	-	**(13.0)**
Purchases of treasury shares		-	(0.9)	-	-	**(0.9)**	-	**(0.9)**
Share based payments	25	-	(10.2)	-	-	**(10.2)**	-	**(10.2)**
As at 31 December 2019		**22.0**	**178.3**	**296.6**	**(29.7)**	**467.2**	**9.5**	**476.7**

The above consolidated income statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. General information on AmRest Group

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000 . Since 2008 the Company operates a European Company (Societas Europaea, SE). The company is domiciled in Spain.

There was no change in name of reporting entity during the reporting period.

Paseo de la Castellana 163, 28046 (Madrid), Spain is the Company's registered office as of 31 December 2020 and has not changed during the year 2020.

Hereinafter the Company and its subsidiaries shall be referred to as the "Group" and "AmRest Group".

On 27 April 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE") and on 21 November 2018 were quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE). Since 21 November 2018 AmRest's shares have been quoted simultaneously on both the above stock exchanges (dual listing).

Grupo Finaccess S.A.P.I. de C.V. is the ultimate parent of the Group.

The Group is the largest independent chain restaurant operator in Central and Eastern Europe. The Group is also conducting its operations in Western Europe, Russia and China. The Group's principal place of business is Europe.

The Group operates Kentucky Fried Chicken ("KFC"), Pizza Hut ("PH"), Burger King ("BK") and Starbucks ("SBX") restaurants through its subsidiaries in Poland, the Czech Republic (hereinafter Czechia), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchise rights granted. 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 based on master-franchise agreements.

In Spain, France, Germany and Portugal the Group operates its own brands La Tagliatella. This business is based on own restaurants and the franchise agreements signed with non-related companies. It is supported by the central kitchen located in Spain which produces and delivers products to the whole network of the mentioned own brands. The Group also operates its own brands Blue Frog (in China and Spain) and KABB (in China).

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise Sushi Shop restaurants among the others in France, Belgium, Spain, several Middle East countries, Switzerland, United Kingdom, Luxembourg, Italy, Portugal. Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants.

Additionally, among own brands the Group operates virtual brands Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie, Viva Salad!, Sushi Tone, Eat's Fine, Cremontano. The offer of virtual brands in Poland is available also under Food About concept that enables ordering different virtual brand dishes within one order.

As of 31 December 2020 the Group operates 2 337 restaurants (own and franchise) in comparison to 2 336 restaurants as of 31 December 2019 (restated as a result of change in virtual brands counting).

(all figures in EUR millions unless stated otherwise)

The Group operates its restaurants mainly on a franchise basis. However being master-franchisee and performing business through own brands has become more important. The table below shows the terms and conditions of cooperation with franchisors and franchisees of particular brands operated by AmRest.

Activity where AmRest is a franchisee					
Brand	**KFC**	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**Burger King**	**Starbucks** [1)]
Franchisor/ Partner	Yum! Restaurants Europe Limited	Pizza Hut Europe Limited	Pizza Hut Europe Limited	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czechia, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Poland, Czechia, Hungary, France, Russia, Germany, Slovakia.	Poland, Czechia, Bulgaria, Slovakia, Romania	Poland, Czechia, Hungary, Romania, Bulgaria, Germany, Slovakia, Serbia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czechia, Bulgaria, Slovakia, Romania – 20 years or 10 years [4)] Since 20 November 2018: 10 years for restaurants opened during the agreed development period.	15 years, possibility of extension for a further 5 years; in Romania till 10 October 2023 16 years, in Bulgaria till 1 October 2027 20 years
Preliminary fee	up to USD 53.4 thousand [2)]	up to USD 53.4 thousand [2)]	USD 26.7 thousand [2)]	USD 50 thousand or USD 25 thousand, in Czechia USD 60 thousand [4)] Since 20 November 2018: USD 30 thousand for restaurants opened during the agreed development period.	USD 25 thousand
Franchise fee	6% of sales revenues [3)]	6% of sales revenues [3)]	6% of sales revenues [3)]	5% of sales revenues, in Czechia (for 5 restaurants) 3% of sales revenues for first 5 years, then 5% Since 20 November 2018 for restaurants opened during the agreed development period: 3,5% of revenues in first 2 years growing to 4%, 4,5% and 5% in next years.	6% of sales revenues [5)]
Marketing costs	5% of sales revenues	5% of sales revenues	6% or 5% of sales revenues depending on the concept [3)]	5% of sales revenues, in Czechia 3% of sales revenues for first 3 years, then 5%. Since 20 November 2018 for restaurants opened during the agreed development period 4% or 5% of sales revenues (depending on the country) and 3% for flagships.	amount agreed each year

(all figures in EUR millions unless stated otherwise)

Activity performed through own brands					
Brand	**La Tagliatella**	**Blue Frog**	**KABB**	**Bacoa**	**Sushi Shop**
Area of the activity	Spain, France, Germany, Portugal	China, Spain	China	Spain	France, Spain, Belgium, Italy, Switzerland, Luxemburg, UK

Activity where AmRest is a franchisor (own brand or based on master-franchise agreements)						
Brand	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**La Tagliatella**	**Blue Frog**	**BACOA**	**Sushi Shop**
Partner	Yum Restaurants International Holdings LLC	Pizza Hut Europe Limited, Yum Restaurants International Holdings LLC	Own brand	Own brand	Own brand	Own brand
Area covered by the agreement	Germany, Russia, Armenia and Azerbaijan	Germany, France, CEE (Hungary, Czechia, Poland, Slovakia), Russia, Armenia and Azerbaijan	Spain, France	Spain, China	Spain	France, Belgium, Spain, United Arab Emirates, Saudi Arabia, Italy, Portugal
Term of agreement	10 years with possibility of extension[6)]	10 years with possibility of extension[6)]	10 years with possibility of extension	10 years with possibility of extension	10 years with possibility of extension	Franchise agreements: 5 years with a limited territorial exclusivity and EADA i.e. "master franchise": exclusivity for specific territories granted to from 2 up to 14 years.

1) AmRest Group took up 82% and Starbucks 18% of the share capital of the newly-established companies in Poland, Czechia and Hungary. In the event of default, deadlock, or disputed take-over or change of control over AmRest Holdings SE and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. Option upon termination for event of default or deadlock are symmetric for both parties, so that AmRest will also be entitled to exercise the option to purchase all of the Shares of Starbucks. According to Group assessment as of the day of this report issuance there are no indicators making the mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities, being the sole operators in these markets. In Germany the Group acquired 100% of shares in a key operator in this market.

2) The fee is updated at the beginning of each calendar year for inflation.

3) Preliminary franchise fees and marketing costs might be changed if certain conditions set in the agreement are met.

4) Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in the period from 1 March 2009 till 30 June 2010, and also for newly-opened restaurants in Poland was extended from 10 to 20 years since the date of restaurant opening, however, without the option of prolongation for the next 10 years, which was provided in the original development agreement with AmRest Sp. z o.o. In relation to restaurants opened in Poland in the period from 1 March 2009 to 30 June 2010 and in relation to restaurants opened after this period (for franchise agreements for 20 years) the initial franchise payment was increased from USD 25,000 to USD 50,000. On 20 November 2018 a new Development Agreement was signed, amended on 15 September 2020.

5) Due to global Starbucks decision, the franchisee fee was decreased to 0% for the period April – June 2020.

6) In case of Russia and Germany MFA term ends on 31 May 2022.

(all figures in EUR millions unless stated otherwise)

2. Group Structure

As of 31 December 2020, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U.	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Consultants Ltd.	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft AmRest TAG S.L.U.	99.00% 1.00%	August 2018
GM Invest SRL	Brussels, Belgium	AmRest TAG S.L.U.	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL AmRest TAG S.L.U.	9.47% 90.53%	October 2018
AmRest France SAS	Paris, France	AmRest Holdings SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC[9]	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o. [2]	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd. AmRest Sp. z o.o.	44.72% 55.28%	July 2007
AmRest Coffee s.r.o.	Prague, Czechia	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Pastificio Service S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.[1]	Cologne, Germany	AmRest TAG S.L.U.	100.00%	March 2012
AmRest SAS.[5]	Paris, France	AmRest TAG S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o.	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Consultants Ltd.	100.00%	December 2012
AmRest Skyline GMBH	Cologne, Germany	AmRest TAG S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Food Srl.	Bucharest, Romania	AmRest Sp. z o.o. AmRest Holdings SE	99.00% 1.00%	July 2019 July 2019
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	December 2015
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest TAG S.L.U.	23.00% 77.00%	May 2016
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Kai Fu Food and Beverage Management (Shanghai) Co. Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	February 2017
LTP La Tagliatella Franchise II Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	April 2019
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO AmRest Pizza	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	99.999996%	November 2017
		OOO AmRest	0.000004%	
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	April 2018
		AmRest Sp. z o.o.	1.00%	
AmRest Pizza GmbH	Munich, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Sushi Shop Restauration SAS[7]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital	14.00%	October 2018
		Sushi Shop Luxembourg SARL	86.00%	
Sushi Shop London Pvt LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA[4]	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA	54.80%	October 2018
		Midicapital	45.20%	
Sushi Shop UK Pvt LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Anvers SA[6]	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L.	Madrid, Spain	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Milan SARL	Milan, Italy	Sushi Shop Management SAS	70.00%	October 2018
		Vanray SRL	30.00%	
Sushi Shop NE USA LLC[9]	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1 LLC[9]	New York, USA	Sushi Shop Holding USA LLC	64.00%	October 2018
		Sushi Shop NE USA LLC	36.00%	
Sushi Shop NY2 LLC[9]	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V. [8]	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Vevey SARL	Vevey, Switzerland	Sushi Shop Switzerland SA	100.00%	November 2019
Sushi Shop Fribourg SARL	Fribourg, Switzerland	Sushi Shop Switzerland SA	100.00%	November 2019
Sushi Shop Yverdon SARL	Yverdon, Switzerland	Sushi Shop Switzerland SA	100.00%	Novemner 2019
Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella SAS[5]	Paris, France	AmRest TAG S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Franchise Sp. z o.o.	Wrocław, Poland	AmRest Sp. z o.o.	100.00%	December 2018
AmRest Global S.L.U. [3]	Madrid, Spain	AmRest Holdings SE	100.00%	September 2020
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	33.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	10.20%	

[1] *On 25 November 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, decided to liquidate this company. The*

liquidation process has not been finished up until the date of this Report.

[2] On 30 June 2020 new company was registered - AmRest Traugutta Sp. z o.o. with registered office Wroclaw, Poland. AmRest Sp. z o.o. owned 99,9999% of shares, 0,0001% of shares owned Michal Lewandowski. As of 30 September 2020 AmRest Sp. z o.o. owned 100% of shares. On 21 December 2020 AmRest Traugutta Sp. z o.o. was merged with AmRest Sp. z o.o.

[3] On 2 September 2020 new company was registered - AmRest Global S.L.U. with registered office in Madrid, Spain (100% subsidiary of AmRest Holdings, SE).

[4] On 30 September 2020 (with the effective date as of 1 January 2020) following entities were merged into Sushi Shop Belgique SA: SSW 1 SPRL, SSW 2 SPRL, Sushi Sablon SA, Sushi Uccle SA and Sushi Shop International SA. On mentioned date all assets of merged companies have been taken by Sushi Shop Belgique SA.

[5] On 1 October AmRest SAS and La Tagliatella SAS changed the registered office from Lyon, France to Paris, France.

[6] On 1 October 2020 Sushi Shop Belgique SA, the sole shareholder of Sushi Shop Anvers SA, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.

[7] On 30 November 2020 (with the effective date as of 1 January 2020) CMLC Troyes and Orphus SARL were merged into Sushi Shop Restauration SAS.

[8] On 1 October 2020 Sushi Shop Group SAS, the sole shareholder of Sushi Shop NL B.V., decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.

[9] On 16 December 2020 Sushi Shop Management SAS, the sole shareholder of Sushi Shop Holding USA LLC, Sushi Shop NE USA LLC, Sushi Shop NY1 LLC, and Sushi Shop NY2 LLC decided to liquidate these companies. The liquidation process has not been finished up until the date of this Report..

- *On 2 January 2020 the company La Tagliatella Financing Kft has been deregistered.*
- *On 27 March 2020 the company OOO RusCo Food has been deregistered.*
- *On 12 June 2020 the company AmRest Trademark Kft "v.a." (Hungary) has been deregistered.*

3. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and other provisions of the financial reporting applicable in Spain. These consolidated financial statements were authorised for issue by the Company's Board of Directors on 24 February 2021.

Unless disclosed otherwise, the amounts in these consolidated financial statements are presented in euro (EUR), rounded off to full millions with one decimal place.

Details of the Group's accounting policies are included in note 40.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards, interpretations, and amendments to standards effective as of 1 January 2020, as described below and in the note 41.

Several amendments and interpretations apply for the first time in 2020, but do not have any material impact on the Group's policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. On 9 October 2020, the amendment was approved by European Union.

The Group has applied the amendments to IFRS 16 in these consolidated financial statements. The effect of the accounting is presented under "rent concessions" lines (see note 15). The application of these amendments has material impact on Group's financial data. The application is retrospective but did not have impact on comparative financial information for the year ended 31 December 2019.

In late 2019 a novel strain of coronavirus, COVID-19, was first detected and in March 2020, the World Health Organization declared COVID-19 a global pandemic. Throughout 2020, COVID-19 has spread throughout globally, in particular in the countries the Group operates.

Most governments have implemented measures to reduce the spread of COVID-19. These measures include restrictions on travel outside the home countries, closing or imposing limitations on business and other activities as well as encouraging social distancing. With summer season 2020 some restrictions have been lifted or reduced, however with the increases in number of infections since the fall season government authorities in major European countries re-imposed restrictions on the business and other activities. With the approvals of first vaccines, the governments are developing mass vaccination plans and strategies for 2021.

This situation is affecting significantly AmRest Group, as well as the global economy. Visible results of the COVID-19 outbreak include the decrease in demand, the disruption or slowdown of supply chains and a significant increase in economic uncertainty, increase of volatility in the price of assets, exchange rates and a decrease in long term interest rates. Possible results of the COVID-19 outbreak may include changes in the market environment, peoples behaviors and ways of living.

The COVID-19 pandemic has a particularly significant negative impact on the restaurant sectors. The ban or significant restrictions are imposed on the restaurant operators. That results in significant decrease in business activity. High pressure on social distancing has an impact on the customer demand and daily lives and behavior patterns. This requires adjusting restaurant operations into new reality.

The Group management is closely monitoring the development of situation and looks for the ways of mitigating the impact of COVID-19 spread on the Group.

The COVID-19 related risks and uncertainties are being analyzed at different angles to assess if a going concern uncertainty applies for the Group. Crisis Teams were set up in all major countries of Group operations to coordinate actions, execute local sanitary regulations, develop, and execute safety measures to protect employees.

A Cash Taskforce was set up to put a tight and diligent control over payments and vendor relations to manage liquidity of the Group and its entities.

The Group actively manages liquidity risk understood as a possible loss or restriction of its ability to cover current financial commitments. Strengthening of the Group's position in terms of liquidity and mitigation of adverse impacts of COVID-19 outbreak is taken on several areas.

In March 2020 the Group drew the entire facility available under revolving Tranche D of syndicated bank loan, increasing amount drawn from EUR 37.3 million in the end of 2019 to 98.9 million in the end of 1Q 2020. Additionally, in April 2020 Spanish and French subsidiaries applied for state supported bank loans. The Group was granted total EUR 75 million. In Q3 additional EUR 3.9 million of government supported loans were granted on Russian and Czech market. In total, during 2020, the Group was granted EUR 78.9 million of government supported loans out of which EUR 19.3m remains undrawn. Details on new loans are presented in note 29.

The Group maintains close communication with its financing banks. All scheduled debt repayments were made in 2020.

Prior to 2020 year end AmRest has obtained from its financing banks and its bondholders (Schuldschein) waivers to the compliance with the covenants related to the Group's leverage and interest coverage ratios until 31 December 2021 (for the fourth quarter of 2020 and the first, second and third quarters of 2021). During said periods, those covenants has been replaced by a commitment to maintain a minimum level of liquidity.

The Group updates the financial plans and cash flow projections as the situation on the markets changes because of COVID-19 pandemic. The Group prepared financial cash flow projections for 2020 and 2021 in late November 2020. Next re-assessment of financial plan was approved by Board of Directors in February 2021 prior to issue of financial statements. Both financial plans show that the Group will be able to settle its liabilities within next 12 months.

In September 2020 the Group has made the scheduled debt repayments of EUR 56.8 million plus interest.

In December 2020, the Group has finalized sale of its investment in Glovoapp 23, SL, that resulted in cash inflow of EUR 75.5 million in 2020.

During the reported period, the Group performed a review of its rental agreements and entered negotiations with landlords as well as took the benefits of various government schemes that allowed deferral or suspension of payments for rental costs during pandemic.

Government programs implemented with regards to COVID-19 spread allow to defer payments taxes, social securities, and other public obligations. The Group is closely monitoring situation on local markets and is taking the benefits of available schemes which allow to enhance liquidity risk management in current situation.

Additionally, the Group has taken numerous actions aimed at utilizing government support related to cost of labor offered on markets where the Group operates. One of the priority tasks in this respect has been to avoid a significant decrease in the level of employment, taking into account the effectiveness of the ongoing processes and to ensure financial security for employees to the extent possible in the current situation but also to optimize payroll costs in Group. Through the support programs the Group can partially adjust its payroll costs level more flexibly to respective decrease in revenues due to temporarily closures stores.

After outbreak of pandemic, the Group also decided to temporarily defer the earlier planned development investments and significantly decreased capex expenditures in 2020. The Group has also renegotiated certain development agreements, on markets were AmRest also runs business under the franchised brands This is another tool that allowed to support liquidity management.

On the revenues streams side, as of 31 December 2020 over 92% of the Group's own and franchise stores remained operative. The Group closely monitors the constrain measures taken and subsequently lifted by governments in various countries and adjusts on daily basis number of opened stores and possible ways of providing products and services to Group's customers, ensuring staff and customer safety, as well complying with all government directives.

The Board of Directors has analyzed the situation of AmRest Group in the context of COVID-19 around liquidity, financing and securing the continuation of the operations. Based on the analysis of available information, facts, circumstances, and uncertainties about the future, which is at least, but is not limited to, twelve months from the end of the reporting period, the going concern assumption applies for the Group in the foreseeable future. Consequently, these consolidated financial statements have been prepared under going concern principle.

4. Use of judgements and estimates

The preparation of the IFRS financial statements requires to make certain assumptions and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually verified, and are based on professional experience and various factors, including expectations of future events, that are deemed to be justified in given circumstances. The results of the estimates and the respective assumptions are the basis for assessing the values of assets or liabilities which do not result directly from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Actual results may differ from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made mainly the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Group prepared consolidated financial statements on going concern assumption.

Given the unpredictability of the potential impact of the pandemic, there are uncertainties that cast doubt on the Group's ability to operate as a going concern. The Board of Directors has assessed Group's ability to continue as a going concern, and whether the going concern assumption is appropriate.

All available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period were considered. Refer to note 3 Basis of preparation.

Determination of the lease term, whether the Group is reasonably certain to exercise extension or termination options

For majority of contracts the Group holds options for extension/termination of the lease period, on a specified conditions. The Group's practice is to assess the reasonableness of exercising options one year before the decision deadline, because in that time all relevant facts and circumstances to make such a decision can be generally available. The Group considers, for example, latest performance of the restaurant, present brand strategy revised during budgeting process, comparison of lease fees to the market average, length of the non-cancellable period of a lease and significance of leasehold improvements recently undertaken (or expected to be undertaken).

The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Revenue from contracts with customers

The Group applies judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers that relates to identification of the performance obligations and principal versus agent considerations, as well as allocation of the transaction price to the performance obligations in franchise activities (own brands and master-franchise agreements).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on available parameters when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The COVID-19 pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates in the measurement of Group's' assets and liabilities may arise in the future.

Impairment of non-financial assets including goodwill

Impairment losses are recognised whenever the carrying value of an asset or group of assets that are part of one cash generating unit or a group of cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use and fair value less costs of disposal calculations are based on a discounted cash flow (DCF) models. The cash flows are derived from the budgets and forecasts. The recoverable amount is sensitive to the discount rates used for the DCF model as well as the expected future growth margins, and the growth rate used for extrapolation purposes.

Accounting policies for impairment testing of non-financial assets are disclosed in note 43l.

The key assumptions used to determine the recoverable amount of the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 18.

Assessment of useful lives

Determination and periodic verification of depreciation rates is made on the basis of the technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset. Sensitivity on changes in average useful lives is disclosed in note 14.

Provision for expected credit losses (ECLs) of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 37.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimation also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 31.

Recognition of provisions for potential tax obligations and uncertain tax provisions

Recognition of provision required estimates of the probable outflows of resources embodying economic benefits and defining the best estimates of the expenditures required to settle the present obligation at the end of the reporting period.

The Group operates in various tax jurisdictions. Regulations concerning VAT, corporate income tax and social insurance charges are frequently amended. The applicable regulations may also contain ambiguous issues, which lead to differences in opinions concerning the legal interpretation of tax legislation both among the tax authorities and between such authorities and enterprises.

Tax reports and other matters (e.g. customs or foreign currency transactions) may be audited by authorities competent to impose substantial penalties and fines, whereas any additional tax liabilities assessed during such audits have to be paid together with interest.

Consequently, the figures presented and disclosed in these consolidated financial statements may change in the future if a final decision is issued by tax inspection authorities.

Details of current tax inspections open in Group entities are presented in note 33.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Details of deferred tax assets are disclosed in note 13.

5. Segment reporting

AmRest as a group of dynamic developing entities running operations in many markets and various restaurant business segments is under constant analysis of the Board of Directors. The Board is also constantly reviewing the way business is analysed and adjusts it accordingly to changes in the Group's structure as a consequence of strategic decisions.

Group produces various reports, in which its business activities are presented in a variety of ways. Operating segments are set on the basis of management reports used by the Board when making strategic decisions. The Board of Directors analyses the Group's performance by geographical breakdown in divisions described in the table below.

Own restaurant and franchise business is analyzed for four operating segments presenting Group's performance in geographic breakdown. Geographical areas are identified based on the similarity of products and services, similar characteristics of the production process and of the customer base and economic similarities (i.e. exposure to the same market risks). Fifth segment includes in general non-restaurant business. Details of the operations presented in each segment are presented below:

Segment	Description
Central and Eastern Europe (CEE)	Restaurant operations and franchise activity in: ▪ Poland – KFC, Pizza Hut, Starbucks, Burger King, virtual brands ▪ Czechia – KFC, Pizza Hut, Starbucks, Burger King, ▪ Hungary – KFC, Pizza Hut, Starbucks, ▪ Bulgaria – KFC, Starbucks, Burger King, ▪ Croatia, Austria, Slovenia – KFC, ▪ Slovakia – Starbucks, Pizza Hut, Burger King, ▪ Romania – Starbucks, Burger King ▪ Serbia- KFC, Starbucks.
Western Europe	Restaurant operations together with supply chain and franchise activity in: ▪ Spain – KFC, La Tagliatella, Blue Frog, Bacoa, Sushi Shop, ▪ France – KFC, Pizza Hut, La Tagliatella, Sushi Shop, ▪ Germany – Starbucks, KFC, Pizza Hut, La Tagliatella, ▪ Portugal – La Tagliatella, Sushi Shop, ▪ Belgium, Italy, Switzerland, Luxemburg, United Kingdom and other countries with activities of Sushi Shop.
China	Blue Frog and KABB restaurant operations in China.
Russia	KFC and Pizza Hut restaurant operations and franchise activity in Russia, Armenia and Azerbaijan.
Other	Other support functions rendered by the subsidiaries for the Group such as e.g. Executive Team, Controlling, Treasury, Investors Relations, Mergers & Acquisitions. Other also includes expenses related to M&A transactions not finalized during the period, whereas expenses related to finalized merger and acquisition are allocated to applicable segments. Additionally, Other includes non-restaurant businesses performed by AmRest Holdings SE, SCM Sp. z o.o. and its subsidiaries and other minor entities performing holding and/or financing services.

When analyzing the results of particular business segments the Board of Directors draws attention primarily to EBITDA reached, which is not an IFRS measure.

Segment measures and the reconciliation to profit/loss from operations for the year ended 31 December 2020 and for the comparative year ended 31 December 2019 is presented below.

(all figures in EUR millions unless stated otherwise)

year ended 31 December 2020	CEE	Western Europe	Russia	China	Other	Total
Restaurant sales	684.2	539.8	152.2	76.1	-	1 452.3
Franchise and other sales	1.3	43.0	0.3	0.3	25.7	70.6
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**685.5**	**582.8**	**152.5**	**76.4**	**25.7**	**1 522.9**
EBITDA	**126.8**	**38.3**	**30.8**	**23.2**	**(17.4)**	**201.7**
Depreciation and amortisation	111.0	94.2	28.8	18.6	0.8	253.4
Net impairment losses on financial assets	0.3	5.4	0.2	0.1	0.2	6.2
Net impairment losses on other assets	22.8	57.3	3.9	0.6	-	84.6
Profit/loss from operations	**(7.3)**	**(118.6)**	**(2.1)**	**3.9**	**(18.4)**	**(142.5)**
Finance income and costs	(22.8)	(9.2)	(4.6)	(1.0)	(21.3)	(58.9)
Profit/loss before tax	(30.1)	(127.8)	(6.7)	2.9	(39.7)	(201.4)
Capital investment*	**42.1**	**25.6**	**5.2**	**1.5**	**0.3**	**74.7**

**Capital investment comprises additions and acquisition in property, plant and equipment and intangible assets.*

year ended 31 December 2019	CEE	Western Europe	Russia	China	Other	Total
Restaurant sales	838.5	721.0	206.5	89.5	0.1	1 855.6
Franchise and other sales	0.8	75.6	0.1	0.1	29.3	105.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**839.3**	**796.6**	**206.6**	**89.6**	**29.4**	**1 961.5**
EBITDA	**184.8**	**127.0**	**39.8**	**24.1**	**18.7**	**394.4**
Depreciation and amortisation	106.8	91.4	31.5	18.6	1.0	249.3
Net impairment losses on financial assets	-	3.6	0.3	0.1	0.1	4.1
Net impairment losses on other assets	1.9	32.0	2.2	(0.7)	-	35.4
Profit/loss from operations	**76.1**	**0.0**	**5.8**	**6.1**	**17.6**	**105.6**
Finance income and costs	(12.7)	(9.6)	(1.8)	(1.1)	13.0	(12.2)
Profit/loss before tax	**63.4**	**(9.6)**	**4.0**	**5.0**	**30.6**	**93.4**
Capital investment*	**91.3**	**80.1**	**23.0**	**7.1**	**0.3**	**201.8**

**Capital investment comprises additions and acquisition in property, plant and equipment and intangible assets.*

Information on geographical areas:

Within the "CEE" segment, for Poland and Czechia as significant geographical regions the key characteristics are disclosed below. Among the countries allocated to the Western Europe segment, Spain and France are significant geographical regions with the key characteristics disclosed below.

		year ended 31 December 2020	year ended 31 December 2019
Revenue from external customers	Poland	378.7	464.8
	Czechia	157.8	199.8
	Spain	172.8	281.1
	France	254.6	298.7
	Russia	152.5	206.6

		31 December 2020	31 December 2019
Total of non-current assets other than financial instruments and deferred tax assets	Poland	346.6	379.3
	Czechia	136.2	139.7
	Spain	359.4	443.1
	France	410.0	438.5
	Russia	150.0	225.9

The segment information has been prepared in accordance with the accounting policies applied in these consolidated financial statements.

Taking into account that the Group operates chains of own restaurants and additionally operates as franchisor (for own brands) and master-franchisee (for some franchised brands), the Group does not have any single external customer with the revenue on the level of 10% or more of total revenue earned by the Group.

6. Business combinations

There were no business combinations in 2020.

In 2019 year the Group acquired two KFC restaurants and three Sushi Shop restaurants in Spain for EUR 3.2 million. These acquisitions resulted in increase of goodwill by EUR 2.8 million. There was no change after final purchase price accounting in 2020.

7. Revenues

The Group operates chains of own restaurants under own brands as well as under franchise license agreements. Additionally, the Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand) and develops chains of franchisee businesses, organizing marketing activities for the brands and supply chain. Consequently, the Group analyses two streams of revenue:

- Restaurant sales,
- Franchise and other sales.

This is reflected in the format of Group's consolidated income statement. Additional disaggregation by geographical market is included in the note 5.

Restaurant sales

Restaurant revenues are the most significant source of revenues representing over 95% of total revenues.

Revenues from the sale of food items by Group – owned restaurants are recognised as Restaurant revenues when a customer purchases the food, which is when obligation to perform is satisfied. Groups' customer base is widely spread and Group does not have any risk related to dependency to any group of customers.

Diversified individuals are Group's customers. Payments for the restaurant sales are settled immediately in cash or by credit, debit and other cards. There are no material credit risks related to this type of operations.

Franchise and other sales

Franchisees and sub-franchisees are main customers with regards to Revenues from franchise and other sales. Franchise rights may be granted through a store-level franchise agreement. Franchisee of Group's own brands pay royalty fees as a percentage of the applicable restaurant's sales. Group may also receive revenues from the re-sale of franchise rights under Master-Franchise Agreements signed for certain brands, as well as remuneration for services performed for development of the market.

Other sales include mainly sales of foods within supply-chain services organized by Group or sales of foods from central kitchens operated by Group.

The number of Group clients under franchise and other revenues is limited and characterized by higher level of credit risk then in restaurant sales.

The COVID-19 pandemic has a particularly significant negative impact on the restaurants sectors. The ban or significant limitations in operation of restaurants resulted in a decrease in business activity and customer demand and consequently decrease of the revenues in the reporting period.

Below table shows the percentage of operating restaurants at the end of each month of second, third and fourth quarter.

(all figures in EUR millions unless stated otherwise)

	% Operating stores	
Month	**Own stores**	**Franchise Stores**
April	60%	43%
May	85%	61%
June	92%	88%
July	96%	94%
August	98%	94%
September	99%	95%
October	95%	92%
November	92%	82%
December	95%	91%

As at the end of December 2020 operating stores constituted 95% of own and 91% franchise stores. Even with opened restaurants various limitations were and are put on restaurant business that limit number of potential customers. Additionally, the process of returning of the guests to restaurants is not immediate after the lifting of any restrictions. With the increased so called second wave of pandemic, currently new restrictions are being imposed in many markets where Group is operating. Consequently, with the pandemic still being in place, the level of sales revenues generated by the restaurants is lower than before the COVID-19 outbreak. It is not possible to reliably and objectively quantify the economic impact of pandemic situation on the Group's revenues.

8. Operating costs and losses

AmRest Group presents consolidated income statement using a classification based on function of expense method. Historically consolidated income statement was prepared by function – since AmRest was quoted on the Warsaw Stock Exchange in 2005, which is a common practice on Polish market. Group considers that analysis of restaurant expenses, franchise and other expenses – and information regarding result in the functional area provides more relevant information.

The table below presents an additional analysis of operating expenses by nature.

	year ended	
	31 December 2020	**31 December 2019**
Depreciation of property, plant and equipment (note 14)	100.2	98.5
Amortisation of intangibles (note 16)	13.1	13.9
Depreciation of right-of-use assets (note 15)	140.1	136.9
Food, merchandise and other materials	468.2	593.7
Utilities	70.3	75.4
External services – marketing	63.5	81.1
External services – other	133.4	115.8
Payroll	413.8	470.4
Social security and employee benefits	101.0	119.5
Rental and occupancy costs	1.1	26.3
Royalties	71.8	94.4
Insurance	2.3	1.9
Business travel	5.3	12.2
Other	19.5	21.8
Total cost by nature	**1 603.6**	**1 861.8**
Result on restaurants and non-current assets disposal	2.1	1.5
Total operating costs and losses	**1 605.7**	**1 863.3**

Summary of operating expenses by functions:

	year ended	
	31 December 2020	**31 December 2019**
Restaurant expenses	1 407.7	1 642.3
Franchise and other expenses	54.6	73.7
Total cost of sales	**1 462.3**	**1 716.0**
General and administrative expenses	143.4	147.3
Total operating costs and losses	**1 605.7**	**1 863.3**

It is not possible to reliably and objectively quantify the economic impact of pandemic situation on the Group's operating costs. Some costs such as depreciation and amortization are fixed in nature, others (like payroll and social contributions) are dependent on number of operating restaurants but may not be directly corelated to sales revenues generated by the restaurants. Cost of sales and royalties, variable rent, as a rule are most directly tied to revenues level, and finally costs of marketing may relatively increase.

To enable Group companies to operate in a possibly smooth manner, procedures have been put in place to ensure prompt reaction of appropriate services. In addition, the Group implemented additional measures to mitigate the risk of infection among its employees, including in particular:

- Providing detailed instructions and guidelines on monitoring the health of the Group's employees and the health of Group's customers;
- Strengthening already stringent hygiene, cleaning and sanitation procedures and introducing contactless options that protect both employees and quests in restaurants;
- Providing the restaurant employees with additional personal protection and hygiene supplies;
- Requesting to reduce the number of meetings as well as domestic and foreign business travel, and to use teleconferencing and video-conferencing facilities to the largest extent possible, as well enabling remote work.

With the spread of pandemic many governments were and are still applying lockdown procedures and various limitations for businesses to operate. In order to mitigate the disadvantageous effects of the lockdowns, many countries' governments, have introduced various measures to assist entities in response to the COVID-19.

The Group was and is closely monitoring available program that are offered on various markets. The government support programs include for example direct subsidies to payroll costs, tax exemptions, social security contributions reductions. Additionally entities from the Group were able to apply for extended deadlines for payments of various taxes.

The Group has taken numerous actions aimed at utilizing government support related to cost of labor offered on all markets where the Group operates. One of the priority tasks in this respect has been to avoid a significant decrease in the level of employment, taking into account the effectiveness of the ongoing processes and to ensure financial security for employees to the extent possible in the current situation but also to optimize payroll costs in Group.

Government programs implemented with regards to COVID-19 spread allow also to defer payments taxes, social securities and other public obligations.

For the main markets of operation the Group has filled the following programs in the area of labor costs:

- Spain

In accordance with the provisions of article 47 of the Workers Statute, in relation to Royal Decree 1483/2012 and article 22 and 23 of Royal Decree-Law 8/2020, as well as Royal Decree-Law 30/2020, AmRest companies in Spain have filed before the Spanish labor authority a Temporary Employment Regulation File (Expediente de Regulación Temporal de Empleo or "ERTE"). The ERTE covered 3 288 employees. Under the ERTE, the employees remain employed with AmRest with suspended salary and at the same time receive unemployment benefits from authorities of up to 70% of their normal salary. One Spanish entity, The Grill Concept, S.L.U. declined to extend the Temporary Employment Regulation (ERTE) in September. As of 31 December 2020 the ERTE covers 591 employees.

- Poland

Under the Act on special solutions related to the prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them of 2 March 2020 (Journal of Laws of 2020, item 374), the following measures were taken, effective in the period 7 April – 6 July 2020, with respect to 4 050 employees of AmRest Polish companies:

- introduction of reduced working hours and salary by 20% (2 897 employees),
- introduction of economic downtime (3 936 employees),
- application for compensation for the protection of workplaces from the funds of the Fund of Guaranteed Employee Benefits to co-finance the remuneration of employees affected by economic downtime or reduced working hours as a result of COVID-19.

  In the period 1 August – 31 October 2020 following measures were taken: application for compensation for the protection of workplaces from the funds of the Fund of Guaranteed Employee

Benefits to co-finance the remuneration of employees affected by economic downtime (August 3 736 crew employees, September 3 628 crew employees, October 3 747 crew employees).
From 1 December 2020 following measures were taken: application for compensation for the protection of workplaces from specific industries - Fund of Guaranteed Employee Benefits, article 15gga (December 309 crew employees, 247 managers in stores, 33 RST employees). Applications are continued in January and February 2021.

- France

Introduced “partial activity” technical unemployment government program for 4 188 employees (Sushi Shop, KFC, Pizza Hut). Employees were partially or 100% unemployed by the Companies. With the suspension of the employment contract the gross salary was maintained at 70% and 100% for minimum salary. The employee social security contributions were also reduced, allowing the employees to receive 84% of net salary (or 100% for those who perceive the minimum salary). The government reimburses 100% of the salary paid to employees in partial activity. The program started from 15 March and is maintained until the end of the year in the same condition. Restaurants continue to use it on rotating employee basis, especially during the second confinement (15 October to 15 December 2020). Refunds requests are in progress. Companies have one year to request the reimbursement.

- Germany

Reduced working hours (Kurzarbeitergeld) salary government reimbursement program has been introduced effective on 1 March 2020 for approx. 3 000 employees. The government reimburses 60% of the employee’s net salary and social contributions. In the period July - September 2020 the companies stopped meeting the conditions but after the second wave of restrictions started in Q4 2020 the companies applied for the next governmental help beginning of November 2020. The government reimburses now 60-87% of the net salary and social contribution depending on the individual situations. The reimbursement is based on not worked hours as compared to the contract hours. The company pays the difference up to 90% of the average salary before March 2020.

- Czechia

The companies have applied for the government aid under special COVID-19 regulations. There were two separate programs:

- employees on downtime between 13 March and 31 May 2020: 80% of salary and social contribution reimbursed by the government (1 600 employees covered),
- employees with 40% reduction of working hours between 13 March and 31 May 2020: 60% of salary and social contribution reimbursed by the government (80 employees covered).

Both programs were extended until the end of February 2021. Governmental help for the period June – September was not material as not many employees were on downtime. During the second wave of restrictions (October – December) the companies applied for governmental help in the amount of EUR 1.5 million.

Similar actions are also taken on other markets. The Group has applied for support programs offered by each country’s government, in the form of reimbursement of labor costs, and introducing internal actions, such as shortening of working hours or technical unemployment.

Group’s policy is to present government grants related to income as other operating income.

For 12 months period ended 31 December 2020 Group has recognized government grants for payroll costs (EUR 21.6 million) and social contribution (EUR 7.9 million), note 9. The total amount of EUR 29.5 million has been recognized as other operating income. The above government grants are in a form of waived social security payables (EUR 3.7 million) and cash grants (EUR 25.8 million, out of which EUR 5.1 million as of 31 December 2020 was not received yet).

In August 2020 entities operating in Czechia applied for a government program called COVID Najem, providing the government grants for rent costs (grant limit CZK 20 million per entity). For 12 months period ended 31 December 2020 Group has recognized government grants for rent costs in the amount of EUR 1.7 million as other operating income.

Granting of the grant by governments is in some cases associated with requirements to keep the agreed level of workforce for agreed period. As of 31 December 2020 the Group does not expect that such conditions would not be met, therefore there are no material unfulfilled conditions or other contingencies attached to government assistance that has been recognised.

(all figures in EUR millions unless stated otherwise)

In August 2020 the Group signed sales agreement of property located in Wroclaw, Poland. The property bought in 2017 was presented as asset held for sale (EUR 4.8 million) in the consolidated report as of 30 June 2020. The selling price in the amount of EUR 7.5 million (PLN 33.7 million) was paid in Q3 2020. The gain was recognized as Result on restaurants and non-current assets disposal in operating expenses.

9. Other operating income/expenses

	year ended	
	31 December 2020	**31 December 2019**
Government grants for payroll and employee benefits	29.5	-
Government grants for rent and other	2.1	-
Gain on Pizza Portal investment disposal	-	37.1
Supply chain services	2.5	7.0
Compensations, Insurance gains	-	5.2
Reversal of provisions	0.4	2.3
Other income	2.6	3.3
Franchise agreements related provision	(5.0)	(8.0)
Other provisions	(1.0)	-
	31.1	**46.9**

10. Impairment losses

Details of impairments losses recognized:

	year ended	
	31 December 2020	**31 December 2019**
Impairment on trade receivables (note 37)	6.2	4.1
Net impairment losses on financial assets	**6.2**	**4.1**
Impairment of property, plant and equipment (note 14)	32.8	10.2
Impairment of intangible assets (note 16)	3.4	5.8
Impairment of right of use assets (note15)	20.8	6.0
Impairment of goodwill (note 17)	27.6	13.4
Net impairment losses of other assets	**84.6**	**35.4**
Total net impairment losses of assets	**90.8**	**39.5**

11. Finance income

Finance income in year ended 31 December 2020 represents mainly bank and other interests received. Finance income in year ended 31 December 2019 represents mainly gain on fair value measurement of assets FVTPL in amount of EUR 31.7 million.

12. Finance costs

	year ended	
	31 December 2020	**31 December 2019**
Interest expense	(18.6)	(17.7)
Interest expense on lease liability	(26.7)	(25.8)
Financial fees recognised as interest expense	(1.8)	(1.9)
Financial fees – other	(0.1)	(0.4)
Net cost from exchange differences	**(11.5)**	-
Net income from exchange differences on lease liability	(11.2)	-
Net income from exchange differences - other	(0.3)	-
Other	(2.3)	(0.2)
Total finance cost	**(61.0)**	**(46.0)**

(all figures in EUR millions unless stated otherwise)

13. Income taxes

	year ended	
	31 December 2020	31 December 2019
Current tax	(9.4)	(26.7)
Deferred income tax recognised in the income statement	27.1	0.2
Income tax recognised in the income statement	**17.7**	**(26.5)**
Deferred tax asset		
Opening balance	22.4	21.3
Closing balance	37.6	22.4
Deferred tax liability		
Opening balance	51.4	49.5
Closing balance	39.0	51.4
Change in deferred tax assets/liabilities	**27.6**	**(0.8)**

Temporary differences in the calculation of deferred tax relate to the following items:

	Asset		Liability	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment and intangible assets	14.2	10.9	50.2	57.3
Leases	9.4	4.1	-	-
Financial instruments measured at fair value through profit or loss	-	-	-	7.9
Trade and other receivables	2.4	2.7	-	-
Provisions and other liabilities	8.1	9.5	-	-
Tax losses carried forward	16.1	10.2	-	-
Other differences	1.7	1.5	3.1	2.6
	51.9	**38.9**	**53.3**	**67.8**
The offset of tax	**(14.3)**	**(16.5)**	**(14.3)**	**(16.4)**
	37.6	**22.4**	**39.0**	**51.4**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The current financial situation and strategic plans allow to consider the level of recognised assets and deferred tax assets to be reasonable.

Changes in deferred tax asset and liabilities are recognized as follow:

	year ended	
	31 December 2020	31 December 2019
Change in deferred tax assets/liabilities	**27.6**	**(0.8)**
of which:		
Deferred taxes recognised in the income statement	27.1	0.2
Deferred taxes recognised in other comprehensive income – net investment hedges	(1.8)	0.3
Deferred taxes recognised in equity -valuation of employee options	2.2	0.3
Exchange differences	0.1	(1.6)

The Group operates in various tax jurisdictions. Income taxes and deferred income taxes are measured using tax rates enacted or substantively enacted at the reporting date in particular countries. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax on the Group's profit before tax differs from the theoretical amount which would be obtained if the weighted average tax rate applicable to consolidated companies were applied:

(all figures in EUR millions unless stated otherwise)

	year ended	
	31 December 2020	31 December 2019
Profit before tax	**(201.4)**	**93.4**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	(52.3)	16.7
Temporary differences on goodwill impairment for which no deferred tax was recognised	7.9	3.9
Tax loss for the current period for which no deferred tax asset was recognised	15.8	3.8
Change of assumptions on deferred tax asset from tax losses related to previous years	9.6	3.8
Effect of local tax reported as income tax	2.7	3.2
Income permanently not subject tax (Pizza Portal sale transaction)	-	(8.6)
Change in estimates of deferred tax liabilities	(7.9)	-
Effect of other differences	6.5	3.7
Corporate income tax in the income statement	**(17.7)**	**26.5**

**The applicable weighted average tax rate amounted to 26.0% (for the period ended 31 December 2019: 17.9%).*

As at 31 December 2020 Group has the following tax losses:

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognised	Tax losses in respect of which no deferred tax assets were recognised
2020 - 2027	33.8	2.2	31.6
No time limit	150.0	35.5	114.5
	183.8	**37.7**	**146.1**

Deferred taxes were not recognised for the following tax losses:

	year ended	
	31 December 2020	31 December 2019
Poland	19.9	4.6
Hungary	-	3.3
France	20.0	11.9
Germany	104.1	29.8
Slovakia	0.8	-
China	0.3	0.2
Slovenia	0.6	0.5
Romania	0.4	1.0
	146.1	**51.3**

As at 31 December 2020 the Group recognised a deferred tax asset from tax losses in an amount of EUR 16.1 million. The Group analyses recoverability of deferred taxes on tax losses based on the guidance in IAS 12. Group subsidiaries analyzes the periods in which tax losses can be utilized, whether there are sufficient taxable temporary differences related to the same tax authority and tax jurisdiction, and if the entity will create taxable profits in the periods in which unused tax losses can be utilized. As a result of analysis performed, in 2020 Group recognised total balance of EUR 16.1 million deferred tax assets related to unused tax losses. The balance relates mainly to tax losses in Spanish market, French KFC, Sushi entities and Polish market. Tax losses in above mentioned tax jurisdictions have no limit of expiration except for Polish market – 5 years.

The Group analyses business plans and cash flows forecasts of subsidiaries in terms of recoverability of deferred tax assets recognised. In particular, the Group performs goodwill impairment tests for whole businesses and balances of tax losses for which deferred taxes were recognized are verified against projected tax cash outflows. In case unit has projected negative results, deferred tax assets are reassessed in terms of recoverability. In 2020 the Group recognised impairment loss on goodwill in Starbucks Germany business, that resulted also in lack of recognition of deferred taxes on tax losses and derecognition of deferred tax asset accounted in past.

(all figures in EUR millions unless stated otherwise)

In 2020 total tax effect of tax loss for the current period for which no deferred tax asset was recognised amounted EUR 15.8 million and tax effect of EUR 9.6 million relates to deferred taxes on tax losses recognized in prior years and derecognized in current year.

A tax authority may control the tax returns (if they have not already been controlled) of the Group companies from 3 to 5 years as of the date of their filing.

The table below presents tax rate by country applicable for the year 2020 and 2019.

Country	Income tax rates		Deferred income tax assets and liabilities	
	2020	2019	2020	2019
Spain	25.00%	25.00%	25.00%	25.00%
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	9.00%	9.00%	9.00%	9.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	35.00%	35.00%	35.00%	35.00%
Malta	35.00%	35.00%	35.00%	35.00%
Germany	30.00% *	30.00% *	30.00% *	30.00% *
France **	28.00%	31.00%, 28.00%	28%, 25%	31%, 28%, 25%
Croatia	18.00%	18.00%	18.00%	18.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	16.00%	16.00%	16.00%
Slovakia	21.00%	21.00%	21.00%	21.00%
Slovenia	19.00%	19.00%	19.00%	19.00%
Austria	25.00%	25.00%	25.00%	25.00%
Portugal	21.00%	21.00%	21.00%	21.00%

** Deferred taxes in Germany were calculated using a tax rate of 30% which is the basic income tax rate in Germany of 15% and an additional average trade tax of 15%.*

*** Deferred taxes in France were calculated taking into account an approved plan of the progressive reduction of the income tax rate from 31.0% in 2019, 28% in 2020 to 25.0% in 2022.*

14. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2020 and 2019:

2020	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
PPE as at 1 January	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**
Additions	-	6.8	8.6	0.2	4.1	48.5	**68.2**
Depreciation (note 8)	-	(43.5)	(40.1)	(0.5)	(16.1)	-	**(100.2)**
Impairment losses (note 10)	-	(21.4)	(11.1)	(0.1)	(0.2)	-	**(32.8)**
Disposals, liquidation and deconsolidation of assets	-	(1.7)	(0.7)	(1.7)	(0.2)	(9.5)	**(13.8)**
Transfers	-	49.9	14.2	1.6	16.1	(81.8)	**-**
Exchange differences	(0.7)	(15.4)	(8.1)	0.0	(2.2)	(4.9)	**(31.3)**
PPE as at 31 December	**10.7**	**266.5**	**146.3**	**0.3**	**32.9**	**18.3**	**475.0**
Gross book value	10.7	587.2	362.6	3.4	91.2	20.3	**1 075.4**
Accumulated depreciation and impairment write-downs	-	(320.7)	(216.3)	(3.1)	(58.3)	(2.0)	**(600.4)**
Net book value	**10.7**	**266.5**	**146.3**	**0.3**	**32.9**	**18.3**	**475.0**

2019	Land	Buildings and expenditure on	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total

		development of restaurants					
PPE as at 1 January	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**
Application of IFRS 16	(0.2)	(1.4)	(0.6)	(0.4)	-	-	**(2.6)**
Acquisition	-	-	0.4	-	-	-	**0.4**
Additions	0.3	70.2	73.4	0.8	17.9	25.2	**187.8**
Depreciation (note 8)	-	(43.6)	(41.8)	(0.6)	(12.5)	-	**(98.5)**
Impairment losses (note 10)	-	(1.7)	(5.1)	(0.1)	(2.8)	(0.5)	**(10.2)**
Disposals and deconsolidation of assets	-	0.5	(0.9)	(0.1)	(0.4)	(0.8)	**(1.7)**
Transfers	(0.7)	0.7	-	-	-	-	**-**
Exchange differences	0.3	4.7	2.0	(0.1)	0.6	0.8	**8.3**
PPE as at 31 December	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**
Gross book value	11.5	579.3	372.9	1.6	79.7	68.4	**1 113.4**
Accumulated depreciation and impairment write-downs	(0.1)	(287.5)	(189.4)	(0.8)	(48.3)	(2.4)	**(528.5)**
Net book value	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**

Due to the nature of the Group business the balance of the property, plant and equipment consists of assets in over 1.8 thousand restaurants. There are no individually significant assets.

Depreciation was charged as follows:

	year ended	
	31 December 2020	**31 December 2019**
Costs of restaurant operations	96.5	94.4
Franchise expenses and other	1.3	1.5
General and administrative expense	2.4	2.6
Total depreciation	**100.2**	**98.5**

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2020 by around EUR 10.0 million. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2019 by around EUR 10.1 million.

15. Leases

The Group leases over 2.0 thousand properties in order to operate brand restaurants. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, depending on local lease practice and legal framework. Additionally, in some countries, the Group leases cars, equipment, as well as properties for administration or storage purposes and company flats.

The table below presents the reconciliation of the right-of-use assets and lease liabilities for years ended 31 December 2020 and 2019:

(all figures in EUR millions unless stated otherwise)

2020	Right-of-use asset: Restaurant properties	Right-of-use asset: Other	Right-of-use asset: Total right-of-use asset	Lease liabilities: Total liabilities
As at 1 January	**835.5**	**17.2**	**852.7**	**864.1**
Additions – new contracts	62.5	2.7	65.2	65.2
Changes and reassessments	(4.7)	2.0	(2.7)	(23.6)
Amortisation expense (note 8)	(134.6)	(5.5)	(140.1)	-
Impairment (note 10,18)	(20.8)	-	(20.8)	-
Interest expense (note 12)	-	-	-	26.7
Payments	-	-	-	(134.9)
Exchange differences	(44.0)	(0.7)	(44.7)	(36.1)
As at 31 December	**693.9**	**15.7**	**709.6**	**761.4**

2019	Right-of-use asset: Restaurant properties	Right-of-use asset: Other	Right-of-use asset: Total right-of-use asset	Lease liabilities: Total liabilities
As at 1 January	790.8	8.7	799.5	790.8
Additions – new contracts	105.5	10.6	116.1	116.1
Changes and reassessments	62.8	3.0	65.8	65.8
Amortisation expense (note 8)	(131.7)	(5.2)	(136.9)	-
Impairment (note 10,18)	(5.9)	(0.1)	(6.0)	-
Interest expense (note 12)	-	-	-	25.8
Payments	-	-	-	(148.3)
Exchange differences	14.0	0.2	14.2	13.9
As at 31 December	**835.5**	**17.2**	**852.7**	**864.1**

The following are the remaining contractual maturities of lease payments at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

	31 December 2020	**31 December 2019**
Up to 1 year	161.0	154.1
Between 1 and 3 years	237.5	269.1
Between 3 and 5 years	164.0	192.2
Between 5 and 10 years	201.9	250.2
More than 10 years	131.2	157.0
Total contractual lease payments	**895.6**	**1 022.6**
Future finance costs of leases	134.2	158.5
Total lease liabilities	**761.4**	**864.1**

Amortisation was charged as follows:

	year ended 31 December 2020	**year ended 31 December 2019**
Costs of restaurant operations	135.5	132.5
General and administrative expense	4.6	4.4
Total amortisation	**140.1**	**136.9**

The Group recognised in 2020 rent expense from short-term leases of EUR 1.6 million, leases of low-value assets of EUR 4.8 million and variable lease payments of EUR -5.3 million (including negative amount of EUR 18.6 million COVID-19-related rent concessions) for the year ended 31 December 2020. Impairment test procedures, assumptions used and tests' results are disclosed in note 18.

Amounts recognised in statement of cash flows amounted to EUR 134.9 million presented in financing activity as repayment of lease liability and EUR 19.7 million in operating activity as lease payments not included in the lease liability. Total cash outflow for leases amounted to EUR 154.6 million in the year ended 31 December 2020.

In the comparable period, in 2019, the Group recognised rent expense from short-term leases of EUR 2.4 million, leases of low-value assets of EUR 4.5 million and variable lease payments of EUR 19.2 million for the year ended 31 December 2019. Impairment test procedures, assumptions used and tests' results are disclosed in note 18.

(all figures in EUR millions unless stated otherwise)

In the comparable period, in 2019, amounts recognised in statement of cash flows amounted to EUR 148.3 million presented as repayment of lease liability and EUR 26.1 million as lease payments not included in the lease liability. Total cash outflow for leases amounted to EUR 174.4 million in the year ended 31 December 2019.

Additional information about lease payments and lease term

The Group's lease payments are often charged as a higher of fixed payment and turnover based payment. The Group recognized the excess of turnover based rent as variable lease payments. Therefore the stores' revenue impacts on the future variable lease payments. In the year ended 31 December 2020, the share of variable payments (excluding rent concessions) amounted to 10% of fixed lease payments (2019: 13%).

The intention of the Group is to secure long-term property lease contracts, with flexibility that enables adjustments of strategy and reaction on changing market conditions. Vast majority part of the Group's leases provides some extent of flexibility, for example, the Group can adjust its exposure by exercising termination options, extension options or using pre-emption rights to go into a renewal agreement. Such rights are subject of individual negotiations with lessors and do not deviate from standard market conditions.

The Group does annual revision of expiring lease contracts. The Group performs case-by-case analysis of the contracts, adjusted to the latest store performance, up-to-date Group's strategy and market conditions. During this process, among others, the Group decides whether to exercise, or not, the extension and termination options falling for the following year. The decisions have impact on the assessment of the leases end date used in the measurement of lease liability.

COVID-19-related rent concessions

The Group has been negotiating rent concessions with its landlords for the majority of its store leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its store leases. The Group continues to account for rent concessions relating to its other leases under other applicable guidance in IFRS 16.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is EUR 18.6 million (2019: null).

16. Intangible assets

The table below presents changes in the value of intangible assets in 2020 and 2019:

2020	**Proprietary brands**	**Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks**	**Other intangible assets**	**Relations with franchisees and customers**	**Total**
IA as at 1 January	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**
Additions	-	3.2	3.3	-	**6.5**
Amortisation (note 8)	(0.3)	(3.8)	(5.9)	(3.1)	**(13.1)**
Impairment losses (note 10)	(2.6)	(0.8)	-	-	**(3.4)**
Disposals and derecognition of assets	-	(0.1)	(0.3)	-	**(0.4)**
Exchange differences	-	(1.8)	(0.6)	-	**(2.4)**
IA as at 31 December	**153.8**	**22.6**	**32.3**	**32.0**	**240.7**
Gross book value	158.4	44.6	75.1	51.9	**330.0**
Accumulated amortisation and impairment write-downs	(4.6)	(22.0)	(42.8)	(19.9)	**(89.3)**
Net book value	**153.8**	**22.6**	**32.3**	**32.0**	**240.7**

(all figures in EUR millions unless stated otherwise)

2019	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees and customers	Total
IA as at 1 January	**157.7**	**22.1**	**43.2**	**38.2**	**261.2**
Application of IFRS 16	-	-	(0.5)	-	**(0.5)**
Additions	-	7.8	5.8	-	**13.6**
Amortisation (note 8)	(0.2)	(3.7)	(6.9)	(3.1)	**(13.9)**
Impairment losses (note 10)	-	(0.7)	(5.1)	-	**(5.8)**
Disposals and derecognition of assets	(0.9)	(0.3)	(0.7)	-	**(1.9)**
Exchange differences	0.1	0.7	-	-	**0.8**
IA as at 31 December	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**
Gross book value	158.4	45.5	74.9	51.9	**330.7**
Accumulated amortisation and impairment write-downs	(1.7)	(19.6)	(39.1)	(16.8)	**(77.2)**
Net book value	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**

Amortisation was charged as follows:

	year ended	
	31 December 2020	**31 December 2019**
Costs of restaurant operations	5.4	6.3
Franchise expenses and other	1.9	2.3
General and administrative expense	5.8	5.3
Total amortization	**13.1**	**13.9**

Impairment test procedures, assumptions used and tests' results are disclosed in note 18.

The Group believes that brands do not generate cash inflows that are largely independent of other groups of assets. For some Group brands, cash inflows from the franchisee business are partially independent of other cash inflows, however, these do not represent the value of the whole brand. Brands are used to support restaurant business development and revenues from sales of products under certain brands are not capable of being split between revenue for the brand and revenue for costs of production. Consequently, brands are not a cash-generating unit and are not tested on a standalone basis. Such assets are tested together with their relevant goodwill values. The results of the test are presented in note 18.

The table below presents details of Proprietary brands as of 31 December 2020. Table shows level at which the brands are tested:

Brand	Useful life	Level of goodwill test	Gross value	Accumulated amortisation	Impairment	Net value
La Tagliatella	indefinite	Spain – La Tagiatella and KFC	65.0	-	-	65.0
Sushi Shop	indefinite	Sushi Shop (all markets)	86.1	-	-	86.1
Blue Frog	definite	China – Blue Frog	4.7	(1.9)	-	2.8
Bacoa	definite	Spain - Bacoa	2.5	(0.1)	(2.4)	-
			158.3	**(2.0)**	**(2.4)**	**153.9**

Other intangible assets cover mainly exclusivity rights including master-franchise rights in the amount of EUR 3,7 million (EUR 5.7 million as at 31 December 2019), key monies in the amount of EUR 18.3 millions (EUR 18.6 millions as at 31 December 2019) and computer software.

17. Goodwill

Goodwill recognised on business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the business combination.

The table below presents goodwill allocated to particular levels on which it is monitored by the Group. In all cases is not higher than the operating segment level:

(all figures in EUR millions unless stated otherwise)

2020	1 January	Increases (provisional)	Impairment	Exchange differences	31 December
Sushi Shop (all markets)	140.5	-	-	-	**140.5**
Spain – La Tagiatella and KFC	90.9	-	-	-	**90.9**
Spain - Bacoa	1.2	-	(1.2)	-	**-**
Russia - KFC	40.4	-	-	(9.6)	**30.8**
Germany - Starbucks	35.0	-	(26.4)	-	**8.6**
China – Blue Frog	19.8	-	-	(0.5)	**19.3**
France - KFC	14.0	-	-		**14.0**
Hungary – KFC	3.8	-	-	(0.4)	**3.4**
Romania - SBX	2.6	-	-	-	**2.6**
Czechia – KFC	1.4	-	-	-	**1.4**
Poland – Other	0.6	-	-	-	**0.6**
Total	**350.2**	**-**	**(27.6)**	**(10.5)**	**312.1**

2019	1 January	Increases (provisional)	Decreases	Impairment	Exchange differences	31 December
Sushi Shop (all markets)	139.0	1.5	-	-	-	**140.5**
Spain – La Tagiatella and KFC	89.6	1.3	-	-	-	**90.9**
Spain - Bacoa	1.2	-	-	-	-	**1.2**
Russia - KFC	35.7	-	-	-	4.7	**40.4**
Germany - Starbucks	35.0	-	-	-	-	**35.0**
China – Blue Frog	19.7	-	-	-	0.1	**19.8**
France - KFC	14.0	-	-	-		**14.0**
France - PH	8.8	-	-	(8.8)	-	**-**
Germany - KFC	4.6	-	-	(4.6)	-	**-**
Hungary – KFC	3.8	-	-	-	-	**3.8**
Romania - SBX	2.7	-	-	-	(0.1)	**2.6**
Czechia – KFC	1.5	-	-	-	(0.1)	**1.4**
Poland – Pizza Portal	0.7	-	(0.7)	-	-	**-**
Poland – Other	0.6	-	-	-	-	**0.6**
Total	**356.9**	**2.8**	**(0.7)**	**(13.4)**	**4.6**	**350.2**

Impairment test procedures, assumptions used and tests' results are disclosed in note 18.

18. Impairment of non-current assets

<u>Restaurant level tests</u>

The Group periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment testing. The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets /groups of assets. Restaurant assets include amongst others property, plant and equipment, intangible assets and right of use assets. Impairment indicators defined by the Group are described in note 40.

Impairment indicators are reviewed twice a year and respective impairments test for restaurants are performed twice a year.

The recoverable amount of the cash-generating unit (CGU) is determined based on value in use calculation for the remaining useful life determined by lease expiry date or restaurant closure date (if confirmed), using the discount rate for each individual country.

Carrying amount of each CGU consists of carrying amount of above described assets decreased by balance of lease liabilities assigned to the restaurants (net assets of CGU). To determine the recoverable amount of CGU the lease liabilities balance is also deducted from total discounted cash flows (without the base rental charge). Carrying amount of CGU is compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

(all figures in EUR millions unless stated otherwise)

As presented below it can be observed that discount rates used for the impairment test have increased comparing to year end 2019 tests. This is the effect of turbulences on the global market due to COVID-19 pandemic and increases in markets risk premiums and/or risk-free rates.

Discounts rates applied are shown in the table below.

	Pre-tax discount rate 31 December 2020	**Pre-tax discount rate 30 June 2020**	**Pre-tax discount rate 31 December 2019**
Poland	7.6%	6.8%	6.1%
Czechia	7.0%	6.0%	5.7%
Hungary	9.9%	7.7%	6.4%
Russia	11.6%	10.5%	9.9%
Serbia	11.4%	9.9%	8.1%
Bulgaria	8.3%	7.0%	5.2%
Spain	8.1%	7.3%	5.7%
Germany	6.0%	5.4%	4.4%
France	6.1%	6.1%	5.0%
Croatia	9.8%	8.6%	6.3%
China	8.3%	7.4%	7.2%
Romania	9.7%	9.4%	8.2%
Slovakia	7.4%	6.2%	4.8%
Portugal	8.2%	7.7%	5.8%
Austria	7.0%	5.4%	4.6%
Slovenia	8.0%	6.9%	5.3%
Belgium	6.6%	5.9%	-
Italy	8.1%	8.2%	-
Switzerland	4.6%	4.6%	-
Luxemburg	6.4%	4.8%	-
Netherland	5.9%	4.9%	-
United Kingdom	6.8%	5.5%	-

Details of impairments losses recognised:

		year ended	
	Note	**31 December 2020**	**31 December 2019**
Net impairment of property, plant and equipment	14	32.8	10.2
Net impairment of intangible assets	16	3.4	5.8
Net impairment of right of use assets	15	20.8	6.0
Net impairment of goodwill	17	27.6	13.4
Net impairment losses of non- current other assets		**84.6**	**35.4**

Details of impairments losses recognised per category of assets (property, plant and equipment, right of use assets, intangible assets or goodwill) are presented in notes 14, 15, 16 and 17.

Recognized impairment losses do not relate to any individual significant items, but to numerous restaurants tested during the year. This reflects the specifics of Group's operations, where business is conducted through multiple, individually small operating units.

COVID-19 pandemic is having a significant impact on the Group's operations in almost all areas. With regards to the impairment tests, more restaurants showed impairment indicators then in prior periods, and consequently more restaurants were tested for the impairment.

The Group used its best estimate on the recovery path for pre-pandemic levels of revenues and margins, but overall the cash flow projections decreased comparing to those used in tests made for year end 2019. Level of impairment losses recognized was also affected by the increase of the discount rates used.

For financial year ended 31 December 2020 Group has tested 763 restaurants as separate cash generating units. Impairment loss or partial impairment loss was recognized for 236 restaurants. Reversal of impairment or partial reversal of impairment was accounted for 32 restaurants.
As a result of tests performed during financial year ended 31 December 2020, impairment in the amount of EUR 57 million (EUR 36.2 million for property, plant and equipment and intangible assets, EUR 20.8 million for right of use assets) was recognized. Five highest individual impairment losses amounted in total EUR 6.3 million. An average impairment loss per restaurant was less then EUR 0,2 million.

(all figures in EUR millions unless stated otherwise)

Five highest individual reversals of impairment losses amounted in total EUR 2 million. An average reversal of impairment per restaurants was less then EUR 0,1 million.

During year ended 31 December 2019 Group has tested 305 restaurants as separate cash generating units.

Impairment loss or partial impairment loss was recognized for 114 restaurants. Reversal of impairment or partial reversal of impairment was accounted for 41 restaurants.

As a result of tests performed, impairment in the amount of EUR 11.8 million (EUR 7.1 million for property, plant and equipment and intangible assets, EUR 4.7 million for right of use assets) was recognized. Five highest individual impairment losses amounted in total EUR 3.9 million. An average impairment loss per restaurant amounted EUR 0.1 million.

Five highest individual reversals of impairment losses amounted in total EUR 1.4 million. An average reversal of impairment per restaurants was of EUR 0.1 million.

Goodwill and intangibles with undefined useful lives level

The Group performs impairment test for goodwill together with any intangible assets with indefinite useful lives, other intangibles, property plant and equipment, right of use assets, as well any other non-current assets that operate on the group of CGUs where goodwill is allocated.

Mandatory impairment tests are performed at year ends. However, as COVID-19 pandemic has a significant impact on Group's operations, as a response to potential impairment risk do to COVID-19 outbreak, the Group has decided to perform tests also in this interim reporting of half year and year end.Group's market capitalization exceeds the carrying value of consolidated net assets.

Present value technique model (the income approach) is used by Group for the purpose of determining fair value. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single discounted amount. The fair value reflects current market expectations about those future amounts. The income approach uses unobservable inputs, as a result, the fair value measurement is generally classified as Level 3 in the fair value hierarchy.

The cash flows were derived from the most recent budgets, plans for next year and forecasts for the following four years.

The 5th year normalized projections are used to extrapolate cash flows into the future if the 5th year represents a steady state in the development of the business. The adjustments may be necessary to reflect the expected development of the business (normalization of cash flows). Growth rates do not exceed the long-term average growth rate for the products, industries, or country or market in which the asset is used.

The recoverable amount is most sensitive to the discount rate used, growth rate used for extrapolation purposes and the weighted average budgeted EBITDA margin. The weighted average budgeted EBITDA margin is calculated as an average for the 5 years projection period i.e. without any impact of the residual value element. Budgeted revenues are used as weights.

The main input assumptions used in test are as follows:

YE 2020	Post-tax discount rate	Implied pre-tax discount rate	Growth rate for residual value	Weighted average budgeted EBITDA margin
Czechia – KFC	6.8%	7.8%	2.1%	17.8%
Hungary – KFC	10.0%	10.7%	3.1%	16.9%
Russia – KFC	10.4%	12.0%	3.7%	15.5%
Spain – KFC and TAG	7.1%	9.0%	1.2%	17.0%
Spain – Bacoa	7.1%	7.1%	1.2%	(5.8%)
China – BF	7.3%	8.9%	2.2%	13.2%
Romania – SBX	9.2%	10.2%	3.0%	18.0%
Germany – KFC	5.3%	6.6%	1.7%	4.9%
Germany – Starbucks	5.3%	6.6%	1.7%	5.4%
France – KFC	5.5%	7.0%	1.3%	8.7%
France – PH	5.5%	7.0%	1.3%	(10.9%)
Sushi Shop (all markets)	5.5%	7.1%	1.3%	14.0%

Based on the impairment test prepared during interim tests, the impairment was recognized in 2020 in following group of CGUs: Bacoa business in Spain, and Starbucks business in Germany. In all remaining tests the recoverable amount exceeded the carrying amount of the tested group of CGUs.

(all figures in EUR millions unless stated otherwise)

No impairment losses were recognized based on the year end tests.

The Group carried out a sensitivity analysis for the impairment tests performed. The sensitivity analysis examined the impact of changes in:

- discount rate applied,
- weighted average budgeted EBITDA margin,
- growth rate for residual value,
- sales revenues increases,

assuming other factors remain unchanged.

The objective of such a sensitivity analysis is to determine if reasonable possible changes in the main financial assumptions would lead to an impairment loss being recognised.

For discount rate, growth rate, weighted average budgeted EBITDA margin, a reasonable possible change was determined as 10% of the input data, applicable for particular unit. Consequently, each impairment test has a different level of a reasonable change in inputs, which can be determined by multiplying the base input data used in the impairment test as presented in table above by 10%.

Additionally Group performed sensitivity analysis on the expected changes in sales revenues recognition. In that case Group determines reasonable change individually for each business tested. Usually this is in a range of 1-5% decrease of estimated sales revenues in each year of projection.

Results of the sensitivity analysis at YE 2020

Based on the sensitivity analysis performed a reasonably possible change in any of the key assumptions used would not lead to recognition of impairment losses i.e. carrying amount would not exceed the recoverable amount.

- **Test results for HY 2020**

HY 2020	Post-tax discount rate	Implied pre-tax discount rate	Growth rate for residual value	Weighted average budgeted EBITDA margin
Czechia – KFC	5.9%	6.7%	2.1%	20.2%
Hungary – KFC	8.6%	9.1%	3.0%	20.4%
Russia – KFC	10.7%	12.3%	4.3%	15.3%
Spain – KFC and TAG	6.7%	8.3%	1.5%	18.1%
Spain – Bacoa	6.7%	6.7%	1.5%	(20.9%)
China – BF	6.8%	8.2%	2.5%	11.7%
Romania – SBX	9.9%	11.0%	2.9%	18.8%
Germany – KFC	5.0%	6.1%	1.9%	3.2%
Germany – Starbucks	5.0%	6.1%	1.9%	2.6%
France – KFC	5.0%	6.2%	1.6%	6.7%
France – PH	5.0%	6.3%	1.6%	(8.9%)
Sushi Shop (all markets)	5.0%	6.3%	1.6%	13.6%

Impairment losses were recognized in the following group of CGUs: Bacoa business in Spain, and Starbucks business in Germany.

Results of the sensitivity analysis for businesses where no impairment of goodwill was needed:

Sensitivity analysis for KFC Germany

For KFC Germany if initially planned weighted average budgeted EBITDA margin was 5% lower than the Group would need to recognize an impairment of EUR 0.9 million. If initially planned weighted average budgeted EBITDA margin was 10% lower than the Group would need to recognize EUR 3.9 million as an impairment loss. Reasonable change in all remaining key assumptions would not lead to any impairment loss.

For remaining tests, based on the sensitivity analysis performed a reasonably possible change in any of the key assumptions used would not lead to recognition of impairment losses i.e. carrying amount would not exceed the recoverable amount.

(all figures in EUR millions unless stated otherwise)

Results of the impairment tests and sensitivity analysis for businesses impairment of goodwill was recognized:

Sensitivity analysis for Bacoa business in Spain

The impairment test performed for Bacoa business resulted in recognition of impairment losses in total value of EUR 3.6 million which included impairment for goodwill EUR 1.2 million and impairment of Bacoa trademark in amount of EUR 2.4 million.

The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities and deferred tax liabilities related to initial acquisition of the business.

Carrying amount of CGU was compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

The Group performed the sensitivity analysis in various scenarios for Bacoa. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents if any change in impairment loss would be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable.

Input/ change in input	**Possible change in impairment loss**
Discount rate - in model (post-tax discount rate (6.7%))	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Growth rate for residual value - in model (1.5%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Weighted average budgeted EBITDA margin value - in model (-20,9%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Restaurant Sales	
-5% in each year of projection	No change in impairment loss accounted
-3% in each year of projection	
+3% in each year of projection	
+5% in each year of projection	

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit (assuming remaining input in model unchanged).

Input value	Post tax discount rate	Growth rate
Applied in model	6.70%	1.50%
When carrying amount of CGU equals to recoverable amount	-	13.40%

Sensitivity analysis for Starbucks Germany

The impairment test performed for Starbucks Germany business resulted in recognition of impairment losses. The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities. Carrying amount of CGU was compared with recoverable amount, as a result impairment loss of EUR 26.4 million was accounted for goodwill (partial goodwill impairment).

Additionally, the Group recognized impairment losses as a result of impairment test performed for restaurants in total value of EUR 6.5 million.

(all figures in EUR millions unless stated otherwise)

The Group performed the sensitivity analysis in various scenarios for Starbucks Germany. The Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents possible change in impairment loss to be accounted if respective input data were adjusted by respective percentage, assuming remaining parameters remain stable (negative values represents potential higher impairment loss).

Input/ change in input	**Potential change in impairment loss (in m EUR)**
Discount rate - tested in model (post-tax discount rate (5.0%))	
-10% of base value	12.7
-5% of base value	5.8
+5% of base value	(4.9)
+10% of base value	(9.0)
Growth rate for residual value - tested in model (1.9%)	
-10% of base value	(3.4)
-5% of base value	(1.8)
+5% of base value	1.9
+10% of base value	3.9
Weighted average budgeted EBITDA margin value - tested in model (2.6%)	
-10% of base value	(21.2)
-5% of base value	(10.6)
+5% of base value	10.6
+10% of base value	21.1
Restaurant Sales	
-5% in each year of projection	(4.4)
-3% in each year of projection	(2.6)
+3% in each year of projection	2.6
+5% in each year of projection	4.4

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit.

Discount	Post tax discount rate	Growth rate
Applied in model	5.0%	1.90%
When carrying amount of CGU equals to recoverable amount	4.10%	2.9%

- **<u>Comparative information for the goodwill impairment tests performed during year ended 31 December 2019.</u>**

The main input assumptions used in test are as follows:

2019	**Post-tax discount rate**	**Implied pre-tax discount rate**	**Growth rate for residual value**	**Weighted average budgeted EBITDA margin**
Czechia - KFC	5.22%	5.85%	2.50%	21.1%
Hungary - KFC	6.69%	7.12%	2.20%	19.9%
Russia – KFC	9.55%	11.36%	1.85%	14.4%
Spain – KFC and TAG	4.88%	5.95%	1.59%	20.4%
Spain – Bacoa	4.88%	5.87%	1.59%	8.2%
China – BF	6.33%	7.59%	2.50%	12.5%
Romania – SBX	8.15%	9.15%	2.50%	21.9%
Germany – KFC	3.33%	4.18%	1.17%	2.0%
Germany – Starbucks	3.33%	4.19%	1.17%	6.5%
France – KFC	3.81%	4.72%	1.43%	8.1%
France – PH	3.81%	3.81%	1.43%	(6.1%)
Sushi Shop (all markets)	3.81%	4.71%	1.43%	11.2%

Test results in 2019

Based on the impairment test prepared the impairment was recognized in following group of CGU: PH France and KFC Germany. In all remaining tests the recoverable amount exceeds the carrying amount of the tested group of CGUs.

(all figures in EUR millions unless stated otherwise)

Results of the sensitivity analysis for businesses were no impairment of goodwill was needed:

Based on the sensitivity analysis performed a reasonably possible change in any of the key assumptions used would not lead to recognition of impairment losses i.e. carrying amount would not exceed the recoverable amount.

Results of the impairment tests and sensitivity analysis for businesses impairment of goodwill was recognized:

Sensitivity analysis for PH France

Group recognized impairment of total goodwill balance in the amount of EUR 8.8 million. Additional impairment losses recognized as a result of impairment tests performed amounted EUR 8.2 million and were recognized for intangible assets, property, plant and equipment and right of use assets. Total value of impairment recognized for PH France amounted EUR 17.0 million.

The Group performed the sensitivity analysis in various scenarios for PH France. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents if any change in impairment loss would be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable.

Input/ change in input	**Possible change in impairment loss**
Discount rate - in model (post-tax discount rate (3.81%))	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Growth rate for residual value - in model (1.43%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Weighted average budgeted EBITDA margin value - in model (-6.07%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Restaurant Sales	
-5% in each year of projection	No change in impairment loss accounted
-3% in each year of projection	
+3% in each year of projection	
+5% in each year of projection	

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit (assuming remaining input in model unchanged).

Input value	Discount rate	Growth rate
Applied in model	3.81%	1.43%
When carrying amount of CGU equals to recoverable amount	0.29%	4.87%

Sensitivity analysis for KFC Germany

The impairment loss of EUR 4.6 million was accounted for goodwill as well as EUR 1.9 million impairment loss was recognized for property and right to use assets. Additionally Group recognized impairment losses as a result of impairment test performed for restaurants in total value of EUR 1.6 million.

(all figures in EUR millions unless stated otherwise)

The Group performed the sensitivity analysis in various scenarios for KFC Germany. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents possible change in impairment loss to be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable (negative values represents potential higher impairment loss).

Input/ change in input	**Potential change in impairment loss**
Discount rate - tested in model (post-tax discount rate (3,33%))	
-10% of base value	4.8
-5% of base value	2.6
+5% of base value	(2.2)
+10% of base value	(4.2)
Growth rate for residual value - tested in model (1,17%)	
-10% of base value	(1.6)
-5% of base value	(0.8)
+5% of base value	0.8
+10% of base value	1.7
Weighted average budgeted EBITDA margin value - tested in model (1,97%)	
-10% of base value	(11.4)
-5% of base value	(5.7)
+5% of base value	4.8
+10% of base value	4.8
Restaurant Sales	
-5% in each year of projection	(2.4)
-3% in each year of projection	(1.4)
+3% in each year of projection	1.4
+5% in each year of projection	2.4

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit.

Discount	Discount rate	Growth rate
Applied in model	3.33%	1.17%
When carrying amount of CGU equals to recoverable amount	3.04%	1.47%

19. Financial assets measured at fair value

Financial assets measured at fair value as of 31 December 2019 comprised the equity investment in Glovoapp23, S.L. ("Glovo"), based in Barcelona, Spain. During the year ended 31 December 2020 there were no material changes in fair measurement of Glovo's stake.

In October 2019 AmRest transferred 100% of shares in Pizza Portal to Glovo. Sale price was a combination of cash payment of up to EUR 20 million and newly issued shares of Glovo. Cash consideration, in line with the agreement, were paid to the Group in January 2020 and presented as Proceeds from the sale of the business in consolidated statement of cash flows.

In October 2020, the Group has reached an agreement with Delivery Hero for the transfer of its 7.5% stake (non-diluted) in Glovo for an aggregate amount of EUR 76.2m (the same as the accounting value). The finalization took place in December 2020 and resulted in cash inflow of EUR 75.5m, presented as Proceeds from the sale of financial assets measured at fair value in consolidated statement of cash flows.

Consequently, as of 31 December 2020 the Group does not present financial assets measured at fair value in the consolidated statement of financial position.

20. Other non-current assets

As at 31 December 2020 and 2019 the balances of other non-current assets were as follows:

(all figures in EUR millions unless stated otherwise)

	31 December 2020	31 December 2019
Deposits for rentals	21.7	20.6
Prepaid services	0.1	3.0
Other	1.1	1.5
	22.9	**25.1**

21. Inventories

As of 31 December 2020 and 2019, inventories cover mainly food and packaging used in the restaurants, finished goods and work in progress prepared by central kitchen for sale by La Tagliatella restaurants. Due to the nature of its business and applicable Group standards, all inventories are treated as materials. Inventories are presented at net value including write-downs.

22. Trade and other receivables

As of 31 December 2020 and 2019 the balances of trade and other receivables were as follows:

	31 December 2020	31 December 2019
Trade receivables from non-related entities	34.0	37.7
Other tax receivables	17.2	39.4
Credit cards, coupons and food aggregators receivables	13.4	5.9
Investment receivables (note 19)	-	20.0
Loans and borrowings	1.3	1.4
Government grants	5.1	-
Other	1.6	8.3
Allowances for receivables (note 37)	(12.2)	(8.1)
	60.4	**104.6**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 37.

23. Other current assets

As at 31 December 2020 and 2019 the balances of other current assets consisted mainly of prepayments for utilities, marketing and other services.

24. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2020 and 31 December 2019 are presented in the table below:

	31 December 2020	31 December 2019
Cash at bank	198.4	93.0
Cash in hand	6.4	13.2
	204.8	**106.2**

Reconciliation of working capital changes as at 31 December 2020 and 31 December 2019 is presented in the table below:

2020	Balance sheet change	Change from acquisition	Change in investment receivables (note 19)	Change in investment liabilities	Exchange differences	Working capital changes
Change in trade and other receivables	44.2	-	(20.0)	-	(3.9)	20.3
Change in inventories	3.4	-	-	-	(1.2)	2.2
Change in other assets	8.9	-	-	-	(2.2)	6.7
Change in payables	(46.0)	-	-	16.6	4.9	(24.5)

(all figures in EUR millions unless stated otherwise)

and other liabilities						
Change in other provisions and employee benefits	8.9	-	-	-	-	8.9

2019	Balance sheet change	Change from acquisition	Adoption of IFRS 16	Loss of control Pizza Portal	Change in investment liabilities	Exchange differences	Working capital changes
Change in trade and other receivables	(49.1)	-	-	20.9	-	(0.5)	(28.7)
Change in inventories	(4.2)	-	-	-	-	0.3	(3.9)
Change in other assets	17.7	(10.0)	(9.0)	-	-	(0.4)	(1.7)
Change in payables and other liabilities	18.7	18.0	-	1.8	(4.7)	(1.1)	32.7
Change in other provisions and employee benefits	6.2	-	0.2	-	-	(0.1)	6.3

25. Equity

Share capital

Share capital consists of ordinary shares. All shares issued are subscribed and fully paid. The par value of each share is 0.1 EUR.

There were no changes in share capital of the Company in year 2020.

As of 31 December 2020 and as at 31 December 2019 the Company has 219 554 183 shares issued.

Holders of ordinary shares are authorized to receive dividends and have voting rights at the Group's General Shareholders' Meetings proportionate to their holdings.

There are no shares committed to be issued under options, employee share schemes and contracts for the sale of shares.

Changes in the number of shares are also disclosed in note 28 Earnings per share.

To the best of AmRest's knowledge as at 31 December 2020 AmRest Holdings had the following shareholder structure:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	147 203 760	67.05%
Nationale-Nederlanden OFE	9 358 214	4.26%
Artal International S.C.A.	11 366 102	5.18%
Aviva OFE	6 843 700	3.12%
Other Shareholders	44 782 407	20.40%

* 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.

(all figures in EUR millions unless stated otherwise)

Reserves

The structure of Reserves is as follows:

2020	Share premium	Employee options unexercised	Employee options exercised	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**236.3**	**13.9**	**(39.0)**	**(7.5)**	**0.9**	**(26.3)**	**178.3**
Net investment hedges	-	-	-	-	(10.9)	-	(10.9)
Income tax related to net investment hedges	-	-	-	-	1.8	-	1.8
Total comprehensive income	**-**	**-**	**-**	**-**	**(9.1)**	**-**	**(9.1)**
Purchases of treasury shares	-	-	-	-	-	-	-
Share based payments							
Value of disposed treasury shares	-	-	(1.0)	1.0	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	0.1	-	-	-	0.1
Employee stock option plan – proceeds from employees for transferred shares	-	-	0.1	-	-	-	0.1
Employee stock option plan – reclassification of exercised options	-	(0.7)	0.7	-	-	-	-
Employee stock option plan – change in unexercised options	-	2.9	-	-	-	-	2.9
Change of deferred tax related to unexercised employee benefits	-	(2.2)	-	-	-	-	(2.2)
Total share based payments	-	-	*(0.1)*	*1.0*	-	-	*0.9*
Total distributions and contributions	**-**	**-**	**(0.1)**	**1.0**	**-**	**-**	**0.9**
As at 31 December	**236.3**	**13.9**	**(39.1)**	**(6.5)**	**(8.2)**	**(26.3)**	**170.1**

(all figures in EUR millions unless stated otherwise)

2019	Share premium	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**236.3**	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**(21.2)**	**206.1**
Net investment hedges	-	-	-	-	1.7	-	1.7
Income tax related to net investment hedges	-	-	-	-	(0.3)	-	(0.3)
Total comprehensive income	**-**	-	**-**	**-**	**1.4**	**-**	**1.4**
Transaction with non-controlling interests	-	-	-	-	-	(5.1)	(5.1)
Total transactions with non-controlling interests	-	-	-	-	-	**(5.1)**	**(5.1)**
Deferred payment in shares	-	(13.0)	-	-	-	-	(13.0)
Purchases of treasury shares	-	-	-	(0.9)	-	-	(0.9)
Share based payments		-					
Value of disposed treasury shares	-	-	(8.6)	8.6	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	(17.4)	-	-	-	(17.4)
Employee stock option plan – proceeds from employees for transferred shares	-	-	0.9	-	-	-	0.9
Employee stock option plan – change in unexercised options	-	-	6.6	-	-	-	6.6
Change of deferred tax related to unexercised employee benefits	-	-	(0.3)	-	-	-	(0.3)
Total share based payments	-	-	*(18.8)*	*8.6*	-	-	*(10.2)*
Total distributions and contributions	**-**	**(13.0)**	**(18.8)**	**7.7**	**-**	**-**	**(24.1)**
As at 31 December	**236.3**	-	**(25.1)**	**(7.5)**	**0.9**	**(26.3)**	**178.3**

(all figures in EUR millions unless stated otherwise)

Share premium

This item reflects the surplus over the nominal value of the share capital increase and additional contributions to equity without issue of shares made by shareholders prior to becoming a public entity.

There were no transactions within share premium in 2020.

Payments in shares

This item reflects the impact of payments in a fixed number of shares related to Sushi Shop Group acquisition. The transaction was settled in HY 2019. The final settlement was re-agreed to be made in cash. The Group reclassified the balance from equity to financial liabilities and repaid the balance in June 2019, as agreed in settlement. There were no such transactions in 2020.

Treasury shares

As at 31 December 2020 the Group had 623 461 treasury shares for a total purchase value of EUR 6.5 million, presented as treasury shares within "Reserves" under equity.

Transactions with NCI

This item reflects the impact of accounting for transactions with non-controlling interests (NCI).

The following key transactions were recognised in 2020:

	Transactions with NCI	Non-controlling interest	Total Equity
Dividends for non-controlling shareholders	-	(0.8)	(0.8)
Total transactions with non-controlling interests	**-**	**(0.8)**	**(0.8)**

The following key transactions were recognised in 2019:

	Transactions with NCI	Non-controlling interest	Total Equity
Acquisition of non-controlling interests of Pizza Portal	(4.8)	(0.5)	(5.3)
Acquisition of non-controlling interests in Sushi Shop Group	(0.3)	(0.1)	(0.4)
Dividends for non-controlling shareholders	-	(1.4)	(1.4)
Total transactions with non-controlling interests	**(5.1)**	**(2.0)**	**(7.1)**

Hedges valuation

The Group is exposed to foreign currency risk associated with the investment in its foreign subsidiaries, which is managed by applying net hedge investment strategies.

In 2018 AmRest Holdings assigned its PLN 280 million external borrowing as a hedging instrument in a net hedge for its Polish subsidiaries. Following scheduled debt amorisation repayment, the net investment hedge has been decreased to PLN 252 million from the end of September 2020.

AmRest Sp. z o.o., a Polish subsidiary, with PLN as functional currency, is a borrower of external EUR financing. A bank loan of EUR 220 million has been hedging the net investment in its EUR subsidiaries in 2019 and through 30 September 2020. From there on, following amorisation repayment, the net investment hedge has been decreased to EUR 198 million. Following a change in presentation currency of the Group from PLN to EUR, AmRest Sp. z o.o. remains exposed to the foreign currency risk between the functional currency of its net investment in its EUR investments and its own functional currency (PLN). These different functional currencies create a genuine economic exposure to changes in fair values in the consolidated financial statements of the Group.

For all net investment hedges, exchange gains or losses arising from the translation of liabilities that are hedging net investments are charged to equity in order to offset gains or losses on translation of the net investment in subsidiaries.

During the year ended 31 December 2020 hedges were fully effective.

(all figures in EUR millions unless stated otherwise)

As at 31 December 2020 the accumulated value of currency revaluation recognised in reserve capital (resulting from net investment hedges) amounted to EUR 10.9 million, and deferred tax concerning this revaluation EUR 1.8 million.

Translation reserves

The balance of translation reserves depends on the changes in the foreign exchange rates. This parameter is out of control of Group.

Total change in translation reserves in year 2020 amounted to EUR (19.2) million. The most significant impact on that balance had a change in Russian ruble to EUR (20.5) million, Polish zloty to EUR 8.6 million, Hungarian forint to EUR (5.6) million and Czech crown to EUR (1.6) million. Total change in translation reserves in year 2019 amounted to EUR 9.2 million. The most significant impact on that balance had a change in Russian ruble to EUR 10.9 million and Polish zloty to EUR (1.3) million.

Non-controlling interest

Key elements of non-controlling interests are presented in the table below:

	31 December 2020	**31 December 2019**
AmRest Coffee Sp. z o.o.	(0.1)	1.2
SCM Sp. z o.o.	2.5	1.7
AmRest Coffee s.r.o.	3.3	3.8
AmRest Kávézó Kft	0.2	0.9
AmRest d.o.o.	0.6	1.0
SCM s.r.o.	0.6	0.6
Sushi Shop Group	(0.2)	0.3
Non-controlling interests	**6.9**	**9.5**

26. 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 sp. z o.o. amounting to EUR 0.8 million (PLN 2.6 million).

(all figures in EUR millions unless stated otherwise)

27. Non-controlling interests

At 31 December 2020 and 31 December 2019 the summarised financial information for each subsidiary that has non-controlling interests is as follows:

Summarised balance sheet

31 December 2020	**AmRest Coffee s.r.o.**	**AmRest Kávézó Kft**	**AmRest Coffee Sp. z o. o.**	**SCM Sp. z o.o.**	**SCM s.r.o.**	**AmRest d.o.o.**	**Sushi Shop Group**
Current assets	4.9	2.1	(1.8)	6.5	2.7	0.7	1.0
Liabilities	(7.6)	(5.1)	(9.1)	(2.5)	(1.9)	(3.7)	(1.2)
Total current net assets	(2.7)	(3.0)	(10.9)	4.0	0.8	(3.0)	(0.2)
Non-current assets	40.5	16.4	26.8	0.5	0.1	7.5	1.7
Non-current liabilities	(19.6)	(12.4)	(15.6)	(0.1)	-	(3.0)	-
Total non-current net assets	20.9	4.0	11.3	0.4	0.1	4.5	1.7
Net assets	18.2	1.0	0.3	4.4	0.9	1.5	1.5

31 December 2019	**AmRest Coffee s.r.o.**	**AmRest Kávézó Kft**	**AmRest Coffee Sp. z o.o.**	**SCM Sp. z o.o.**	**SCM s.r.o.**	**AmRest d.o.o.**	**Sushi Shop Group**
Current assets	13.2	2.4	1.5	5.4	2.3	1.1	1.1
Liabilities	(8.6)	(7.0)	(10.0)	(2.8)	(1.5)	(3.0)	(0.6)
Total current net assets	4.6	(4.6)	(8.5)	2.6	0.8	(1.9)	0.5
Non-current assets	36.5	22.2	34.0	0.7	0.1	6.3	1.0
Non-current liabilities	(20.3)	(12.6)	(18.3)	(0.4)	-	(2.0)	-
Total non-current net assets	16.2	9.6	15.7	0.3	0.1	4.3	1.0
Net assets	20.8	5.0	7.2	2.9	0.9	2.4	1.5

Summarised income statement

(all figures in EUR millions unless stated otherwise)

year ended 31 December 2020	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.*	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	18.5	10.2	18.9	15.6	-	10.1	6.5	7.2
Profit before tax	(2.1)	(3.7)	(8.1)	3.7	-	0.1	(1.1)	(1.5)
Income tax expense/income	0.2	-	0.4	(0.8)	-	(0.2)	0.2	-
Profit/loss for the period	(1.9)	(3.7)	(7.7)	2.9	-	(0.1)	(0.9)	(1.4)
Profit/loss for the period allocated to NCI	(0.3)	(0.7)	(1.4)	1.4	-	-	(0.4)	(0.4)

year ended 31 December 2019	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	Restaurant Partner Polska Sp. z o.o. *	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	32.7	16.4	31.5	17.2	0.8	9.4	6.6	8.9
Profit before tax	4.2	0.6	(3.5)	2.2	(0.8)	0.2	(0.2)	(0.1)
Income tax expense/income	(1.1)	(0.3)	0.3	(0.6)	-	-	-	1.0
Profit/loss for the period	3.1	0.3	(3.2)	1.6	(0.8)	0.2	(0.2)	(0.2)
Profit/loss for the period allocated to NCI	0.8	0.1	(0.5)	1.5	(0.2)	0.3	-	(0.2)

** On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has became sole shareholder of Restaurant Partner Polska Sp. z o.o. Summarised income statement of Restaurant Partner Polska Sp. z o.o. is presented till acquisition of non-controlling interests shares i.e. till 13 March 2019.*

There are no significant restrictions on the possibility of access to the assets or their use and settlement of obligations for the subsidiaries having a non-controlling interest.

28. Earnings per share

As at 31 December 2020 and 2019 the Company has 219 554 183 shares issued.

Table below presents calculation of basic and diluted earnings per ordinary share for the year 2020 and 2019.

Basic EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year (including treasury shares, vested options under share based programs, number of shares to be transferred as a consideration for acquisition).

Diluted EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares (unvested options for open share based payments programs).

EPS calculation with the effect of share split	**31 December 2020**	**31 December 2019**
Net profit attributable to shareholders of the parent (EUR millions)	(182.0)	65.1
Weighted average number of ordinary shares for basic EPS (in thousands of shares)	219 169	220 567
Weighted average number of ordinary shares for diluted EPS (in thousands of shares)	219 346	221 480
Basic earnings per ordinary share (EUR)	(0.83)	0.30
Diluted earnings per ordinary share (EUR)	(0.83)	0.29

Reconciliation of weighted-average number of ordinary shares for basic EPS:

Weighted-average number of ordinary shares in thousands of shares	**31 December 2020**	**31 December 2019**
Shares issued at the beginning of the period	219 554	219 554
Effect of shares issued	-	-
Effect of treasury shares held	(640)	(1 042)
Effect of shares subject to Sushi Shop payment	-	572
Effect of share options vested	255	1 483
Weighted average number of ordinary shares for basic EPS	**219 169**	**220 567**

Reconciliation of weighted-average number of ordinary shares for diluted EPS:

Weighted-average number of ordinary shares for diluted EPS in thousands of shares	**31 December 2020**	**31 December 2019**
Weighted-average number of ordinary shares for basic EPS	219 169	220 567
Effect of share options unvested	177	913
Weighted average number of ordinary shares for diluted EPS	**219 346**	**221 480**

At 31 December 2020, 16 917 thousand of options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. At 31 December 2019, there were 7 475 thousand of options with anti-dilutive effect.

29. Borrowings

Long-term	**31 December 2020**	**31 December 2019**
Bank loans	599.0	555.0
SSD	77.5	101.0
	676.5	**656.0**

Short-term	**31 December 2020**	**31 December 2019**
Bank loans	69.4	62.8
SSD	24.9	1.3
	94.3	**64.1**

Bank loans and bonds

Currency	Loans/Bonds	Effective interest rate	31 December 2020	31 December 2019
PLN	Syndicated bank loan	3M WIBOR+margin	116.2	135.8
EUR	Syndicated bank loan	3M EURIBOR/fixed +margin	493.3	476.3
EUR	Schuldscheinedarlehen Bonds	6M EURIBOR/fixed +margin	102.4	102.3
EUR	Bank loans France	fixed	30.0	-
EUR	Bank loans Spain	fixed	26.2	-
RUB	Bank loan – Russia	fixed	2.7	-
EUR	Bank loans Germany	EURIBOR+margin	-	5.1
CNY	Bank loan – China	Fixed	-	0.6
			770.8	**720.1**

As at 31 December 2020 syndicated bank financing entered into in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

a. Signing date: 5 October 2017,
b. Final repayment date: 30 September 2022,
c. Joint Borrowers: AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. (the "Borrowers"; AmRest Sp. z o.o. and AmRest s.r.o. are fully owned by AmRest Holdings SE),
d. Lenders: Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski Polska S.A. and Česká spořitelna, a.s.

The available tranches following scheduled repayment in September 2020:

Tranche(*)	Maximum amount (million)	Date added	Purpose
A	EUR 225	October 2017	Refinancing of bank debt, general corporate purposes
B	PLN 270	October 2017	
C (fully repaid in Q1 2019)	CZK 0	October 2017	
D	PLN 450	October 2017	
E	PLN 252	June 2018	Refinancing of Polish bonds
F	EUR 171	October 2018	M&A, general corporate purposes

** Approximate total amount: EUR 609m*

- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor increased by a margin) and parts of tranches A and F are provided at a fixed rate.
- Securities: submissions to execution from the Borrowers, guarantees from Group companies, pledge on shares of Sushi Shop Group. Additional information presented in note 30.
- Other information: AmRest is required to maintain certain ratios at agreed level, in particular, net debt/adjusted consolidated EBITDA is to be held below 3.5 and consolidated EBITDA/interest charge is to stay above 3.5. Both ratios are calculated without the effect of IFRS 16. EBITDA as defined in finance agreements for the purpose of calculating covenants was EUR 45.6 million for the period of 12 months ended 31 December 2020.
- In 2020 the Group breached leverage covenant in bank financing for Q1 and Q2 and received waivers which were signed on 14 May and 1 September, respectively, prior to dates of issuing Q1 and semiannual financial statements. Q3 breach of net debt ratio was granted prior to quarter end, on 30 September.
- Prior to 2020-year-end AmRest has obtained from its financing banks and majority of bondholders (Schuldschein) waivers to the compliance with certain covenants related to the Group's leverage and interest coverage ratios for the fourth quarter of 2020 and the first, second and third quarters of 2021. During said periods, those covenants have been replaced by a commitment to maintain a minimum level of liquidity (EUR 80 million, which is lowered to EUR 50 million for the third and fourth quarters of 2021).
- The Group maintains close communication with its financing banks. All scheduled repayments were made in 2020.

In April 2017 AmRest entered the Schuldscheinedarlehen ("SSD" – debt instrument under German law) market to diversify financing sources and interest rate structure of debt and has executed several issues since then. The table below presents all SSD issues and their maturities:

Issue date	Amount (EUR million)	Interest rate	Maturity date	Amount expected to be repaid in 2021 (EUR million)	Purpose
7 April 2017	17.0	Fixed	7 April 2022	3.0	Refinancing, general corporate purposes
7 April 2017	9.0	Fixed	5 April 2024	8.0	
3 July 2017	45.5	Fixed	1 July 2022	12.5	
3 July 2017	20.0	Fixed	3 July 2024	-	
3 July 2017	9.5	Variable	3 July 2024	-	

The role of the Lead Arranger and Paying Agent on all issues was entrusted to Erste Group Bank AG.

As at 31 December 2020, payables concerning SSD issued amounted to EUR 102.4 million.

AmRest is required to maintain certain pre IFRS 16 ratios at agreed levels: net debt/EBITDA is to be held below 3.5x and EBITDA/interest charge is to stay above 3.5. As these covenants were not met at 2020 YE, the company expects EUR 23.5 million out of EUR 101 million will be repaid in 2021 to SSD holders who did not grant the covenant waivers.

State supported loans taken by the Group companies in 2020

Country	Entities	Effective interest rate	State guarantee	Total amount granted	Available at YE	Maturity
Spain	Restauravia Food SL, Pastificio Food SL	Fixed	70%	45.0	18.8	3-5 years
France	Sushi Shop Restauration SAS, AmRest Opco SAS	Fixed	90%	30.0	-	Up to 5 years, tbd in March 2021
Russia	OOO AmRest	Fixed	85%	2.7	-	1 year
Czechia	SCM s.r.o	Pribor + Margin	90%	1.2	0.5	1 year
				78.9	**19.3**	

The maturity of long- and short-term loans as at 31 December 2020 and 2019 is presented in the note 37.

The Group has the following unused, awarded credit limits as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
With floating interest rate		
- expiring within one year (tranche A)	-	30.0
- expiring beyond one year (tranche D)	1.5	104.6
- Bank loans Spain	18.8	-
	20.3	**134.6**

The table below presents the reconciliation of the debt:

2020	Bank loans	SSD	Total
As at 1 January	**617.8**	**102.3**	**720.1**
Payment	(80.9)	-	(80.9)
Loan taken/ new contracts	139.6	-	139.6
Accrued interests	18.2	2.2	20.4
Payment of interests	(17.3)	(2.1)	(19.4)
Exchange differences	(9.0)	-	(9.0)
As at 31 December	**668.4**	**102.4**	**770.8**

(all figures in EUR millions unless stated otherwise)

2019	Bank loans	SSD	Total
As at 1 January	**559.5**	**102.3**	**661.8**
Payment	(15.8)	-	(15.8)
Loan taken/ new contracts	71.6	-	71.6
Accrued interests	16.5	2.3	18.8
Payment of interests	(15.6)	(2.3)	(17.9)
Exchange differences	1.6	-	1.6
As at 31 December	**617.8**	**102.3**	**720.1**

30. Collateral on borrowings

The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Group companies – AmRest Kaffee Sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Restauravia Food S.L.U., Pastificio Service S.L.U – granted sureties to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. 30 September 2022 however not later than 5 October 2025. Additionally, pledge on shares of Sushi Shop Group has been established as security for the bank financing.

31. Employee benefits and share based payments

The Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Group's market value. During year 2020, the Group had the share-based payment arrangements according to six share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

Plan 2 was implemented in April 2005. Granting of the options finished in 2016.

Up to November 2014 the exercise method was in equity instruments. In November 2014, the then existing Supervisory Board of the Company approved a change of regulations by adding net cash settlement of option value (employee decides about settlement method). Due to the above changes, Plan 2 comprised both equity-settled options and cash-settled options.

In 2015 a change in regulations eliminated a possibility of option settlement with cash method for the grants after 8 December 2015. Furthermore, a group of employees made a unilateral statement about resignation from the cash settlement possibility in relation to option also granted in previous periods. As a result of the modification of some options from cash-settled to equity-settled, in 2017 a reclassification in amount of EUR 0.5 million was accounted from liabilities into equity.

Plan 3 – Management Incentive Plan 2011

Granting of the options finished in 2014. The Supervisory Board of Group (then existing) was entitled to determine the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price was in principle equal to the market price of the Company's shares as at the date preceding the day of awarding the option and then increased by 11% each year. The vesting period was 3-5 years. All remaining options granted within the Plan 3 has been exercised during year 2019.

Plan 4 – Stock Option Plan 2017

In January 2017 the Group introduced a new share-based Stock Option Plan. The number of options granted, employees awarded and granting dates were initially determined by the then existing Management Board (current Executive Team), however the number of options was limited to 750,000 options. The Granting Period was set between 1 January 2017 and 31 December 2019. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of granting the option, and the vesting period will be 3 to 5 years. There are no cash settlement alternatives.

In December 2018 the Board of Directors of the Company (who took over Management Board faculty on this matter following the transfer of domicile of the Company from Poland to Spain) resolved to adjust the share-based plans of the Company so they can also be executed through the Spanish Stock Exchanges, where the Company's shares started trading on 21 November 2018.

(all figures in EUR millions unless stated otherwise)

Plan 5 – Management Incentive Plan 2017

In January 2017 the Group introduced a new share-based Management Incentive Plan, offered to selected employees. The whole number of shares which were attributed to the options was determined by the Board of Directors, however, it may not exceed 1,000,000 shares. In accordance with the provisions of the Plan, when requested by management the Board of Directors, was entitled to determine the employees authorized to participate in the Plan, the number of options granted and the dates for their granting among other issues. The Granting Period was set between 1 January 2017 and 31 December 2019. The option initial exercise price was in principle equal to the market price of the Company's shares as at the date of First Grant. The exercise price shall increase on 1st, 2nd and 3rd anniversary by 11%. The vesting period lasts 3 to 5 years. There are no cash settlement alternatives.

Plan 6 – Stock Option Plan 2020

In 2020 the Group introduced a share-based Stock Option Plan, which is an extension of the regulations introduced in the Stock Option Plan 2017. The plan is effective for an additional period of one year exclusively during the 2020 financial year under their exact same terms and conditions with the sole exception of the Exercise Price mentioned in the table below. The number of options granted, employees awarded and granting dates were initially determined by the Executive Team. In 2020 the number of options was limited to 3.6 million options. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of granting the option, and the vesting period will be 3 to 5 years. There are no cash settlement alternatives.

Plan 7 – Management Incentive Plan 2020

In 2020 the Group introduced a share-based Management Incentive Plan, offered to selected employees, which is an extension of the regulations introduced in the Management Incentive Plan 2017. The plan is effective for an additional period of one year exclusively during the 2020 financial year under their exact same terms and conditions with the sole exception of the Exercise Price mentioned in the table below. The whole number of shares which were attributed to the options was determined by the Board of Directors. In 2020 the number of options was limited to 4.65 million options. In accordance with the provisions of the Plan, when requested by management the Board of Directors, was entitled to determine the employees authorized to participate in the Plan, the number of options granted and the dates for their granting among other issues. The option initial exercise price was in principle equal to the market price of the Company's shares as at the date of First Grant. The exercise price shall increase on 1st, 2nd and 3rd anniversary by 11%. The vesting period lasts 3 to 5 years. There are no cash settlement alternatives.

The terms and conditions for the share options outstanding as at 31 December 2020 are presented in the table below:

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR	Method of settlement
Plan 2 - SOP				
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012			1.68	Equity or equity/cash*
April 30, 2013	1-5 years, 20% per annum	10 years	1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 4 - SOP				
May 30, 2017			8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
April 30, 2019			9.62	Equity
Plan 5 - MIP				
March 15, 2017			10.51	Equity
September 13, 2017	3-5 years, 33% p.a.	10 years	10.97	Equity
March 3, 2018			10.43 - 10.88	Equity

(all figures in EUR millions unless stated otherwise)

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR	Method of settlement
October 1, 2018			14.54	Equity
March 26, 2019			10.23 - 14.49	Equity
May 13, 2019			12.10	Equity
Plan 6 – SOP				
July 13, 2020	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	4.99	Equity
October 1, 2020			5.78	Equity
Plan 7 - MIP				
February 10, 2020	3-5 years, 33% p.a.	10 years	15.10	Equity
October 1, 2020			7.90	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*

Options vest when the terms and conditions relating to the period of employment are met. The Plans do not provide any additional market conditions for vesting of the options.

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2020 and 2019:

Number of option 2020	WAEP in EUR (before indexation)	Plan 7	Plan 6	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	8.52	-	-	5 400 000	6 988 850	-	1 150 266
Granted during the period	7.07	3 350 000	3 204 500	-	-	-	-
Exercised during the period	7.04	-	-	(166 666)	-	-	(159 554)
Forfeited during the period	10.15	-	-	(1 950 000)	(209 200)	-	(58 310)
Outstanding at the end of the period	8.68	3 350 000	3 204 500	3 283 334	6 779 650	-	932 402
- including exercisable as at the end of the period	6.36	-	-	-	938 730	-	722 562
Number of option 2019	**WAEP in EUR (before indexation)**	**Plan 7**	**Plan 6**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	7.71	-	-	6 650 000	4 118 750	2 750 003	2 274 776
Granted during the period	9.23	-	-	1 450 000	3 440 800	-	-
Exercised during the period	1.98	-	-	-	(10 000)	(2 750 003)	(1 027 742)
Forfeited during the period	8.30	-	-	(2 700 000)	(560 700)	-	(96 768)
Outstanding at the end of the period	8.52	-	-	5 400 000	6 988 850	-	1 150 266
- including exercisable as at the end of the period	3.59	-	-	-	499 168	-	-

The weighted average share price at the dates of exercise of the options was EUR 6.98 in 2020 and EUR 9.83 in 2019.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 8.20 years (2019: 8,21 years).

Measurement

The fair value of the equity instruments has been measured using numerical method for solving differential equations by approximating them with difference equations, called finite difference method. The fair value of the cash-settled options has been measured using the Black-Scholes formula. The fair value of the options as at the grant date has been determined using the support of an external actuary.

(all figures in EUR millions unless stated otherwise)

The fair value of the options granted during the period, as at the grant date, amounted as described below. It was determined on the basis of the following parameters:

Plan	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2020							
Plan 6 (SOP)	EUR 0.93	EUR 4.14	EUR 5.75	35%	5 years	-	2%
Plan 7 (MIP)	EUR 0.63	EUR 4.50	EUR 8.30	35%	5 years	-	2%
2019							
Plan 4 (SOP)	EUR 2.90	EUR 9.62	EUR 9.62	30%	5 years	-	2%
Plan 5 (MIP)	EUR 2.83	EUR 10.36	EUR 11.37	30%	5 years	-	2%

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share-based payments costs and liabilities

The Group recognises accrual for equity-settled options in reserve capital. The amounts as at 31 December 2020 and 31 December 2019 are presented in a table below:

	31 December 2020	31 December 2019
Reserve capital - Plan 2	1.8	1.8
Reserve capital - Plan 4	8.3	5.0
Reserve capital - Plan 5	5.2	6.6
Reserve capital - Plan 6	0.1	-
Reserve capital - Plan 7	0.2	-
	15.6	**13.4**

The Group recognises liability for cash settled options. The amounts as at 31 December 2020 and 31 December 2019 are presented in a table below:

	31 December 2020	31 December 2019
Liability for Plan 2	0.1	0.5
Other employee benefits liabilities	0.2	0.1
	0.3	**0.6**

The costs recognised in connection with the plans relating to incentive programs for the years ended 31 December 2020 and 2019 respectively are presented below:

	2020	2019
Employee stock option plan 2	0.1	1.4
Employee stock option plan 3	-	0.8
Employee stock option plan 4	3.4	3.0
Employee stock option plan 5	(1.2)	2.6
Employee stock option plan 6	0.1	-
Employee stock option plan 7	0.2	-
	2.6	**7.8**

Pension, health care and other contributions

The costs recognised in connection with the employee benefits contributions for the years ending on 31 December 2020 and 31 December 2019 respectively are presented below:

	2020	2019
Pension, health care contributions and other	98.2	111.0

Apart from those specified above, there are no other liabilities and costs in respect of employee benefits.

(all figures in EUR millions unless stated otherwise)

32. Provisions

Changes in the balance of provisions are presented in the table below:

2020	**As at 1 January**	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31 December**
Asset retirement obligation	10.1	0.9	(0.2)	(1.1)	-	9.7
Provision for court and legal proceedings	3.7	3.5	(0.1)	(0.8)	(0.2)	6.1
Provision for tax risks	0.4	0.3	(0.4)	-	0.1	0.4
Franchise agreements related provision	8.0	5.0	-	(2.0)	-	11.0
Provision for other	0.6	4.2	-	-	-	4.8
Total	**22.8**	**13.9**	**(0.7)**	**(3.9)**	**(0.1)**	**32.0**

2019	**As at 1 January**	Adoption of IFRS16	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31 December**
Onerous contracts	1.8	(1.8)	-	-	-	-	-
Asset retirement obligation	9.8	-	0.8	(0.3)	(0.1)	(0.1)	10.1
Provision for court and legal proceedings	2.2	-	2.2	(1.4)	-	0.7	3.7
Provision for tax risks	0.8	-	0.1	(0.5)	-	-	0.4
Franchise agreements related provision	-	-	8.0	-	-	-	8.0
Provision for other	0.9	-		(0.1)		(0.2)	0.6
Total	**15.5**	**(1.8)**	**11.1**	**(2.3)**	**(0.1)**	**0.4**	**22.8**

All provisions are treated as long-term liabilities.

Franchise agreements related provision

As at the end of previous balance sheet date, the Group recognised a provision for resetting master-franchise agreements regarding Pizza Hut signed for the markets: France, CEE, Germany, and Russia (including Armenia and Azerbaijan), out of which part has been utilised in the reporting period. As at end of balance sheet date, Group has recognised further provisions related to franchise and development agreements with YUM! and subsidiaries of YUM!, Burger King Europe GmbH, Starbucks Coffee International, Inc.

Provision for court and legal proceedings

Periodically, the Group is involved in disputes and court proceedings resulting from the Group's on-going operations. As presented in the table above, as at the balance sheet, the Group recognised a provision for the costs of court proceedings which reflects the most reliable estimate of the probable losses expected as a result of the said disputes and legal proceedings.

Provision for tax liabilities

The Group operates in numerous markets with different and changing tax rules and additionally realises its growth within new investments and often has to decide to create or modify the value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimates are used.

Asset retirement obligation

The Group recognised a provision for costs of future asset restorations mainly on the acquisition of German and French subsidiaries. The provision consists of expected costs at the end of rental agreement. The provision would be used for renovation work needed to restore rented properties, as required by rental agreements.

33. Tax risks and uncertain tax positions

Tax inspections in AmRest Sp. z o.o.

a. On 28 July 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for 2014. On 11 September 2017 the Company received the decision issued by the Head of the Lower Silesia Tax Office ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed the tax liability amounting to PLN 4.3 million (EUR 1.0 million) and the amount of the return unduly received of PLN 10.2 million (EUR 2.3 million). On 22 September 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above decision.

   On 18 February 2019 AmRest Sp. z o.o. received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision regarding VAT returns for 2014 issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision. On 25 June 2019 AmRest Sp. z o.o. received the notification that the proceedings related to the annulment of the final decision covering VAT for 2014 have been suspended.
   At the moment of publication of these consolidated financial statements, the decision related to the annulment of the final decision has not been issued.

b. On 15 September 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for the period January – September 2013.

   On 2 October 2017 the Company received the decision issued by the Lesser Poland Customs and Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed in its decision the tax liability amounting to PLN 3.1 million (EUR 0.7 million) and the amount of the return unduly received of PLN 11.2 million (EUR 2.6 million).

   On 16 October 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above described decision. As a result of the decision issued on 17 January 2018 by the Tax Administration Chamber which revoked the decision of first instance and submitted it for further examination, another decision was issued by the Head, which the Company appealed on 15 June 2018.

   On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber, which confirmed the decision of the first instance. Due to the fact that the decision was enforceable the Company has effectively paid the value of approx. PLN 4.2 million (approx. EUR 1.0 million) as a principal amount of tax liability (plus interest). The Company did not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

   On 30 July 2020 Supreme Court announced a positive court verdict in regards to VAT settlements of AmRest Sp. z o.o. for the year 2012 and January – September 2013. The court rejected the complaint of the tax chamber against the earlier verdict of the local administrative court. The verdict was based on the statute of limitations on the tax liability for these years.

c. On 28 September 2016 a tax inspection began in AmRest Sp. z o.o. on VAT returns for 2012. On 11 September 2017 the Company received a decision issued by the Head of the Lesser Poland Customs and the Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in its decision underestimated output VAT amounting to PLN 18.5 million (EUR 4.2 million).

   On 7 November 2017 the Company received the decision of the Head of the Lower Silesia Tax Office on the basis of which the above decision of the Head of the Lesser Poland Customs and Tax Office became immediately enforceable. As a result, on 7 November 2017 the Company's bank account was seized in order to cover tax liabilities consisting of a VAT liability for July, August and September 2012 amounting to PLN 1.3 million (EUR 0.3 million), unduly received in the December 2012 VAT return (for July 2012) in the amount of PLN 0.5 million (EUR 0.1 million), interest accrued in the amount of PLN 0.8 million (EUR 0.2 million) and enforcement costs in the amount of PLN 0.2 million (EUR 0.04 million).

   On 14 November 2017 the Company appealed said decision and the administrative action taken. On 12 February 2018 the Tax Administration Chamber issued a decision upholding the decision of the first instance concerning the execution. On 19 March 2018 the Company appealed to the Local Administrative Court in this respect and on 16 August 2018 the Company received the decision of the Court stating that the complaint had been dismissed.

On 12 December 2017 the Tax Administration Chamber (second instance) issued the decision which revoked the decision of first instance and submitted it for further examination. This also resulted in revocation of execution proceedings. On 29 May 2018 another decision has been issued by the Head (first instance) which the Company appealed on 15 June 2018.

On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber regarding VAT returns for 2012 which confirmed the decision of the first instance. Due to the fact that the decision is enforceable the Company has effectively paid the value of 59pprox.. PLN 14.3 million (59pprox.. EUR 3.3 million) as a principal amount of tax liability (plus interest). The Company does not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

On 30 July 2020 Supreme Court announced a positive court verdict in regards to VAT settlements of AmRest Sp. z o.o. for the year 2012 and January – September 2013. The court rejected the complaint of the tax chamber against the earlier verdict of the local administrative court. The verdict was based on the statute of limitations on the tax liability for these years.

d. On 30 July 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period December 2017 – March 2018. On 29 August 2018 the Company received the tax protocol and on 12 September 2018 the Company submitted its reservations. On 20 November 2018 tax office initiated tax proceeding. On 23 July 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in August 2018 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

e. On 12 December 2018 a tax inspection started at AmRest Sp. z o.o. regarding VAT returns for the period April – September 2018. On 28 February 2019 AmRest Sp. z o.o. received the tax protocol issued by the Head of the Lower Silesia Tax Office which questioning that VAT settlements for the period. On 14 March 2019 the company filed the reservations to this protocol. On 25 March 2019 the company received the response to the submitted reservations. The Head of the Lower Silesia Tax Office upheld the allegations described in the protocol. On 1 August 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in January 2020 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

f. On 17 May 2019 AmRest Sp. z o.o. received the notification that tax inspections have been initiated regarding the VAT settlements for the period from October 2018 to March 2019 (six separate tax inspections for every month). As at the date of publication of these consolidated financial statements, tax inspections have not been finished.

There is an inconsistency between the decisions issued to the Company – in the same circumstances tax authorities are stating that either: (1) that the Company applied an incorrect classification of the operations with regards to the Value-Added Tax Act (sales of goods vs. sales of gastronomic services) and has no right to refer to individual binding tax rulings, or (2) that the Company has a right to refer to individual tax ruling issued by the Minister of Finance.

The circumstances of each case and the allegations of the tax authorities have been thoroughly analyzed by the Company and its tax advisors, who found the tax authorities' standpoint challenging the VAT classification and denying the right to apply the individual tax rulings to be completely unjustified and unlawful. In the opinion of the Company, the individual binding tax rulings issued by the Minister of Finance present a reliable and true actual state and consequently have protective power according to Article 14k and Article 14m of the Tax Ordinance Act.

Additionally, the matter of applying a 5% VAT rate to the take-away segment was verified and confirmed by positive decisions issued by the Head of Lower Silesia Tax Office in 2014 (inspections for October, November and December 2013).

The Company would like to draw attention to the fact that administrative courts in many cases present a standpoint consistent with the Company's. Also, case law of the European Court of Justice presents such an approach.

Furthermore, the Company insists that the case should be determined by application of Article 2a of the Tax Ordinance Act of 29 August 1997 (which states that when the provisions of the law are not clear, the case should be resolved in favor of the taxpayer).

The Group analyzed the risk with regards to ongoing tax inspections related to VAT and assessed that it is more probable than not that the tax authority will finally accept the Companies VAT tax filings. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2020 and as at the date of publication of these Consolidated Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

g. On 23 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2016. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 19.8 million (EUR 4.7 million) and claiming additional income amounted to PLN 15.2 million (EUR 3.6 million) resulting from VAT refund received in 2016. The said decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 10 December 2019.

h. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2013. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 0.2 million (EUR 0.05 million) and claiming additional income amounted to PLN 7.5 million (EUR 1.8 million) resulting from VAT refund received in 2013. The said Decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

i. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2014. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. amounted to PLN 78.0 million (EUR 18.5 million) and claiming additional income amounted to PLN 2.1 million (EUR 0.5 million) resulting from VAT refund received in 2014. The said decision is not final and enforceable, i.e. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

According to Polish regulations Tax Authority is also the appeal authority. In case The Tax authority upholds the decisions, it will be obliged to issue the final decisions. Taking into account the relevant regulations, the appeal authority is obliged to issue the final decisions. The tax authority has not issued the final decisions yet.

The Group analyzed the risk with regards to ongoing tax proceedings related to CIT and assessed that it is more probable than not that the tax authority will finally accept the Companies CIT tax filling. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2020 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

Tax inspections in other Group companies

a. In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG ("Company"), identified the products that were sold with an incorrectly applied VAT rate. This fact was presented to the tax officer who was responsible for the inspection of periods prior to the acquisition of the business by AmRest. The Company undertook to correct the VAT calculation for the periods not lapsed.

(all figures in EUR millions unless stated otherwise)

The corrective tax declarations were submitted and the outstanding tax liability was paid in July 2018. The Company has filed amended VAT tax returns – based on the approach confirmed with the tax office - for the period from 2009 to 2015.

On 18 October 2018 the Company received a letter from the tax office extending the tax audit by including the financial year 2016, during the course of which the acquisition of the Company by AmRest was completed. According to said letter, the tax audit shall cover the following tax settlements: (1) separate and uniform determination of the income tax base including trade tax base and tax losses, (2) VAT, (3) trade taxes, (4) separate determination of the trade tax loss carryforwards, (5) separate and uniform determination of the withholding taxes and corporate income taxes. As at the date of publication of these consolidated financial statements, the inspection has not concluded.

b. On 17 December 2020 the French Tax Administration started a tax control on Sushi Shop Group SAS entity, relating to years 2018 and 2019. As at the date of publication of these consolidated financial statements, tax inspection has not been finished.

c. On 22 July 2019 Pastificio Service Service S.L. (as the taxpayer), Amrest Tag SL (as head of the Tax Group 539/11 during the tax audit period) and AmRest Holdings, SE (as the current head of the Tax Group 539/11) were notified of the initiation of a tax audit, in regard to corporate income tax, for the fiscal years 2014 to 2017. This is a partial tax audit, only referred to tax relief applied by Pastificio Service, SL in corporate income tax bases of 2014 to 2017, in regard to the deductions related to certain intangible assets (i.e. patent box regimen).

On 17 August 2020 the mentioned companies received the settlement proposal from the tax auditors, including the regularization of the total amount of the tax relief applied during 2014 to 2017. This settlement proposal amounted to EUR 1.0 million.

On 14 September 2020, the companies submitted allegations before the Tax Auditors, being dismissed.

On 10 December 2020 the companies have signed the Non Conformity Tax Audit Settlement with regards to the settlement proposal and, afterwards, on January, 2021 the companies submitted the corresponding allegations before the Technical Office against the final settlement proposal.

Base on independent experts advise, Directors of the companies consider that the allegations submitted will success. Therefore, there is not recorded any provision on this matter on the Financial Statements as of December 2020.

There are no other material contingent liabilities concerning pending audits and tax proceedings, other than those stated above.

34. Trade and other accounts payables

Trade and other accounts payables as at 31 December 2020 and 31 December 2019 cover the following items:

	31 December 2020	31 December 2019
Payables to non-related entities, including:	**166.5**	**199.3**
Trade payables	93.0	100.9
Payables in respect of uninvoiced deliveries of food	10.9	10.5
Employee payables	14.8	16.9
Social insurance payables	15.2	17.1
Pre-acquisition tax settlements liability	-	2.7
Other tax payables	8.7	14.8
Investment payables	3.3	14.7
Other payables	20.6	21.7
Contract liabilities - loyalty programs	**0.1**	**0.6**
Contract liabilities - gift cards	**5.6**	**5.0**
Contract liabilities – initial fees	**2.8**	**3.1**
Accruals, including:	**54.6**	**67.8**
Employee bonuses	20.5	19.7
Marketing services	3.2	3.8

(all figures in EUR millions unless stated otherwise)

	31 December 2020	31 December 2019
Holiday pay accrual	15.0	14.6
Professional services	2.8	5.4
Franchise fees	2.8	5.5
Lease cost provisions	4.0	6.1
Investment payables accrual	5.3	10.6
Other	1.0	2.1
Deferred income	**5.1**	**3.1**
Social fund	**0.7**	**0.6**
Total trade and other accounts payables	**235.4**	**279.5**

Information on average payment period to suppliers. Third additional provision, "Information requirement" of Law 15/2010 of July 5.

In accordance with the aforementioned Law, the following information corresponding to the Spanish companies of the AmRest Group is disclosed:

	2020	2019
Number of days:		
Average payment period to suppliers	102.2	23.4
Ratio of payments	101.7	23.9
Ratio of outstanding invoices	107.9	17.9
Millions of EUR:		
Total payments	173.9	186.5
Outstanding invoices	16.5	16.8

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

35. Future commitments and contingent liabilities

As in the previous reporting period, the Group's future liabilities are derived mainly from the franchise agreements and development agreements. Group restaurants are operated in accordance with franchise and development agreements with YUM! and subsidiaries of YUM!, Burger King Europe GmbH, Starbucks Coffee International, Inc. In accordance with these agreements, the Group is obliged to meet certain development commitments as well as maintain the identity, reputation and high operating standards of each brand. Details of the agreements together with other future commitments have been described in note 1 and 40d of the Group's consolidated financial statements. As the COVID-19 pandemic restrictions impacted restaurants operation, the Group has renegotiated its commitments with each franchisor.

Commitments regarding credit agreement are described in note 29 and note 30.

36. Transactions with related entities

Transactions with related parties are carried out in accordance with market regulations.

Group shareholders

As at 31 December 2020, FCapital Dutch B.V. was the largest shareholder of AmRest and held 67.05% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with key management personnel

The remuneration of the Board of Directors and Senior Management Personnel (key management personnel) paid by the Group was as follows:

(all figures in EUR millions unless stated otherwise)

	31 December 2020	31 December 2019
Remuneration of the members of the Board of Directors and Senior Management Personnel paid directly by the Group	3.9	4.0
Gain on share-based renumeration systems	0.5	23.2
Total compensation paid to key management personnel	**4.4**	**27.2**

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.

The Group's key management personnel participates in the employee share option plans (note 31). In the year ended 31 December 2020 the provision relating to the options decreased by EUR 1,1 million, due to a significant amount of forfeited option. In the year ended 31 December 2019 the provision increased by EUR 3.1 million.

	31 December 2020	31 December 2019
Number of options outstanding (pcs, after split)	6 572 333	5 310 000
Number of available options (pcs, after split)	445 933	27 000
Fair value of outstanding options as at grant date (EUR millions)	9.9	13.1

As at 31 December 2020 and 2019, the Company had no outstanding balances with the key management personnel, apart from accruals for annual bonuses payable in first quarter of the following year. As at 31 December 2020 and 2019 the Company has not extended any advances to the Board of Directors or senior management personnel and had no pension fund, life insurance or other such commitments with these parties, except for the share option plans detailed above and in note 31. As at 31 December 2020 and 31 December 2019 there were no liabilities to former employees.

Conflicts of interest concerning the Board Directors

The Board Directors and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

Other related entities

There were no material transactions with other related entities in 2020. There were also no material receivables and payables with other related entities as at 31 December 2020 and 31 December 2019.

37. Financial instruments

The following table shows the carrying amounts of financial assets and financial liabilities. The Group assessed that the fair values of cash and cash equivalents, rental deposits, trade and other receivables, trade and other payables, as well as current loans and borrowings and finance lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Fair values of non-current rental deposits, loans and borrowings and financial liabilities immaterially differs from their carrying values. Trade and other receivables and liabilities presented below does not include balance relating to taxes and employee settlements.

As at 31 December 2020 the Group does not have equity instrument measured at fair value. There were no transfers between fair value hierarchy levels in year 2020. In December 2019 the Group transferred equity instrument measured at fair value between levels of fair value hierarchy: from Level 3 to Level 2.

Classification of key classes of financial assets and liabilities with their carrying amounts is presented in note below:

31 December 2020	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets not measured at fair value				
Rental deposits	20	-	21.7	-
Trade and other receivables from clients	22	-	43.2	-
Cash and cash equivalents	24	-	204.8	-

(all figures in EUR millions unless stated otherwise)

31 December 2020	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial liabilities not measured at fair value				
Loans and borrowings	29	-	-	668.4
SSD	29	-	-	102.4
Lease liabilities	15	-	-	761.4
Trade and other liabilities to suppliers	34	-	-	146.9

31 December 2019	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets measured at fair value				
Equity instruments	19	76.2	-	-
Financial assets not measured at fair value				
Rental deposits	20	-	20.6	-
Trade and other receivables from clients	22	-	65.2	-
Cash and cash equivalents	24	-	106.2	-
Financial liabilities not measured at fair value				
Loans and borrowings	29	-	-	617.8
SSD	29	-	-	102.3
Lease liabilities	15	-	-	864.1
Trade and other liabilities to suppliers	34	-	-	181.3

Risk management

The Group is exposed to several financial risks in connection with its activities, including: the risk of market fluctuations (covering the foreign exchange risk and risk of changes in interest rates), risk related to financial liquidity and – to a limited extent – credit risk. The risk management program implemented by the Group is based on the assumption of the unpredictability of the financial markets and is used to maximally limit the impact of negative factors on the Group's financial results.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

Financial instruments especially exposed to credit risk include cash and cash equivalents, trade and other receivables. The Group has no significant concentration of credit risk. The risk is spread over a number of banks, whose services are used, and customers it cooperates with.

The maximum credit risk exposure on trade and other receivables and cash and cash equivalents amounts to EUR 245.9 million.

Cash and cash equivalents

Credit risk related to financial instruments in the form of cash in bank accounts is limited, due to the fact that the parties to the transaction are banks with high credit ratings received from international rating agencies.

Trade receivables

The Group analyses receivables by type of the customer. The Group operates chains of own restaurants under own brands as well as under franchise license agreements. Additionally, the Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand) and develops chains of franchisee businesses, organizing marketing activities for the brands and supply chain. Consequently, the Group analyses two stream of receivables related to:

- Restaurant sales,
- Franchise and other sales.

(all figures in EUR millions unless stated otherwise)

The Group' receivables related to restaurant sales are limited and have low credit risk due to the short settlement time and the nature of settlement, as guests pay in restaurants generally in cash or via credit or debit cards.

Receivables related to franchise sales include franchise receivables referring to own brands and master-franchise agreements. For these receivables the Group performs detailed analysis of expected credit loss.

The Group's exposure to that credit risk is influenced mainly by the individual characteristics of each customer. However, the Group also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate, including the external rating related to particular country.

For these receivables the Group applied the simplified approach permitted by IFRS 9, which requires expected credit losses (ECLs) to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

During year 2020 the Group recognised an impairment of the Group's receivables exposed to credit risk in an net amount of EUR 6.2 million.

The ageing break-down of receivables and receivable loss allowance as at 31 December 2020 and 31 December 2019 is presented in the table below.

	Current	Overdue in days				Total
2020	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	45.2	10.5	2.8	5.2	8.9	**72.6**
Loss allowance (note 22)	(0.7)	(1.2)	(0.8)	(2.6)	(6.9)	**(12.2)**
Total	**44.5**	**9.3**	**2.0**	**2.6**	**2.0**	**60.4**

	Current	Overdue in days				Total
2019	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	97.6	5.0	3.0	3.6	3.5	**112.7**
Loss allowance (note 22)	(0.1)	(0.3)	(1.6)	(3.3)	(2.8)	**(8.1)**
Total	**97.5**	**4.7**	**1.4**	**0.3**	**0.7**	**104.6**

Value of loss allowance for receivables as at 31 December 2020 and 31 December 2019 is presented in table below:

	31 December 2020	**31 December 2019**
Value at the beginning of the period	8.1	4.2
Allowance created	6.9	4.6
Allowance released	(0.7)	(0.5)
Allowance used	(1.5)	-
Other	(0.6)	(0.2)
Value at the end of the period	**12.2**	**8.1**

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 29). As at 31 December 2020 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended 31 December 2020 been 30 base points higher/lower, the profit before tax for the period would have been EUR 371,1 thousand lower/higher (2019: EUR 406 thousand).

(all figures in EUR millions unless stated otherwise)

Had the interest rates on loans denominated in euro during the 12 months ended both 31 December 2020 and 31 December 2019 been 30 base points higher/lower, the profit before tax for these periods would have been the same.

Foreign exchange risk

The Group is exposed to foreign exchange risk related to transactions in currencies other than the functional currency in which the business operations are measured in particular Group companies. Foreign exchange risk results from future business transactions, recognised assets and liabilities. Moreover, lease payments related to a significant part of the Group's lease agreements are indexed to the exchange rate of EUR or USD. Nevertheless, the Group is trying to sign lease agreements in local currencies whenever possible.

For hedging transactional risk and risk resulting from revaluation of recognised assets and liabilities the Group uses derivative forward financial instruments.

Net investment foreign currency valuation risk

The Group is exposed to risk of net investment valuation in subsidiaries valued in foreign currencies. This risk is hedged for key positions with use of net investment hedge. Details concerning hedging on currency risk are described in note 25.

Liquidity risk

Prudent financial liquidity management assumes that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines.

The table below shows an analysis of the Group's financial liabilities which will be settled in net amounts in particular ageing brackets, on the basis of the term to maturity as at the balance sheet date. The amounts shown in the table constitute contractual, undiscounted cash flows. The interest payments on variable interest rates loans in the table below reflect market interest rates at the reporting date and these amount may change as market interest rates change. The future cash flows on financial liabilities may be different from the amount in the table below as interest rates and exchange rates change. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The maturity break-down of long- and short-term borrowings as well as trade and other liabilities as at 31 December 2020 and 31 December 2019 is presented in the table below:

31 December 2020

	Contractual, undiscounted cash flows							
	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total	Carrying amount
Trade and other liabilities to suppliers	146.9	-	-	-	-	-	146.9	146.9
Loan instalments	95.1	609.6	13.4	42.8	8.1	2.2	771.2	770.8
Interest and other charges	16.0	11.0	1.1	0.6	0.1	-	28.8	-

31 December 2019

	Contractual, undiscounted cash flows							
	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total	Carrying amount
Trade and other liabilities to suppliers	181.3	-	-	-	-	-	181.3	181.3
Loan instalments	64.1	58.1	561.5	-	38.5	-	722.2	720.1
Interest and other charges	15.9	13.0	10.0	0.9	0.4	0.4	40.6	-

(all figures in EUR millions unless stated otherwise)

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost.

38. Audit fees

KPMG Auditores, S.L., and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, rendered professional services to the Group during the years ended 31 December 2020 and 2019, the fees and expenses for which are as follows:

2020	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.6	0.3	1.2
Other verification services	-	0.1	-	0.1
Other services	-	0.1	0.1	0.2
	0.3	0.8	0.4	1.5

2019	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.7	0.3	1.3
Other verification services	-	-	-	-
Other services	-	-	-	-
	0.3	0.7	0.3	1.3

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2020 and other agreed upon-procedures performed by the auditors.

The amounts detailed in the above table include the total fees for 2020 and 2019, irrespective of the date of invoice.

39. Events after the reporting period

After 31 December 2020, until the date of publication of this Report, COVID-19 outbreak continues. Various European countries are adjusting the level of restrictions and limitations both on businesses and citizens as the situations develop. New variants of virus are being discovered.

To bring this pandemic to an end, a large share of the world needs to be immune to the virus. Mass vaccination program are being developed and rolled out.

The Group is continuously analyzing the dynamic changes in the environment and adjusts its ongoing operations to minimize the risk of disruption of business continuity. Still the uncertainties exist, and the effects of the pandemic cannot be reliably estimated.

40. Significant accounting policies

a. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee,
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests and transactions with non-controlling interests

Changes in the Group's interest in a subsidiary that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, the Group adjusts the carrying amount of the controlling and non-controlling interest and effect of transactions with non- controlling interest is presented in equity items allocated to the owners of the parent.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The Group's investment in equity-accounted investees includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

Functional currencies and presentation currency

The Group's consolidated financial statements are presented in euros.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group uses European Central Bank's exchange rates for currency translations.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at 31 December 2020.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. For simplification monthly income statements are translated using average monthly exchange rates based on the European Central Bank rates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- An investment in equity securities designated as at FVOCI,
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective,
- Qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

c. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

d. Revenues

The Group operates chains of own restaurants under own bands as well as under franchise license agreements. Additionally Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand), and develops chains of franchisee businesses, organizing marketing activities for the brands, and supply chain.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Restaurant sales

Revenues from the sale of goods by owned restaurants are recognised as Group sales when a customer purchases the goods, which is when our obligation to perform is satisfied. These revenues are presented in "Restaurant sales" line in the Consolidated Income Statement.

Franchise and other sales: owned brands

- Royalty fees (based on percentage of the applicable restaurant's sales) are recognised as the related sales occur. Royalty fees are typically billed and paid monthly.
- Initial fees, renewal fees: for each brand separately, the Group analyses if the activities performed are distinct from the franchise brand. If they do not represent a separate performance obligation they are recognised on a straight-line basis over the contract duration. If they represent a separate obligation, the Group estimates the allocation of the part of the transaction price to that performance obligation.
- Advertising funds: for Sushi Group and Bacoa brands the Group operates the advertising funds that are designed to increase sales and enhance the reputation of the own brands and its franchise owners. Contributions to the advertising cooperatives are required for both Company-owned and franchise restaurants and are generally based on a percentage of restaurant sales. Revenues for these services are typically billed and paid on a monthly basis. Advertising services that promote the brand (rather than an individual location), such as national advertising campaigns, are not separable between different franchise agreements or franchisees, and not distinct because the services and franchise right are highly dependent and interrelated with each other. The sales-based advertising fund contributions from franchisees are recognised as the underlying sales occur, are reported gross as part of revenue and presented in line "Franchise and other sales". Own restaurants participation in marketing costs as an element is presented as element of operational costs.
- Revenue from sale of products to franchisees is recognised at the moment of transaction which is when our obligation to perform is satisfied.

Franchise and other sales: master-franchise agreements

As a result of signed Master Franchise Agreements (MFAs) for different Pizza Hut concepts, YUM ("Master Franchisor") granted AmRest ("Master Franchisee") Master Franchise Rights for the agreed term in the particular territories. Intellectual property is exclusive property of Master Franchisor and Master Franchisor grants AmRest a license to use it in the agreed territory. Under the Master Franchise Agreement parties established the development commitments for development periods.

Performance obligations identified:

- AmRest's performance obligation to YUM: to develop the market by opening new restaurants (either AmRest own or sub-franchises) and promote the YUM's brand by performing marketing activities. Managing marketing fund is not distinct from the development of the market, and no separate remuneration was agreed between parties for those services. Various streams of cash flows are agreed in MFA: AmRest collects initial fees and transfers them to YUM, AmRest manages the marketing fund (collects revenue based contributions from owned and sub-franchised restaurants and spends them on marketing activities, any unspent amount is to be paid to YUM and YUM spends it on national campaigns at its discretion). If a certain point of market development level is reached, AmRest is enabled to receive a bonus that represents the transaction price for the service performed for the Master Franchisor. To reflect the substance of the transaction, incomes from sub franchisees from initial and marketing fees are netted with the initial fees paid/actual marketing expenses and bonus earned.
- AmRest's performance obligation to sub-franchisees: to grant sub-franchisees the right to use the system, system property etc. and other services solely in connection with the conduct of the business at the outlet (sub-licensing from YUM). The transaction price is agreed in the form of sales based royalties paid by franchisees. Initial fees and renewal fees paid by franchisees are part of other performance obligations (described above). Corresponding costs of acquiring license right from Yum are presented within costs of sales of franchise activities in the line "Franchise and other expenses".

Loyalty points programs

The Group has various loyalty points programs where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue from the award points is recognised when the points are redeemed or when they expire or are likely to expire.
When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points.

Gift cards

Gift cards may be issued to the guests in some brands and redeemed as a payment form in subsequent transactions. The Group records a contract liability in the period in which gift cards are issued and proceeds are received. This liability is calculated taking into account the probability of the gift cards' redemption. The redemption rate is calculated based on own and industry experience, historical and legal analysis. Revenue is recognised when a performance obligation is fulfilled and a guest redeems the gift cards.

e. Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

f. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that itis no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Depending on the tax jurisdiction where the Group's subsidiaries operate recoverability of deferred taxes is assessed taking into account potential time expiry of availability of deferred tax utilization (e.g. in case of tax losses).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

g. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rates as the discount rates.
The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources (differentiated by currency of the debt) and makes certain adjustments to reflect the terms of the lease, based on long-term IRS quotation.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made (amortised cost using the effective interest method). It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate,
- a change in the estimate of the amount expected to be payable under a residual value guarantee, or

- changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group incurs expenses on maintenance, security and promotion in the shopping malls (so called “common area charges”). These items are separate services (non-lease components) and are recognised as an operating expenses.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and included in other income in the income statement.

h. Property, plant and equipment

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial value of the property, plant and equipment of new restaurants built internally (such as construction sites and leasehold improvements in restaurants) include the cost of materials, direct labor, costs of architecture design, legal assistance, the present value of the expected cost for the decommissioning of an asset after its use, wages and salaries and benefits of employees directly involved in launching a given location.

The Group capitalizes the restaurants costs mentioned above incurred from the moment when the completion of the project is considered likely. In the event of a later drop in the probability of launching the project at a given location, all the previously capitalized costs are transferred to the income statement.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss, under „other operating gains and losses”.

Amortisation and depreciation

Property, plant and equipment, including their material components, are depreciated on a straight-line basis over the expected useful life of the assets/components. Land is not depreciated. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

The estimated useful lives of property, plant and equipment are as follows:

Buildings, mainly drive- through restaurants	30 - 40 years
Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants)	10 - 20 years *
Kitchen equipment assets	3 - 14 years
Vehicles	4 - 6 years
Other property, plant and equipment	3 - 10 years

** over the lease term*

The residual value, depreciation method and economic useful lives are reassessed at least annually.

i. Franchise, license agreements and other fees

The Group operates own restaurants on the basis of franchise agreements (third party brands). In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable initial fee upon opening each new restaurant and further fees over the period of the agreement (in the amount of a % of sales revenues, usually 5-6%), and to allocate a % of revenues (usually 5%) to advertising activities specified in the respective agreements. Moreover, after the end of the initial period of the franchise agreement, the Group may renew the franchise agreement after paying a renewal fee.

Non-reimbursable initial fees are in fact fees for the right to use the trademark and are included in intangible assets and amortised over the period of the franchise (usually 10 years). Further payments made in the period of the agreement are disclosed in the income statement upon being made. Fees for extending the validity of the agreements are amortised as of the date of a given extension agreement coming into force.

The local marketing fee is recognised in the income statement as incurred in category direct marketing costs.

j. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use.

Franchise right of use for Pizza Hut, KFC, Burger King and Starbucks trademarks are recognised at the acquisition price.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates

The estimated useful lives of assets are as follows:

Intangible asset		
Acquired routinely		
Computer software		3-5 years
Franchise rights		5-10 years
Other intangible assets		5-10 years
Acquired in business combinations	*Intangible asset category*	
La Tagliatella brand	Marketing related	indefinite
Sushi Shop brand	Marketing related	indefinite
Blue Frog brand	Marketing related	20 years
Sushi Shop loyalty program	Customer related	10 years
La Tagliatella franchisee relations	Customer related	24 years
Favorable lease agreements	Contract based	2-10 years over the period to the end of the agreement
Clients'/vendors'/ Franchise databases	Customer related	2-5 years
Exclusivity rights brand operator	Customer related	6-12 years

k. Goodwill

Goodwill on acquisition of a business is initially measured at acquisition cost which is an excess of:

- the sum total of:
  - the consideration paid,
  - the amount of all non-controlling interest in the acquiree, and
  - in the case of a business combination achieved in stages, the fair value, at the acquisition-date, of an interest in the acquiree,
- over the net fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill on consolidation is disclosed in a separate line in the statement of financial position and measured at cost net of accumulated impairment write-downs. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Goodwill of foreign operations is translated into euro at the exchange rates at the reporting date. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

l. Impairment of non-financial assets

The Group periodically reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment test.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill arising from a business combination is allocated groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss in line “Net impairment losses on other assets” They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal of impairment losses in recognised in line “ Net impairment losses on other assets”.

Group performs in general two types of impairment tests: on restaurant levels, when impairment indicators exists and for businesses were goodwill is assigned or impairment indicators identified.

Restaurants tests - procedure performed twice a year

Usually individual restaurants are considered separate CGUs in Group.

The following situations are considered impairment indicators for the purpose of testing at restaurant level:

- Restaurant operating result for last 12 month is negative,
- Store was already fully or partially impaired during last impairment test exercise,
- Store is planned to be closed.

A group of stores operating over 18 months in AmRest structures which has not been renovated in the last 18 months is analysed at least twice a year if impairment indicators exist. If one of the above indicators is identified for the store then the restaurant is tested for impairment. Value in use is usually determined for the remaining estimated period of operation, as well analysis of potential onerous liabilities (mainly for rental agreement costs) is performed for planned closures.

Regularly the Group also tests restaurants for which in past the impaired loss was recognised, in order to determine if any reversal is required.

Upon application of the IFRS 16 carrying amount of the tested restaurants includes also carrying amount of right of use of assets in respective restaurants. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In case the Group believes the equipment will be recovered through the sale or reallocation into another restaurant the respective adjustment is made in determining final impairment charge. Discounted cash flows do not include outflows relates to rental agreements as those are considered an element of financing under IFRS 16 and reflected in discount rate applicable for test. Carrying amount of lease liabilities is included in carrying amount of CGU. Lease labilities are also deducted from discounted cashflows.

Goodwill tests - unless impairment indicators exist, procedure performed once a year

For businesses where goodwill is allocated impairment tests are performed at least once a year. Goodwill is testes together with intangibles (including those with indefinite useful lives), property plant and equipment, right of uses assets as well other non-current assets allocated to groups of CGUs where goodwill is monitored. If impairment indicators exist additional tests are performed. Following indicators are analyzed:

Arising from external sources of information such as:

- Significant adverse changes that have taken place (or are expected in the near future) in the technological, market, economic or legal environment in which the entity operates or in its markets,
- Increases in interest rates, or other market rates of return, that might materially affect the discount rate used in calculating the asset’s recoverable amount.

Arising from internal sources of information, including:

- Plans to discontinue or restructure the operation to which the asset belongs, as well as reassessing the asset’s useful life from indefinite to finite,
- Deterioration in the expected level of the asset’s performance i.e. when the actual net cash outflows or operating profit or loss are significantly worse than budgeted,
- Where management’s own forecasts of future net cash inflows or operating profits show a significant decline from previous budgets and forecasts.

Materiality applies in determining whether an impairment review is required. If previous impairment reviews have shown a significant excess of recoverable amount over carrying amount, no review would be necessary in the absence of an event that would eliminate the excess. Previous reviews might also have shown that an asset's recoverable amount is not sensitive to one or more of the impairment indicators.

The recoverable amounts is assessed using fair values less costs of disposal model based on the discounted cash flows. Post tax rate is applied, and implied pre-tax rate subsequently determined. Lease liabilities are included in carrying amount of tested business reducing the maximum possible impairment. Lease outflows are included l in cash flow projections in the impairment model.

Sensitivity analysis is performed as an element of impairment tests procedures.

m. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect, when applicable.

n. Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

o. Cash and cash equivalents

Cash reported in the statement of financial position comprises cash at banks and on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts if they are considered an integral part of the Group's cash management.

p. Financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through other comprehensive income (FVOCI),
- Those to be measured subsequently at fair value through profit or loss (FVTPL),
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss,
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss,
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group recognises loss allowance for expected credit losses (ECLs) on:

- Financial assets that are debt instruments such as loans, debt securities, bank balances and deposits and trade receivables that are measured at amortised cost,
- Financial assets that are debt instruments measured at fair value through other comprehensive income,
- Finance lease receivables and operating lease receivables,
- Contract assets under IFRS 15.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired includes observable data about such events.

The Group applied the simplified approach for:

- all trade receivables or contract assets that result from transactions within the scope of IFRS 15, and that contain a significant financing component in accordance with IFRS 15,
- all lease receivables that result from transactions that are within the scope of IAS 17 and IFRS 16 (when applied).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

q. Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The Group has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. This category generally applies to interest-bearing loans and borrowings.

Initially, borrowings are recognised in the books of account at the fair value net of transaction costs associated with the borrowing. Subsequently, borrowings are recognised in the books of account at amortised cost using the effective interest rate.

The liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

r. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the period.

The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge), or
- Hedges of a net investment in a foreign operation (net investment hedge).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognszed immediately in the income statement under 'other financial income or costs – net'.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to the income statement under 'other financial income or costs – net'.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Hedge is effective if:

- There is economic relationship between hedged item and hedging instrument,
- The effect of credit risk does not dominate the value changes,
- The actual hedge ratio (designated amount of hedged item/designated of hedged instrument) is based on the amounts the Group is us using for risk management.

The Group uses loans as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

s. Share based payments and employee benefits

Share-based payments

The Group has both equity-settled share-based programs and cash-settled share-based programs.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to awarding fair value at the grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense is recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the parent's Management Board at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

Cash-settled transactions

Cash-settled transactions have been accounted since 2014 as a result of a modification introduced to existing share-based programs. Some programs were modified so that they may be settled in cash or in shares upon decision of a participant. As a result, the Group re-measures the liability related to cash-settled transaction.

The liability is subsequently measured at its fair value at every balance sheet date and recognised to the extent that the service vesting period has elapsed, with changes in liability valuation recognised in income statement. Cumulatively, at least at the original grant date, the fair value of the equity instruments is recognised as an expense (share-based payment expense).

At the date of settlement, the Group remeasures the liability to its fair value. The actual settlement method selected by the employees, will dictate the accounting treatment:

- If cash settlement is chosen, the payment reduces the fully recognised liability,
- If the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any previously recognised equity component shall remain within equity.

Long-term employee benefits based on years in service

The net value of liabilities related to long-term employee benefits is the amount of future benefits which were vested in the employees in connection with the work they have carried out them in the current and past periods. The liability was accounted for based on the estimated future cash outflows, and at the balance sheet date, the amounts take into consideration the rights vested in the employees relating to past years and to the current year.

Retirement benefit contributions

During the financial period, the Group pays mandatory pension plan contributions dependent on the amount of gross wages and salaries payable, in accordance with legally binding regulations. The public pension plan is based on the pay-as-you-go principle, i.e. the Group has to pay contributions in an amount comprising a percentage of the remuneration when they mature, and no additional contributions will be due if the Company ceases to employ the respective staff. The public plan is a defined contribution pension plan. The contributions to the public plan are disclosed in the income statement in the same period as the related remuneration, under "Payroll and employee benefits".

t. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Costs of bringing the location to the condition it had been in before the lease agreement was signed

Depending on particular contracts the Group may be obliged to bring the location to the condition it had been in before the lease agreement was signed. Asset retirement provision costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset (leasehold improvement asset within PPE section).

The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed periodically and adjusted if needed.

u. Equity

Equity includes equity attributable to shareholders of the parent and non-controlling interests.

Equity attributable to shareholders of the parent is grouped into the following:

- Share capital,
- Reserves,
- Retained earnings,
- Translation reserve.

The effect of the following transactions is presented under reserves:

- Share premium (surplus over nominal amount) and additional contributions to capital without the issue of shares made by the shareholders prior to becoming public entity,
- Effect of accounting for put options over non-controlling interests,
- Effect of accounting for share-based payments,
- Treasury shares,
- Effect of hedges valuation,
- Effect of accounting for transactions with non-controlling interests.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. The income tax effect relating to transaction costs of an equity transaction is also accounted for in equity.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in "Reserves".

41. Changes in accounting policies, reclassification and restatement of comparatives summary

• Amendment to IFRS 16 - Covid-19-Related Rent Concessions

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Lessees apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

The Group applied the amendments in these consolidated financial statements. The effect of application of the amendment is presented as "Rent concessions" items.

• Other newly applied standards, amendments and interpretations

The amendments and interpretations below were applied in 2020 and had no significant impact on the accounting policies applied.

<u>Amendments to References to the Conceptual Framework in IFRS Standards</u>

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The changes to the Conceptual Framework affect the application of IFRS in situations where previously no standard applied to a particular transaction or event. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material

The new definition of "material" states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). Amendments are effective for annual periods beginning on or after 1 January 2020 and do not apply to Group.

Amendments to IFRS 3 Business Combinations: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendment was applied prospectively since 2020 by the Group.

42. Standards issued but not yet effective

Below amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR): practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform; relief from discontinuing hedging relationships; relief in area of separately identifiable risk components. Amendments are effective for reporting periods beginning on or after 1 January 2021.

Below standards and amendments and are issued but not yet approved by European Union. The Group will apply the standard once approved by the European Union.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. Additionally, in June 2020, the IASB issued amendments to IFRS 17. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023. It is not expected that standard will have a material impact on Group.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after 1 January 2023. The amendments are to be applied prospectively and will be reflected in accounting for future transactions of Group. The Group has not finalized yet its analysis of impact on future reporting.

Amendments to IFRS 3 -Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted. The amendments are effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 37 -Onerous Contracts – Costs of Fulfilling a Contract

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.

The amendments specify requirements and provide guidance to help entities make more effective accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The amendments introduce the definition of accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mónica Cueva Díaz
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Madrid, 24 February 2021

Consolidated Directors' Report for the year ended 31 December 2020

AmRest Holdings SE

24 February 2021

This document has been prepared for convenience purposes only.
AmRest Group's consolidated annual report has been prepared in XHTML format.

AmRest

Dear Shareholders,

It is a great pleasure for me to present the AmRest Holdings SE financial report for the full year 2020.

The unprecedented events and challenges we have all been facing during the past year mean that each and every one of us has been put to the test. We have been tested in our ability to quickly accept, understand, and adapt to change, both on a personal and a professional level. Those changes have been affecting all aspects of our daily lives; they limited and altered the way we meet, work, travel, teach, and eat and, at least temporarily, also changed the way our industry has been doing business in addressing those changes in consumer habits.

Naturally, certain industries have been more exposed than others to the COVID-19 pandemic and its consequences. Among those most affected have been companies engaged in Travel, Hotel and Foodservice as their ability to do business and reach customers was significantly limited by lock-down measures announced by governments to stop the spread of the virus.

At AmRest, given our exposure to China, we began to see events unfolding early on. This allowed us to learn from the experience and be better prepared for the pandemic as it spread into other geographies and as lock-down measures were imposed. With those lessons at hand, we took quick and bold actions to implement health and safety procedures aimed at ensuring a safe environment for customers as well as employees. We also took steps to mitigate the impact of being forced to close some of our sales channels, allowing for a convenient and seamless transition to other channels, such as delivery, drive-through, and take-out.

The work we have done over the past few years to execute our online and delivery strategy has become a major advantage in addressing the new challenges and allowed us to substantially grow these channels and absorb some of the losses we have been facing due to the obligatory closure of the dine-in channel. In 2020, sales through delivery, drive-through and takeout represented 64% of total sales, from 45% in 2019. Despite limitations on opening and freely operating our stores, we are ending the year with 92% of our restaurants open and serving customers through the sales channels still available to us.

In addition to harvesting the benefits of our early strategic focus on online and delivery channels even before COVID-19, it is the relationships built over many years with our key stakeholders such as banks, suppliers, landlords, franchisees, and franchisors, which have most favored us during this difficult period. I am very grateful for those partnerships and for our joint efforts to adapt, innovate, and address the new environment and challenges we are all operating in.

It is because of our initiatives aimed at mitigating the impact of COVID-19 and lock-down measures, that the AmRest group sales achieved in 2020 amounted to EUR 1 522.9 million, a good number under the circumstances even though it represents a 22.4% decline versus the previous year. The consolidated EBITDA for the group reached EUR 201.7 million, a 48.8% decline compared to the results achieved in 2019. These results naturally showcase the difficulties to operate stores in the COVID-19 environment, but we are confident we will regain full strength and performance once restrictions are lifted across our geographies – something we expect to happen during 2021.

In 2020, in line with the prudent approach we adopted given the environment we have been operating in, AmRest opened 88 new restaurants. Although this number is lower than our openings in recent years, the total store count as of December 31st, 2020 was a remarkable 2 337 restaurants.

In executing our strategy, we monetized our stake in the food delivery platform Glovo, by selling our full 7.5% stake to Delivery Hero and generating proceeds of EUR 76.2 million in a transaction we closed in December 2020. The sale is aligned to our multi-aggregator strategy in terms of delivery, and the valuation achieved is an outcome we are very pleased with. Regardless of the disposal of this stake, AmRest will continue to cooperate with and sustain its partnership with Glovo going forward.

It has been the combination of great people, brands, and scale, which has allowed us to approach the challenges with confidence and bold measures. The initiatives we have been executing allowed us to overcome the short-term disruption to our industry and, more importantly, we believe they will turn into significant strategic benefits and growth drivers in the longer term.

I would like to take this opportunity to thank our whole team—particularly our employees serving customers on the frontline—for making AmRest such a great and unique company and to express appreciation on behalf 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 2020	31 December 2019	31 December 2020	31 December 2019
Revenue	1 522.9	1 961.5	397.5	529.0
EBITDA*	201.7	394.4	46.9	128.0
EBITDA margin	13.2%	20.1%	11.8%	24.2%
Adjusted EBITDA**	205.5	369.2	48.0	96.4
Adjusted EBITDA margin	13.5%	18.8%	12.1%	18.2%
Profit from operations (EBIT)	(142.5)	105.6	(28.9)	32.6
EBIT margin	(9.4%)	5.4%	(7.3%)	6.2%
Profit before tax	(201.4)	93.4	(41.0)	55.5
Net profit	(183.7)	66.9	(23.9)	38.7
Net margin	(12.1%)	3.4%	(6.0%)	7.3%
Net profit attributable to non-controlling interests	(1.7)	1.8	(0.5)	0.7
Net profit attributable to equity holders of the parent	(182.0)	65.1	(23.4)	38.0
Cash flows from operating activities	178.8	325.7	24.2	94.0
Cash flows from investing activities	11.7	(220.0)	51.3	(62.7)
Cash flows from financing activities	(95.0)	(117.1)	(50.1)	(35.3)
Total cash flows, net	95.5	(11.4)	25.4	(4.0)
Average weighted number of ordinary shares for basic earnings per shares (in thousands)	219 169	220 567	219 149	219 232
Average weighted number of ordinary shares for diluted earnings per shares (in thousands)	219 346	221 480	219 213	219 931
Basic earnings per share (EUR)	(0.83)	0.30	(0.11)	0.17
Diluted earnings per share (EUR)	(0.83)	0.29	(0.11)	0.17
Declared or paid dividend per share	-	-	-	-

** 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).*

	year ended	
	31 December 2020	**31 December 2019**
Total assets	2 114.4	2 435.0
Total liabilities	1 849.7	1 958.3
Non-current liabilities	1 371.6	1 459.4
Current liabilities	478.1	498.9
Equity attributable to shareholders of the parent	257.8	467.2
Non-controlling interests	6.9	9.5
Total equity	264.7	476.7
Share capital	22.0	22.0
Number of restaurants	2 337	2 336

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 25 countries of Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and fourteen proprietary brands including nine virtual brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, and virtual brands: Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie, Sushi Tone, Eat's Fine, Viva Salad! and Cremontano). The offer of virtual brands in Poland is available also under Food About concept, that enables ordering different virtual brand dishes within one order.

As at 31 December 2020, AmRest managed the network of 2 337 restaurants. Given the current scale of the business, every day almost 45 thousand of 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:

- 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 1 027 restaurants under umbrella it accounts for ca. 45% of revenues of the Group;
- Russia, where AmRest manages the network of KFC and Pizza Hut restaurants. The segment includes also Pizza Hut restaurants located in Armenia and Azerbaijan;
- 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 11 countries and generating ca. 38% of AmRest's revenues;
- 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 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 5 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, whose offer is available only online, represented by Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie, Sushi Tone, Eat's Fine, Viva Salad! and Cremontano.

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.

(all figures in EUR millions unless stated otherwise)

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 – Polish aggregator 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 final settlement of the transaction. As a result AmRest held 7.5% stake in Glovo's share capital (non-diluted).

On 19 October 2020 AmRest reported that it had reached an agreement with Delivery Hero for the transfer of its 7.5% stake (non-diluted) in Glovoapp 23, SL for an aggregate amount of EUR 76.2 million. On 31 December 2020 AmRest informed that the transfer of AmRest's stake in Glovo has been closed.

Structure of revenues

Consolidated revenues of AmRest Group amounted to EUR 1 522.9 million in 2020, which represented a 22.4% reduction compared with the previous year (EUR -438.6 million) as a result of:

1) At the beginning of the year, COVID-19 outbreak crisis started in China and during the second quarter restrictions were implemented to contain the spread of the virus in many of our markets, limiting the ability to effectively operate restaurants.
2) With the gradual easing of restrictions and re-opening of stores towards the second part of Q2 2020, overall sales and positive sales trends in comparable restaurants ("like-for-like, LFL") tangibly improved on a month on month basis.
3) During the fourth quarter of 2020, given the emergence of a 'second wave' of COVID-19 cases visible across most of our geographies, restrictions have again been put in place affecting our industry's ability to open restaurants and the sales channels we are allowed to operate.

Table 1 Structure of Group's revenue

	year ended			
	31 December 2020		**31 December 2019**	
Revenue	Amount	Share	Amount	Share
Central and Eastern Europe	685.5	45.0%	839.3	42.8%
Western Europe	582.8	38.3%	796.6	40.6%
Russia	152.5	10.0%	206.6	10.5%
China	76.4	5.0%	89.6	4.6%
Other*	25.7	1.7%	29.4	1.5%
Total	**1 522.9**	**100.0%**	**1 961.5**	**100.0%**

**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.

(all figures in EUR millions unless stated otherwise)

Number of AmRest restaurants broken down by brands as at 31 December 2020

Brand	Restaurants*	Equity share	Franchise share	Share in total
Franchised	**1 825**	**87%**	**13%**	**78%**
KFC	895	100%	0%	38%
PH	463	52%	48%	20%
Starbucks*	386	94%	6%	17%
Burger King	81	100%	0%	3%
Own	**512**	**54%**	**46%**	**22%**
La Tagliatella	242	33%	67%	10%
Sushi Shop	183	67%	33%	8%
Blue Frog	75	91%	9%	3%
Bacoa	7	14%	86%	<1%
Kabb	1	100%	0%	0%
Shadow Kitchen	4	100%	0%	<1%

**Starbucks franchise share refers to Starbucks licensed stores for which AmRest offers supply service but does not receive any royalty*

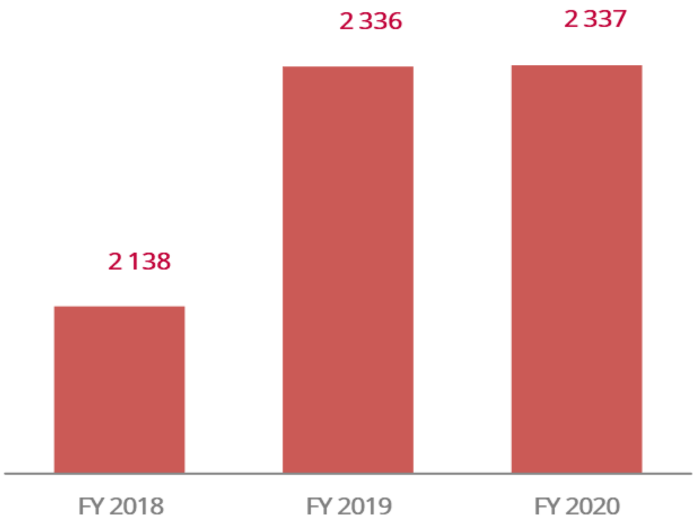
Number of AmRest restaurants broken down by countries as at 31 December 2020

Region	Restaurants*	Equity share	Franchise share	Share in total
Total	**2 337**	**80%**	**20%**	**100%**
CEE	**1027**	**100%**	**0%**	**44%**
Poland	567	100%	0%	24%
Czech	202	100%	0%	9%
Hungary	133	100%	0%	6%
Romania	60	100%	0%	3%
Other CEE*	65	100%	0%	3%
WE	**971**	**56%**	**44%**	**42%**
Spain	334	49%	51%	14%
France	327	55%	45%	14%
Germany**	262	64%	36%	11%
Other WE*	48	54%	46%	2%
Russia*	**267**	**85%**	**13%**	**11%**
China	**72**	**92%**	**8%**	**3%**

**Other CEE includes Bulgaria, Serbia, Slovakia, Croatia, Austria and Slovenia; Other WE includes Belgium, UAE, Switzerland, Portugal, UK, Italy, Luxembourg and Saudi Arabia; Russia includes also Armenia and Azerbaijan*

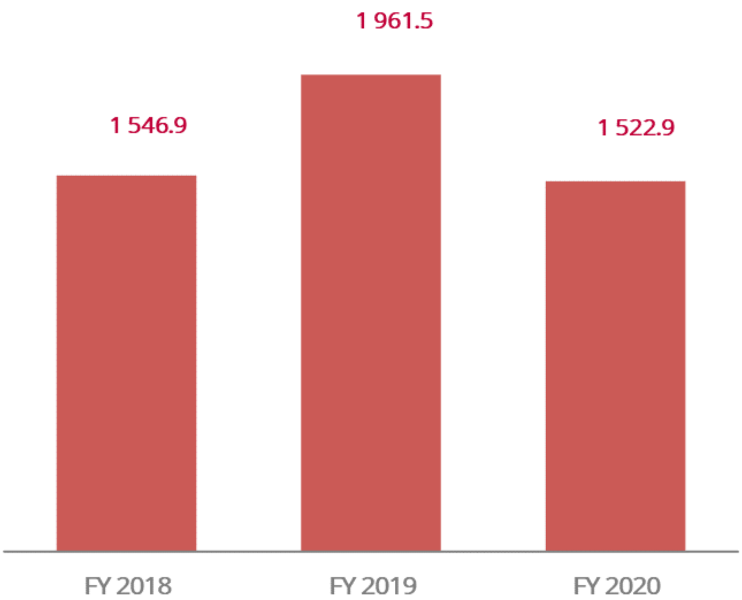
***Germany franchise share includes Starbucks licensed stores for which AmRest offers supply service but does not receive any royalty*

Number of AmRest Group restaurants as at 31 December 2018-2020*

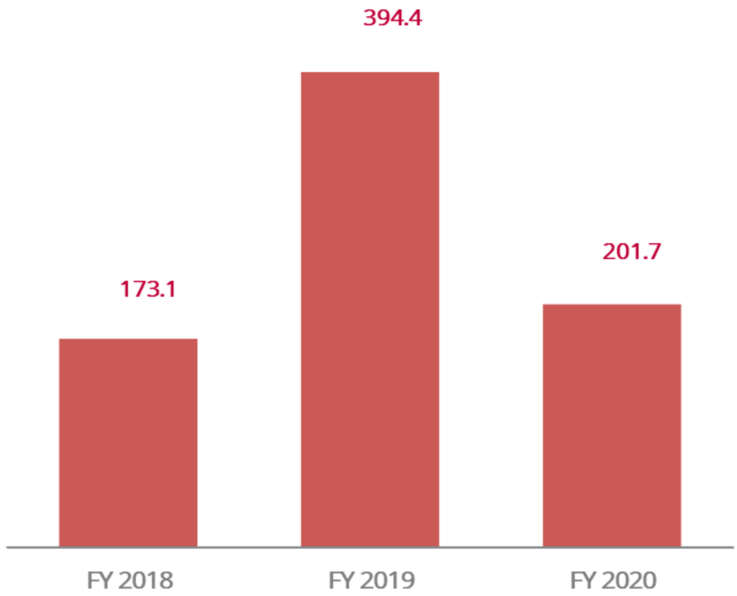


* Including restaurants operated by franchisees and Starbucks licensed stores

AmRest Group revenue for the 12 months ended 31 December 2018-2020



AmRest Group EBITDA for the 12 months ended 31 December 2018-2020



Financial and asset position of the Group

Revenue

Consolidated revenues of the AmRest Group amounted to EUR 1 522.9 million in 2020 and were 22.4% lower compared to the previous year (EUR 1 961.5 million) impacted by COVID-19 outbreak in 2020, which started in January in China and since mid-March in Europe. Gradual easing of restrictions took place during summer months allowing the Group to achieve greater volumes on the top line.

In order to offset losses caused the crisis many actions have been introduced such as strong value offers and proper communication, couponing and building customers convenience with delivery zones extension, cooperation with new delivery aggregators, contactless delivery, digital solutions and improvement of the speed of service in drive through.

In Q4 2020 consolidated revenues decreased by 24.9% over the year and amounted to EUR 397.5 million driven by the emerge of the 'second wave' of COVID-19 with growing number of positive cases and more strict restrictions imposed in the majority of our markets were dine-in was closed and only delivery, take away or drive through was permitted by local authorities.

The revenues in Central and Eastern Europe (CEE) amounted to EUR 685.5 million in 2020, lower by 18.3% compared to the previous year. In Q4 2020 segment's revenue decreased by 26.0% year-on-year to EUR 171.5 million. At the same time, the Group opened 49 new restaurants and closed 15 in CEE.

Russia segment reported revenues decreased by 26.2% compared to 2019 and amounted to EUR 152.5 million. In Q4 2020 Russia reported revenue at EUR 38.3 million, representing a decrease of 31.3% year-on-year. Not considering the FX impact revenues decreased compared to 2019 by 16.2% and in Q4 2020 by 11.2% in local currency.

The revenues reported by Western Europe (WE) over the year reached EUR 582.8 million, a 26.8% decline versus the previous year, driven by restaurant closures mainly in Germany and Spain plus the drop of sales in the Casual Dining. Significant support by Sushi Shop to the revenues in France, that end the year 14.8% below 2019 and the Q4 2020 4.6% over the year. In Q4 2020 top-line of the segment decreased by 24.8% over the year to EUR 158.2 million. The Group opened 27 but closed 51 restaurants in 2020. Negative balance of net openings -24.

In China, revenues in 2020 decrease by 14.7% to EUR 76.4 million. The business was the first one in our portfolio affected by the crisis that showed a fast recovery as in Q4 2020 sales increased by 2.9% over the year and reached EUR 22.6 million.

The segment Other comprised the sales of SCM Group realized from the non-related entities and the revenues of pizzaportal.pl. In 2020 top-line of this segment amounted to EUR 25.7 million, which was 12.7% lower than year ago mainly due to a very strong decrease in the scale of SCM. In Q4 2020 segment's revenue decreased by 22.8% year-on-year.

Profitability

AmRest profitability stopped the growth from previous periods and was negatively impacted by lack of sales leverage connected with COVID-19, which impacted most costs categories. To alleviate the pressure on the bottom line in the reporting period there were many actions taken place such as menu simplification, cost of labor optimization in terms of no overtime or undertime, reduction of bonuses, introduction of government programs to get grants, suspension/postpone not urgent services and works, suspension of travel and cross-country taskforces to look for savings. Current market situation increased the costs of cleaning materials, safety adequation of the restaurants, hand sanitizers equipment and masks besides the increase of aggregators fees due to higher delivery sales share.

Other impacts during the reporting year were royalty fees discounts in Starbucks across all markets in the second quarter, VAT decrease in Germany from 19% to 16% pushing revenues and reducing the cost of sales, marketing relief in Yum! Brands, government rent grants in Czechia, Temporary dismissal program by the Government in Spain (ERTE), rental successful negotiations with landlords connected to amendment to the IFRS 16 standard connected with COVID-19 at EUR 18.6 million.

As a result, the reported EBITDA reached EUR 201.7 million or 13.2% margin in 2020 a 48.8% lower than 2019. In Q4 2020 Group's EBITDA reached EUR 46.9 million a 12.9% less over the year.

Reported operating profit (EBIT) of the Group amounted losses of EUR 142.5 million or -9.4% margin, driven by the impact from above mentioned items. Reported EBIT in Q4 2020 reached losses of EUR 28.9 million.

The reported net loss attributable to AmRest shareholders amounted of EUR 183.7 million in 2020 while net margin amounted to -12.1%. In Q4 2020 reported net loss attributable to the parent reached EUR 23.9 million or -6.0% margin impacted by impairments and FX differences regarding finance costs partly offset by income tax and non-controlling interest.

The reported EBITDA generated in CEE in 2020 amounted to EUR 126.8 million or 18.5% margin. In Q4 2020 CEE achieved reported EBITDA at EUR 25.6 million or 14.9% margin.

Russian division reached reported EBITDA in 2020 at EUR 30.8 million or 20.2% margin, higher vs last year by 0.9pp. Reported EBITDA in Q4 2020 amounted EUR 7.9 million or 20.8% higher 4.8pp versus 2019.

The EBITDA of Western Europe division amounted to EUR 38.3 million in 2020 with margin at 6.6% being a 9.7pp lower compared to 2019. In Q4 2020 reported EBITDA hit EUR 8.6 million or 5.4% margin.

China business was the first business impacted by the COVID-19 but also the first segment recovering its profitability at the end of the year. Reported EBITDA in 2020 amounted EUR 23.2 million or 30.3% margin a 3.5pp higher compared to last year. In Q4 2020 reported EBITDA was EUR 7.2 million or 31.9% margin a 6.9pp higher year-on-year. Operational efficiency along with established business model and cost discipline enabled to accelerate the recovery of the market. We continue added two more Blue Frog franchise restaurants in China and the year ended with six franchise units which shows supportive trend for further growth of brand awareness and profitability in the region.

(all figures in EUR millions unless stated otherwise)

Table 2 Revenues and margins generated in the particular markets for the years ended 31 December 2020 and 2019

	12 months ended 31 December 2020		12 months ended 31 December 2019	
	Amount	% of sales	Amount	% of sales
Revenue	**1 522.9**		**1 961.5**	
Poland	378.7	24.9%	464.8	23.7%
Czechia	157.8	10.4%	199.8	10.2%
Hungary	92.5	6.1%	110.5	5.6%
Other CEE	56.5	3.7%	64.2	3.3%
Total CEE	**685.5**	**45.1%**	**839.3**	**42.8%**
Russia	**152.5**	**10.0%**	**206.6**	**10.5%**
Spain	172.8	11.3%	281.1	14.3%
Germany	119.6	7.9%	176.9	9.0%
France	254.6	16.7%	298.7	15.2%
Other WE	35.8	2.3%	39.9	2.0%
Western Europe (WE)	**582.8**	**38.2%**	**796.6**	**40.6%**
China	**76.4**	**5.0%**	**89.6**	**4.6%**
Other	**25.7**	**1.7%**	**29.4**	**1.5%**
			Amount	Margin
EBITDA	**201.7**	**13.2%**	**394.4**	**20.1%**
Poland	64.1	16.9%	93.0	20.0%
Czechia	33.4	21.2%	51.9	26.0%
Hungary	19.2	20.7%	25.8	23.3%
Other CEE	10.1	17.9%	14.1	22.1%
Total CEE	**126.8**	**18.5%**	**184.8**	**22.0%**
Russia	**30.8**	**20.2%**	**39.8**	**19.2%**
Spain	24.6	14.2%	72.2	25.7%
Germany	(3.7)	(3.1%)	22.0	12.5%
France	13.1	5.2%	27.7	9.3%
Other WE	4.3	12.0%	5.1	12.7%
Western Europe (WE)	**38.3**	**6.6%**	**127.0**	**15.9%**
China	**23.2**	**30.3%**	**24.1**	**26.9%**
Other	**(17.4)**	**-**	**18.7**	**-**
			Amount	Margin
Adjusted EBITDA	**205.5**	**13.5%**	**369.2**	**18.8%**
Poland	65.3	17.2%	95.1	20.5%
Czechia	34.2	21.7%	53.4	26.7%
Hungary	19.5	21.1%	27.3	24.7%
Other CEE	10.8	19.0%	15.4	24.1%
Total CEE	**129.8**	**18.9%**	**191.2**	**22.8%**
Russia	**31.0**	**20.3%**	**40.8**	**19.7%**
Spain	24.7	14.3%	74.0	26.3%
Germany	(3.3)	(2.8%)	23.0	13.0%
France	13.1	5.1%	28.0	9.4%
Other WE	4.8	13.3%	5.1	12.9%
Western Europe (WE)	**39.3**	**6.7%**	**130.1**	**16.3%**
China	**23.1**	**30.4%**	**24.8**	**27.7%**
Other	**(17.7)**	**-**	**(17.7)**	**-**
			Amount	Margin
EBIT	**(142.5)**	**(9.4%)**	**105.6**	**5.4%**
Poland	(9.5)	(2.5%)	33.3	7.2%
Czechia	7.3	4.6%	29.0	14.5%
Hungary	1.7	1.9%	12.1	10.9%
Other CEE	(6.8)	(12.1%)	1.7	2.7%
Total CEE	**(7.3)**	**(1.1%)**	**76.1**	**9.1%**
Russia	**(2.1)**	**(1.4%)**	**5.8**	**2.8%**

(all figures in EUR millions unless stated otherwise)

Spain	(20.5)	(11.9%)	33.4	11.9%
Germany	(70.3)	(58.7%)	(17.1)	(9.6%)
France	(27.0)	(10.6%)	(17.6)	(5.9%)
Other WE	(0.8)	(2.1%)	1.3	3.0%
Western Europe (WE)	**(118.6)**	**(20.3%)**	**0.0**	**0.0%**
China	**3.9**	**5.1%**	**6.1**	**6.8%**
Other	**(18.4)**	**-**	**17.6**	**-**

Table 3 Revenues and margins generated in the particular markets for 3 months ended 31 December 2020 and 2019

	3 months ended 31 December 2020		**3 months ended 31 December 2019**	
	Amount	% of sales	Amount	% of sales
Revenue	**397.5**		**529.0**	
Poland	93.8	23.6%	127.0	24.0%
Czechia	36.8	9.3%	55.9	10.6%
Hungary	24.5	6.2%	30.4	5.7%
Other CEE	16.4	4.1%	18.7	3.5%
Total CEE	**171.5**	**43.2%**	**232.0**	**43.8%**
Russia	**38.3**	**9.6%**	**55.7**	**10.5%**
Spain	44.9	11.3%	76.3	14.4%
Germany	28.4	7.2%	46.4	8.8%
France	74.2	18.7%	77.8	14.7%
Other WE	10.7	2.7%	10.0	1.9%
Western Europe (WE)	**158.2**	**39.8%**	**210.5**	**39.8%**
China	**22.6**	**5.7%**	**22.0**	**4.2%**
Other	**6.9**	**1.7%**	**8.8**	**1.7%**
			Amount	Margin
EBITDA	**46.9**	**11.8%**	**128.0**	**24.2%**
Poland	9.7	10.4%	25.2	19.8%
Czechia	6.8	18.3%	13.8	24.7%
Hungary	5.7	23.3%	7.1	23.3%
Other CEE	3.4	20.8%	3.4	18.6%
Total CEE	**25.6**	**14.9%**	**49.5**	**21.4%**
Russia	**7.9**	**20.8%**	**8.8**	**15.7%**
Spain	3.9	8.7%	19.8	25.9%
Germany	(3.0)	(10.5%)	7.0	15.1%
France	5.4	7.3%	5.3	6.9%
Other WE	2.3	20.9%	(0.2)	(2.4%)
Western Europe (WE)	**8.6**	**5.4%**	**31.9**	**15.2%**
China	**7.2**	**31.9%**	**5.5**	**25.2%**
Other	**(2.4)**	**-**	**32.3**	**-**
			Amount	Margin
Adjusted EBITDA	**48.0**	**12.1%**	**96.4**	**18.2%**
Poland	10.1	10.7%	26.2	20.6%
Czechia	7.1	19.2%	14.5	26.1%
Hungary	5.7	23.6%	7.8	25.7%
Other CEE	3.6	21.4%	4.1	22.0%
Total CEE	**26.5**	**15.4%**	**52.6**	**22.7%**
Russia	**7.9**	**20.8%**	**9.3**	**16.6%**
Spain	4.0	8.9%	20.5	26.9%
Germany	(2.8)	(10.0%)	7.3	15.6%
France	5.4	7.3%	5.4	6.9%
Other WE	2.3	21.4%	(0.2)	(1.7%)
Western Europe (WE)	**8.9**	**5.6%**	**33.0**	**15.7%**
China	**7.1**	**31.9%**	**5.7**	**25.9%**
Other	**(2.4)**	**-**	**(4.2)**	**-**

(all figures in EUR millions unless stated otherwise)

			Amount	Margin
EBIT	**(28.9)**	**(7.3%)**	**32.6**	**6.2%**
Poland	(10.0)	(10.7%)	10.2	8.0%
Czechia	0.3	0.9%	7.7	13.8%
Hungary	0.4	1.7%	3.4	11.0%
Other CEE	(0.2)	(1.5%)	0.2	1.0%
Total CEE	**(9.5)**	**(5.5%)**	**21.5**	**9.2%**
Russia	**1.1**	**2.7%**	**(1.2)**	**(2.3%)**
Spain	(6.1)	(13.8%)	6.4	8.4%
Germany	(12.0)	(42.0%)	(6.7)	(14.4%)
France	(3.0)	(4.1%)	(20.1)	(25.7%)
Other WE	0.2	2.6%	(1.2)	(13.4%)
Western Europe (WE)	**(20.9)**	**(13.2%)**	**(21.6)**	**(10.3%)**
China	**3.2**	**14.1%**	**1.9**	**8.8%**
Other	**(2.8)**	**-**	**32.0**	**-**

Table 4 Reconciliation of the net profit and adjusted EBITDA for years ended 31 December 2020 and 2019

	31 December 2020		**31 December 2019**	
	Amount	% of sales	Amount	% of sales
Profit/(loss) for the period	**(183.7)**	**(12.1%)**	**66.9**	**3.4%**
+ Income tax expenses	(17.7)	(1.2%)	26.5	1.4%
+ Finance costs	61.0	4.0%	46.0	2.3%
– Finance income	2.1	0.1%	33.8	1.7%
+ Depreciation and Amortization	253.4	16.6%	249.3	12.7%
+ Impairment losses	**90.8**	**6.0%**	**39.5**	**2.0%**
EBITDA	**201.7**	**13.2%**	**394.4**	**20.1%**
+ Start-up expenses*	4.1	0.3%	11.2	0.6%
+ M&A related expenses	-	-	(36.7)	(1.9%)
+/– Effect of SOP exercise method modification	(0.3)	-	0.3	-
Adjusted EBITDA	**205.5**	**13.5%**	**369.2**	**18.8%**

** 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 2020 and 2019

	3 months ended 31 December 2020		**3 months ended 31 December 2019**	
	Amount	% of sales	Amount	% of sales
Profit/(loss) for the period	**(23.9)**	**(6.0%)**	**38.7**	**7.3%**
+ Income tax expense	(17.1)	(4.3%)	16.8	3.2%
+ Finance costs	12.6	3.2%	10.5	2.0%
– Finance income	0.5	0.1%	33.4	**6.3%**
+ Depreciation and Amortization	60.8	15.3%	65.0	12.3%
+ Impairment losses	**15.0**	**3.8%**	**30.4**	**5.7%**
EBITDA	**46.9**	**11.8%**	**128.0**	**24.2%**
+ Start-up expenses*	1.1	0.3%	5.0	0.9%
+ M&A related expenses	-	-	(36.8)	(7.0%)
+/– Effect of SOP exercise method modification	-	-	0.2	0.0%
– Indirect taxes adjustments	-	-	-	0.0%
Adjusted EBITDA	**48.0**	**12.1%**	**96.4**	**18.2%**

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

(all figures in EUR millions unless stated otherwise)

Table 6 Liquidity analysis

	year ended	
	31 December 2020	**31 December 2019**
Current assets	311.6	264.8
Inventory	26.5	29.9
Current liabilities	478.1	498.9
Cash and cash equivalents	204.8	106.2
Trade and other receivables	60.4	104.6
Trade and other accounts payable	235.4	279.5

Table 7 Balance sheet leverage analysis

	year ended	
	31 December 2020	**31 December 2019**
Non-current assets	1 802.8	2 170.2
Liabilities	1 849.7	1 958.3
Non-current liabilities	1 371.6	1 459.4
Debt	1 532.2	1 584.3
Share of inventories in current assets (%)	8.5%	11.3%
Share of trade receivables in current assets (%)	19.4%	39.5%
Share of cash and cash equivalents in current assets (%)	65.8%	40.1%
Equity to non-current assets ratio	0.15	0.22
Gearing ratio	0.15	0.23
Long-term liabilities to equity ratio	5.18	3.06
Liabilities to equity ratio	6.98	4.11
Debt/equity	5.79	3.32

Definitions:

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

Debt ratios

The debt and liquidity ratios of the Group were affected by lack of sales as a result the pandemic situation and reflected in the specifics of the restaurant industry.

The Group's equity decreased by EUR 212.0 million compared to the balance at the end of 2019 and amounted to EUR 264.7 million at the end of 2020. The change in equity resulted mainly from the decrease in retained earnings (EUR -182.0 million in 2020) and by a decrease in translation reserves (EUR -19.2 million).

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

(all figures in EUR millions unless stated otherwise)

reconciled between last twelve months core revenue growth minus last twelve months net equity openings growth.

Table 8 Reconciliation of LFL

	31 December 2020
Core revenue growth	(22.4%)
(+) LTM net equity openings growth	1.5%
Approx. LFL	(23.8%)

2. Core sales or Core revenue – presents total sales of the Group without the impact from acquisitions or sale of a business that occurred last year.

Table 9 Reconciliation of Core revenue

	31 December 2019
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 Group. 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.
4. Adjusted EBITDA – Measures profitability performance without startup costs (operating costs incurred by the Group 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 eighteen brands: KFC, Pizza Hut, Starbucks, Burger King, La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie, Sushi Tone, Eat's Fine, Viva Salad! and Cremontano.

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 10 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 and launched in Poland by AmRest in 2019. Moya Misa Ramen, Pierwsze i Drugie, Sushi Tone and Eat's Fine virtual brands were introduced to the Polish market by the Company in 2020.

Cremontano and Viva Salad! brands were launched in Spain, respectively in 2019 and 2020.

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 about 25 000 KFC restaurants in over 145 countries worldwide.

As at 31 December 2020 the Group operated 895 KFC restaurants: 296 in Poland, 109 in the Czech Republic, 73 in Hungary, 206 in Russia, 84 in Spain, 26 in Germany, 70 in France, 12 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 17 800 restaurants, serving about 11 million customers in over 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 2020 AmRest ran the total of 81 Burger King restaurants – 44 in Poland, 25 in the Czech Republic, 2 in Bulgaria, 4 in Slovakia and 6 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 2020 AmRest operated 242 La Tagliatella restaurants — 233 in Spain, 4 in France, 2 in Germany and 3 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 2020 AmRest ran 463 Pizza Hut restaurants – 155 in Poland, 56 in Russia, 26 in Hungary, 17 in Czech Republic, 121 in France, 80 in Germany, 3 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.Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine in a nice atmosphere.Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine in a nice atmosphere.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 2020 AmRest operated 75 Blue Frog (71 in China and 4 in Spain) and 1 KABB restaurant.

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 2020, AmRest operated 7 Bacoa restaurants in Spain.

Founded in 1998 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 10 countries.

As 31 December 2020, AmRest operated 183 Sushi Shop restaurants (132 in France, 6 in Spain, 3 in Portugal, 11 in Belgium, 2 in Italy, 3 in Luxemburg, 5 in UK, 9 in Switzerland, 3 in Saudi Arabia and 9 in UAE).

Coffee category

Starbucks is the world leader in the coffee sector with almost 33 000 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 2020 AmRest operated 386 stores (68 in Poland, 51 in the Czech Republic, 34 in Hungary, 54 in Romania, 14 in Bulgaria, 154 (including 22 licensed stores) in Germany, 8 in Slovakia and 3 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 one of the virtual brands created within the AmRest's Shadow Kitchen project, which responds to the latest trends of the global restaurant market. The brand operates since December 2019 in Wrocław, Poland and it is available on Glovo and Wolt. The brand is inspired by the dumplings from the different parts of the world.

'Oi Poke is a virtual brand which is offering exotic bowls based on meat, fish or shrimps with original and freshly prepared vegetables. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi" and that's why the brand is called 'Oi Poke. The brand also contributes to the Shadow Kitchen project of AmRest. You may order our Oi bowls on Glovo and Wolt. The Brand operates in Poland since December 2019.

For many years ramen has been appealing to consumers' hearts, due to its original ingredients surprising consumers with its satiety and the way they are served in characteristic bowls. In Japan everyone has their own style of preparing Ramen. The secret to a delicious ramen is its consequent uniqueness. The Virtual Brand MOYA MISA RAMEN is tasty and fun! In the preparation process, we play with different flavors, ingredients and the way of consumption. The brand delights our Polish consumers in the delivery segment which runs on aggregators.

The "Pierwsze i Drugie" brand is based on the rule of traditional Polish cuisine – the main meal of a day has to be delicious and satiated, but also should consist of two dishes: the soup and the main course. The brand is currently available in Wrocław, Poland through aggregator platforms.

Viva Salad! is a brand developed exclusively for delivery channel that offers fresh, healthy and highly customizable dishes divided into few segments: Viva salads, protein dishes, desserts, milk shakes and fruit waters and smoothies. The concept was launched in Madrid and Barcelona in June 2020. The dishes are prepared in selected La Tagliatella locations.

Eat's Fine is a virtual brand developed in 2020 in Poland, as part of the Food About concept, committed to responding to specific dietary needs and customer expectations. The brand offers a well-balanced daily menu for those who are curious about healthy plant-based meals!

Sushi Tone is a virtual brand for Japanese cuisine lovers, developed in 2020 in Poland, as part of the Food About concept. It offers 8 sets to choose and all the most popular rolls, including Nigiri and Futomaki, as well as typical Asian side dishes like Miso soup with tofu or kimchi salad. The brand sources ingredients from AmRest's carefully chosen suppliers, offering only products of outstanding quality. Sushi Tone was created with fast and convenient delivery in mind, and this way the dishes get to the consumer within 30 minutes from placing the order. Sushi Tone is a part of the AmRest's Shadow Kitchen concept and is available through the aggregators sites, including Glovo and Wolt, as well as via the AmRest's Food About service.

(all figures in EUR millions unless stated otherwise)

Cremontano is a premium ice cream brand only available through delivery as Virtual brand. It offers a selection of dozen Italian flavors of all delicious tastes with a design where everything has been taken care of until the smallest detail, providing a fresh image to the brand and highlighting the good product what we have. The concept is present in few Spanish cities and available through Glovo aggregator.

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 2020 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 2020 and 31 December 2019.

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

	year ended	
	31 December 2020	**31 December 2019**
Intangible assets:	**6.5**	**13.6**
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	3.2	7.8
Other intangible assets	3.3	5.8
Goodwill	**-**	**2.8**
Property, plant and equipment:	**68.2**	**188.2**
Land	-	0.3
Buildings and expenditure on development of restaurants	6.8	70.2
Machinery & equipment	8.6	73.8
Vehicles	0.2	0.8
Other tangible assets (including assets under construction)	52.6	43.1
Total	**74.7**	**204.6**

AmRest's New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Total
31.12.2019	**1 857**	**479**	**2 336**
New Openings	74	14	88
Acquisitions	0	0	0
Closings	(67)	(20)	(87)
Conversions	(6)	6	0
31.12.2020	**1 858**	**479**	**2 337**

(all figures in EUR millions unless stated otherwise)

As at 31 December 2020, AmRest operated 2 337 restaurants, including 479 restaurants which are managed by franchisees. Compared with 31 December 2019, the Group runs one restaurant more. 88 new restaurants were opened: 49 restaurants in Central and Eastern Europe, 8 in Russia, 27 in Western Europe and 4 in China.

Number of AmRest restaurants (as at 31 December 2020)

Countries	Brands	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
Poland	**Total**	558	553	550	558	567
	KFC	282	283	282	288	296
	BK	45	43	43	44	44
	SBX	73	73	70	70	68
	PH equity	157	153	153	153	154
	PH franchised	-	-	-	-	1
	BF	-	-	-	-	-
	Shadow Kitchen	1	1	2	3	4
Czech Republic	**Total**	191	191	191	198	202
	KFC	105	105	105	107	109
	BK	20	20	20	23	25
	SBX	49	49	49	51	51
	PH	17	17	17	17	17
Hungary	**Total**	130	130	130	131	133
	KFC	70	70	70	71	73
	SBX	34	34	34	34	34
	PH	26	26	26	26	26
Russia	**Total**	271	271	265	266	262
	KFC	202	205	204	206	206
	PH equity	39	36	32	32	21
	PH franchised	30	30	29	28	35
Bulgaria	**Total**	24	24	24	24	24
	KFC	8	8	8	8	8
	BK	2	2	2	2	2
	SBX	14	14	14	14	14
Serbia	**Total**	12	13	15	15	15
	KFC	10	11	12	12	12
	SBX	2	2	3	3	3
Croatia	**KFC**	8	8	8	8	8
Romania	**Total**	54	53	54	59	60
	SBX	52	51	51	53	54
	BK	2	2	3	6	6
Slovakia	**Total**	13	14	14	15	15
	SBX	7	7	7	8	8
	PH	3	3	3	3	3
	BK	3	4	4	4	4
Armenia	**PH franchised**	3	3	3	3	3
Azerbaijan	**PH franchised**	2	2	2	2	2
Spain	**Total**	344	331	330	331	334
	TAG equity	75	72	72	72	72
	TAG franchised	163	160	159	161	161
	KFC	83	81	81	81	84
	Blue Frog equity	5	3	3	3	3
	Blue Frog franchised	2	2	2	1	1
	Bacoa equity	4	1	1	1	1
	Bacoa franchised	6	6	6	6	6
	Sushi Shop equity	4	4	4	4	4
	Sushi Shop franchised	2	2	2	2	2
France	**Total**	322	322	325	327	327
	TAG equity	5	4	4	4	3
	TAG franchised	1	1	1	1	1

(all figures in EUR millions unless stated otherwise)

Countries	Brands	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
	PH equity	13	12	12	12	12
	PH franchised	108	109	109	109	109
	KFC	70	70	70	70	70
	Sushi Shop equity	89	90	93	95	96
	Sushi Shop franchised	36	36	36	36	36
Germany	**Total**	282	275	273	272	262
	SBX	145	141	139	138	132
	SBX licensed	20	21	21	21	22
	TAG equity	2	2	2	2	2
	KFC	27	26	26	26	26
	PH equity	10	10	10	10	8
	PH franchised	75	75	75	75	72
	Sushi Shop franchised	3	-	-	-	-
Austria	**KFC**	2	2	2	2	2
Slovenia	**KFC**	1	1	1	1	1
Portugal	**Total**	5	6	6	6	6
	TAG equity	2	3	3	3	3
	Sushi Shop franchised	3	3	3	3	3
China	**Total**	72	74	72	72	72
	Blue Frog equity	66	68	67	66	65
	Blue Frog franchised	4	4	4	5	6
	KABB	2	2	1	1	1
Belgium	**Total**	11	11	11	11	11
	Sushi Shop equity	5	5	5	5	5
	Sushi Shop franchised	6	6	6	6	6
Italy	**Total**	3	3	3	3	2
	Sushi Shop equity	1	1	1	1	1
	Sushi Shop franchised	2	2	2	2	1
Switzerland	Sushi Shop equity	7	7	7	9	9
Luxembourg	Sushi Shop equity	2	2	3	3	3
Netherlands	Sushi Shop equity	1	1	1	-	-
UK	Sushi Shop equity	5	5	5	5	5
UAE	Sushi Shop franchised	10	9	9	9	9
Saudi Arabia	Sushi Shop franchised	3	3	3	3	3
Total AmRest		**2336**	**2314**	**2307**	**2333**	**2337**

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).

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 2020

The unprecedented disruption to the restaurant industry, triggered by the COVID-19 pandemic and the subsequent lockdown measures introduced by governments around the world had a severe impact on AmRest's ability to reach customers and profitably operate restaurants. Bold measures were taken by management in order to absorb the effects of a significant decline in sales on profitability and balance sheet liquidity. AmRest has tapped into government assistance programs offered across many of its markets, as described below in more detail and has launched internal initiatives to adapt key cost lines to this new environment. With PizzaPortal and Glovo, two business disposals of non-strategic assets commented on in more detail below, were successfully concluded during the course of the year, with positive impact on balance sheet.

Disposal of AmRest's stake in PizzaPortal

Following an agreement with Glovoapp23, S.L. ("Glovo") to sell PizzaPortal signed on 13 August 2019, the transaction was settled on 24 January 2020 after the agreed earn-out period has expired and all conditions precedent have been fulfilled. AmRest received proceeds of 35m EUR, in a combination of cash (20m EUR) and newly issued shares in Glovo (15m EUR). As a result of the transaction, AmRest was increasing its stake in Glovo to 7.5% on a non-diluted basis.

Payroll initiatives to mitigate the impact of COVID-19 related lockdowns on the business

Following the forced closure of restaurants in most of AmRest's markets during some parts of the year, governments have offered payroll support, among others, also to the restaurant industry. AmRest has been applying and benefiting from those government initiatives, which had varying procedures, structures and duration in each of the countries.

In Spain, AmRest, on the 20 March 2020 initiated the procedure applying for the ERTE program, a temporary suspension of employment for its local entities. The largest of those programs was to cover KFC, La Tagliatella, Bacoa and Blue Frog for a total of 3,666 employees, being 93% of the workforce in Spain and following the closure of 143 AmRest restaurants in the country. In a separate filing, AmRest included 60 employees of Sushi Shop, translating to 93.55% of its workforce and on the 14 April applied for an ERTE for AmRest Tag, S.L.U. for 55 employees (65% of workforce).

In France, AmRest aligned with local government measures, has introduced a general reduction of working hours for a total of 4,669 employees, covering 93% of its workforce in France and following the closure of up to 86% of AmRest restaurants in the country.

In Portugal, AmRest implemented a temporary suspension of labor contracts, affecting a total of 68 employees.

In Poland, complying with the local government assistance program, AmRest has implemented a reduction of working hours and salaries for a total of 4,050 employees, representing 44% of total workforce.

In addition to the abovementioned government assistance schemes aimed at payroll costs, AmRest has executed on additional initiatives to reduce cost lines in order to adjust to an environment of forced restaurant closures and lower sales and support liquidity. Those initiatives also included rent relieve programs, but also loans guaranteed by governments in France and Spain.

Current information on payroll initiatives is included in Note 8 to the Consolidated Financial Statements as for the year ended 31 December 2020.

Positive court verdict in regards to VAT settlements of AmRest Sp. z o.o.

On 30 July 2020 Supreme Court announced a positive court verdict in regards to VAT settlements of AmRest Sp. z o.o. for the year 2012 and January – September 2013. The court rejected the complaint of the tax chamber against the earlier verdict of the local administrative court. The verdict was based on the statute of limitations on the tax liability for these years.

Disposal of AmRest's stake in Glovo

In line with AmRest's strategy, earmarking the stake in Glovo as non-strategic and aligned with AmRest's multi aggregator approach across all of its markets, an agreement for the sale of the 7.5% stake in Glovo with Delivery Hero was signed for a total cash consideration of 76.2m EUR. The agreement was announced on the 19 October 2020 and was subject to customary conditions precedent. Subsequent closure of the transaction was announced on the 31 December 2020.

The transaction provided a solid return as the Group made its first investment in Glovo in July 2018 and paid EUR 25.0 million for a 10% stake. It was followed by a sale of PizzaPortal to Glovo in October 2019, which AmRest bought for an aggregate amount of ca. EUR 10.0 million, for the total amount of EUR 35.0 million of which EUR 15.0 million was received in Glovo's shares.

External Debt

As part of the initiatives taken to mitigate the COVID-19 impact on our business, AmRest applied for state supported bank loans in Spain and France. In April 2020 Spanish and French subsidiaries of AmRest Holdings SE applied for and received state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. In particular, Restauravia Food SL and Pastificio Service S.L.U. were granted EUR 22.5 million each and Sushi Shop Restauration SAS received EUR 20 million. In May 2020 French subsidiary AmRest Opco SAS received state supported bank loan in the amount of EUR 10 million, guaranteed by the government in 90%. Loans' tenors are 3 years and 5 years with 1 year grace periods. The Group was granted total EUR 75 million. Additionally, in June 2020 Russian subsidiary, OOO AmRest, was granted EUR 2,7 million of state supported bank loan, guaranteed by the government in 85%. In August 2020 SCM Czech s.r.o. was granted EUR 1.1 million of state supported bank loan, guaranteed by the government in 90%.

AmRest has received quarterly covenant waivers from its club of financing banks announced on 9 July, 1 September and 30 September covering the first three quarters of the year. A scheduled repayment of 56.8m EUR in bank debt has been made in September 2020 to the syndicate of banks reducing the principal bank debt outstanding.

On 31 December AmRest announced an agreement with its syndicate banks for a covenant waiver covering the fourth quarter of 2020 and the first three quarters of 2021 including a replacement of leverage and interest coverage covenants by a liquidity covenant for the abovementioned period. The required minimum level of liquidity of the new covenant assumed by the Group had been determined at 80 million euros and lowered to 50 million euros for the third and fourth quarters of 2021. In addition, AmRest received a covenant waiver from a majority of 77% of its bondholders (Schuldscheine).

Shareholders of AmRest Holdings SE

To the best of AmRest's knowledge as at 31 December 2020 AmRest Holdings had the following shareholder structure:

(all figures in EUR millions unless stated otherwise)

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	147 203 760	67.05%
Nationale-Nederlanden OFE	9 358 214	4.26%
Artal International S.C.A.	11 366 102	5.18%
Aviva OFE	6 843 700	3.12%
Other Shareholders	44 782 407	20.40%

* 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

On 1 July, 2020 AmRest informed of the resignation presented by the director Mr. Mustafa Ogretici and the appointment by co-option to fill said vacancy of Ms. Mónica Cueva Díaz, as an independent director, approved on the same day by the Board of Directors, following a proposal from the Appointments and Remunerations Committee and a report from the Board. Ms. Mónica Cueva Díaz also held the positions of member of the Audit Committee and the Health and Safety Committee; the latter of which started to be chaired by Ms. Romana Sadurska.

In accordance with the provisions of article 244 of the Capital Companies Law, said appointment is subject to ratification by the next General Shareholders' Meeting.

On 1 December, 2020 AmRest informed that the Board of Directors of the Company, following the recommendation of the Appointments and Remuneration Committee, has resolved to appoint Mr. José Parés Gutiérrez, past Chairman of the Board of Directors and of its Executive Committee, as new Executive Chairman of the AmRest Group.

The Executive Chairman was delegated all of the powers that correspond to the Board of Directors except those that are non-delegable by virtue of the current legislation, the Bylaws and the Regulations of the Board of Directors of AmRest.

As at 31 December 2020 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
- Ms. Mónica Cueva Díaz

- 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 2020 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

As at 31 December 2019 Mr. Carlos Fernández González (member of the Company's Board of Directors) held through its closely associated person, FCapital Dutch B.V., 147 203 760 shares of the Company with a total nominal value of EUR 14 720 376. On 31 December 2020, Mr. Carlos Fernández González still held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376 through FCapital Dutch B.V.

As at 31 December 2019 Mr. Carlos Fernández González didn't own AmRest shares through any other closely associated person.

As at 31 December 2020 he held through his another closely associated person - Finaccess México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, 1 172 145 AmRest shares with a total nominal value of EUR 117 214.5. The direct holder of the shares is Latin 10, SA de CV, a fund independently managed by Finaccess Mexico, S.A. de C.V. (a subsidiary of Grupo Finaccess).

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 was acquiring 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 2020 and 31 December 2020, AmRest didn't purchase any own shares. During the same period, the Company disposed a total of 100 954 own shares with a total nominal value of EUR 10 095.4 and representing 0.0460% 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 2020 AmRest held 623 461 own shares with a total nominal value of EUR 62 346.1 and representing 0.2840% 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 Sp z o.o. in the amount of EUR 0.8 million (PLN 2.6 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 2020 and 2019 is as follows:

	2020	**2019**
Number of days:		
Average period of payment to suppliers	102.2	23.4
Ratio of payments	101.7	23.9
Ratio of outstanding invoices	107.9	17.9
Millions of EUR:		
Total payments	173.9	186.5
Outstanding invoices	16.5	16.8

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

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.
- situation around COVID-19 pandemic, including progress and efficiency of medical treatments

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.

Liquidity risk

The Group is exposed to the liquidity risk due to the breach of covenants and reclassification of long-term debt to short-term which can be therefore due in the next 12 months, however, prior to 2020 year end AmRest has obtained from its financing banks and majority of bondholders (Schuldschein) waivers to the compliance with certain covenants related to the Group's leverage and interest coverage ratios for the fourth quarter of 2020 and the first, second and third quarters of 2021.

The Group actively manages liquidity resources and does its best to improve the business. Strengthening of the Group's position in terms of liquidity and mitigation of adverse impacts of COVID-19 outbreak is taken on several areas. The Group maintains close communication with its financing banks. In March 2020 Group has drawn entire facility available under revolving Tranche D of syndicated bank loan, increasing amount drawn from EUR 37.3 million in the end of 2019 to 98.9 million in the end of 1Q 2020. Additionally in April 2020 Spanish and French subsidiaries of AmRest Holdings, SE applied for state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. The Group was granted total EUR 78.9 million. Additionally, the Group sees recovery in its core business as the number of open restaurants have increased and the revenues trends have been recovering.

AmRest has established internal task forces in every market to monitor the situation also around cost saving initiatives and also a big part of capital expenditures have been put under review. The Group was and is closely monitoring available program that are offered on various markets. The government support programs include for example direct subsidies to payroll costs, tax exemptions, social security contributions reductions. Additionally entities from the Group were able to apply for extended deadlines for payments of various taxes.

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.

Risk related to the COVID-19 and its implications for the economy and society

The COVID-19 pandemic has rapidly spread around the world. Most governments are taking constrain measures to contain the spread, which include isolation, confinement, quarantine and restrictions to free movement of people and closure of public and private facilities.

This situation is affecting significantly the global economy, including HORECA sector, as well as AmRest Group.

Visible results of the COVID-19 outbreak include the decrease in demand, the disruption or slowdown of supply chains and a significant increase in economic uncertainty, increase of volatility in the price of assets, exchange rates and a decrease in long term interest rates. Possible results of the COVID-19 outbreak may include changes in the market environment, peoples behaviors and ways of living.

The COVID-19 pandemic has a particularly negative impact on the restaurants sectors. The ban or significant limitations in operation of restaurants resulted in a decrease in business activity and customer demand and consequently decrease of revenues.

Group management is closely monitoring the development of situation and looks for the ways of mitigating the impact of COVID-19 spread on the Group. In addition, the Group implemented additional measures to mitigate the risk of infection among its employees, including in particular:

- Providing detailed instructions and guidelines on monitoring the health of the Group's employees and the health of Group's customers.
- Strengthening already stringent hygiene, cleaning and sanitation procedures and introducing contactless options that protect both employees and guests in restaurants.
- Providing the restaurant employees with additional personal protection and hygiene supplies.
- Requesting to reduce the number of meetings as well as domestic and foreign business travel, and to use teleconferencing and video-conferencing facilities to the largest extent possible, as well enabling remote work.

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 business point of view. 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.

As a consequence of the pandemic and lack of business activity or relatively lower activity in certain locations, the Group performed review of its rental agreements and has entered into negotiations with landlords. One of the outcomes may be that some locations would need to be closed due to worsened economics and lack of mutual agreement between the parties. 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. Additionally, closing any of the franchised restaurants is subject to the 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 to AmRest restaurants in the remaining countries. This results from the specific nature of these markets.

Dependency on the franchisor

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

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

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

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

Dependency on cooperation with minority shareholders

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

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

No exclusivity rights

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

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

Risk related to the consumption of food products

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

Risk related to keeping key personnel in the Group

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

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

Running catering activities on such a large scale as the Issuer does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Due to the fact that salaries in 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 Bacoa, Sushi Shop and all the virtual 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. Tensions around that subject may result in a negative impact on economy, including instable currency, interest rates, liquidity, supply chain disruptions and consumer confidence deterioration. All these events and uncertainty that accompanies them 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 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.

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' minimization, 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 33 to the Consolidated Financial Statements as for the year ended 31 December 2020.

Credit risk

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

Risk of economic slowdowns

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

Risk related to seasonality of sales

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

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

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

Cyberattack risk

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

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 UE countries (where the Company operates its business) cannot be entirely excluded.

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.

Activity in Research and Development area

The Group wants to serve to its customers the highest quality products that are balanced in terms of taste and nutritional composition. Following business trends and customer needs all brands operated by the Group have established departments focusing on new product development, as well as improvement of the existing products.

Activities in that area include for example: market researches, careful selection of ingredients, packaging, creation and preparation of new products, tastings followed by collection of customers feedbacks and launch of the final products.

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 2020

INTRODUCTION

According to the Royal Decree-Law 11/2018 of 28 December, relating to non-financial information and diversity, the Board of Directors of AmRest Holdings SE is issuing this Non-financial Information Statement (NFIS) for the 2020 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. For the purposes of this document, the following should be understood to mean the same: AmRest Holdings SE, AmRest, the AmRest group and the group. The reporting scope is from 1 January 2020 to 31 December 2020. All the data is presented as of 31 December 2020 unless stated otherwise.

The statement is an independent part of the Consolidated Directors' Report for 2020 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 2020, AmRest operated 2 337 equity and franchised restaurants and coffee houses in 25 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.

As of 31 December 2020 the Company's registered office was 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 materiality analysis, as further explained in Section 3 (Materiality analysis) herein.

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'S BUSINESS MODEL AND OPERATIONS IN 2020

AmRest Holdings SE is one of the leading publicly listed European restaurant operators and has a presence in 25 countries in Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and 14 proprietary brands including nine virtual brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, and virtual brands: Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Sushi Tone, Pierwsze i Drugie, Viva Salad!, Eat's Fine, Cremontano). The offer of virtual brands in Poland is available also under the Food About concept that enables consumers to order different virtual brand dishes under one order. For each of the brands, AmRest restaurants serve high-quality meals made from fresh products following original recipes and strict standards

AmRest's operations are well-diversified across five main categories of the restaurant industry:

1. Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2. Fast Casual Restaurants ("FCR"), represented by Pizza Hut Fast Casual Dine In 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, whose offer is available only online, represented by Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Sushi Tone, Pierwsze i Drugie, Viva Salad!, Eat's Fine and Cremontano.

Currently, AmRest operates 2 337 restaurants in 25 countries, including Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE and Saudi Arabia.

Table. AmRest brands' business models

Franchised brands	
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. AmRest Holdings SE 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.
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 2020 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 restaurant chain in the world, specializing in flame-broiled fast-food hamburgers. AmRest operates Burger King outlets in Poland, Bulgaria, the Czech Republic, Slovakia and Romania.
Equity brands	
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 2020, 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 range of drinks on offer. The restaurant serves dishes from the American kitchen enriched by distinct Asian influences. In 2020 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 183 Japanese restaurants, one-third of which are franchised out. Sushi Shop is present in 10 different countries, including France, Spain, Portugal, Belgium, Luxembourg, the UK, Switzerland, Italy, Saudi Arabia and UAE.
Bacoa	Bacoa is a chain of 7 premium burger restaurants located in three cities in Spain (Barcelona, Madrid, Lleida). The brand became part of AmRest's portfolio in 2018. Established in 2010, the company operates self-owned restaurants and franchises. Bacoa value proposition is based on fresh, natural, eco products sourced from expert suppliers and a central kitchen that delivers high-quality burgers in trendy surroundings.

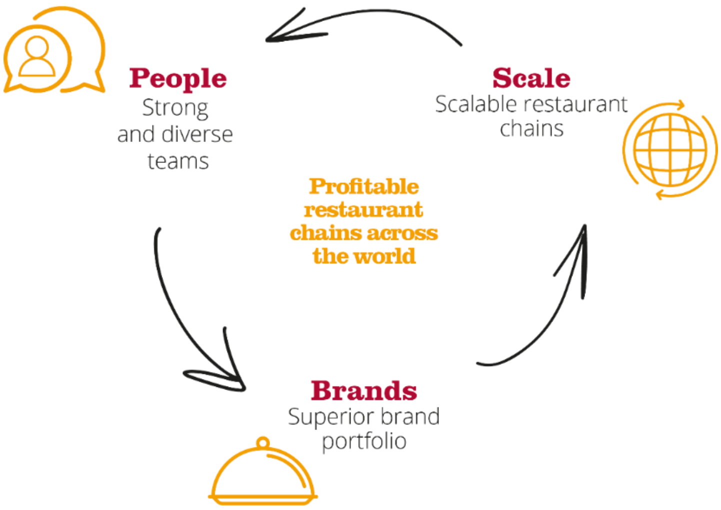
Virtual brands	
Pokaï	Pokaï is a virtual brand that was created by Sushi Shop in April 2018. It offers a large range of poke bowls and its products are sold through aggregators (Deliveroo, UberEATS etc). Pokaï is present in France, Belgium, Spain, Italy, Luxembourg, UK, Switzerland and UAE.
Viva Salad	Viva Salad! is a brand developed exclusively for the delivery channel that offers fresh, healthy and highly customizable dishes divided into few segments: Viva salads, protein dishes, desserts, milk-shakes, fruit waters and smoothies. The concept was launched in Madrid and Barcelona in June 2020. The dishes are prepared in selected La Tagliatella locations.
Lepieje	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 has operated in Poland since December 2019 and is accessible via aggregators. The brand is inspired by the dumplings from different parts of the world.
‘Oi Poke	‘Oi Poke is a virtual brand offering exotic bowls, with meat, fish or shrimp and a selection of 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 has operated via aggregators since December 2019.
Pierwsze i Drugie	The offer of Pierwsze i Drugie is based on traditional flavors of beloved Polish cuisine and the latest insight into consumer preferences. It includes a range of bestsellers, available through fast and convenient delivery.
MOYA MISA RAMEN	MOYA MISA RAMEN is a perfect choice for everyone who enjoy Asian cuisine and experimenting with different flavor combinations. The offer is fully personalized, allowing consumers to compose their own recipe for perfect Ramen in just few steps.
Sushi Tone	Sushi Tone offers 8 sets to choose and all the most popular rolls, including Nigiri and Futomaki, as well as typical Asian side dishes like Miso soup with tofu or kimchi salad. The brand sources ingredients from AmRest’s carefully chosen suppliers, offering only products of outstanding quality.
EAT’S FINE	Eat’s Fine is a virtual brand developed in Poland in 2020, as part of the Food About concept. It is committed to responding to specific dietary needs and customer expectations. The brand offers a wide range of healthy, plant-based meals for any occasion.
Cremontano	Cremontano takes inspiration from the Tuscan tradition of artisan ice-cream manufacturers. The brand believes in using natural ingredients, and respects the traditional recipes and the importance of the details. The best taste of ice cream is born in the process of making, that is why Cremontano pays attention to the methods it uses and takes pride in its craft.

Business strategy

AmRest builds its business with energy and passion, leading it with determination and a sense of responsibility. The company has focused on the development and expansion of its mature brands and expanding the portfolio. Recently, the 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 that are scaling and meeting the profitability criteria.

AmRest strategy: Leverage our culture, international capability and superior brand portfolio to grow scalable, highly profitable restaurants globally.

Infographic. AmRest business strategy



Since 2019 the group has been continuing the strategy of growth based on four key pillars: Operations, Food Service, Franchising and Digital & Delivery.

Table. Four pillars of AmRest growth

Name of the pillar	Description
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 SERVICES	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 the 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 result, gives them a sense of stability and security.
DIGITAL & DELIVERY	AmRest is all about customers and the experience they have 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 table below presents AmRest's growth between 2018 and 2020. The restaurant count includes self-owned restaurants and franchisees.

Table. Restaurants and coffee houses operated by AmRest Holdings SE

Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
2 138 restaurants	2 336* restaurants	2 337 restaurants

*- *Restated (2339 reported in 2019).*

Table. Restaurants and coffee houses operated by AmRest Holdings SE in 2020 by brand

Brand	Restaurant count (2020)	Self-owned restaurants	Franchise restaurants	Countries where the brand was present in 2020
KFC	**895**	895	-	PL, CZ, HU, RU, BG, RS, HR, ES, FR, DE, AT, SI
Pizza Hut	**463**	241	222	PL, CZ, HU, RU, SK, AR, AZ, FR, DE
Starbucks	**386**	364	22	PL, DE, CZ, SK, HU, RO, BG, RS
La Tagliatella	**242**	80	162	ES, PT, FR, DE
Burger King	**81**	81	-	PL, BG, CZ, SK, RO
Blue Frog	**75**	68	7	CN, ES
KAAB	**1**	1	-	CN
Sushi Shop	**183**	123	60	FR, ES, PT, BE, LU, UK, CH, IT, SA, UAE
Bacoa	**7**	1	6	ES
Virtual brands	**4**	4	-	PL
Total number of restaurant and coffee houses	**2 337**	1858	479	-

Franchise model

AmRest as a franchisee

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.

Table. Description of the cooperation with franchisors

Brand	Description of the cooperation
KFC **Pizza Hut**	AmRest is the operator of **KFC** and **Pizza Hut** brands based on a franchise agreement with owner of the brand - Yum! Brands Inc. (To be exact, Yum! Restaurants Europe Limited for KFC and Pizza Hut Europe Limited for Pizza Hut.)
Starbucks	**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.
Burger King	**Burger King** restaurants are operated on a franchise basis following an agreement concluded with Burger King Europe GmbH.

AmRest as a franchisor

AmRest aims to build the best offer for the franchisees, allowing them to focus on their operations. Currently, the company offers franchisee agreements for owned brands: La Tagliatella, Bacoa, Blue Frog and Sushi Shop. Moreover, following agreements with Yum! Brands Inc. AmRest as a master-franchisee of Pizza Hut brand has the right to grant the license to the third parties to operate Pizza Hut concepts in countries of Central and Eastern Europe, Germany and France as well as Russia, Armenia and Azerbaijan.

Services AmRest provides for the franchisees:

- Developing: personalized advice in the search and selection of the best premises and locations
- Building: comprehensive design of the premises including all structural and interior elements
- HR: advice on the profiles and structure necessary to guarantee excellence in customer service
- Training: initial and ongoing training for the franchisee in the management and profitability of the business.
- Operations: help in implementing internal procedures that facilitate the global management of restaurants and guarantee their correct operation
- Marketing: an advisory service for developing the best advertising and public relations strategy for the restaurants.

Table. Number of AmRest Holdings SE business partners in 2020 by type

Type of partner	2018	2019	2020
Franchisees	194	353	344
Franchisors	4	4	4

MATERIALITY ANALYSIS

In 2020 AmRest conducted a materiality analysis, a process through which the company identified social, environmental and ethical aspects that are relevant to its corporate responsibility strategy. Materiality is the principle of defining the topics that matter most to AmRest business and stakeholders.

AmRest considered materiality analysis as an opportunity to apply a sustainability lens to business risk, trend-spotting and enterprise risk management processes:

- Prioritizing organization's resources for the sustainability issues that matter most to the business and stakeholders.
- Identifying the areas of interest to the most important stakeholders, enabling to report concise information that gives a meaningful picture of progress to those that need it.
- Highlighting areas where the company needs to manage and monitor issues that are important but not currently addressed.

Consultations and methodologies included:

- Issues considered by sustainability standards and frameworks (SASB, GRI)
- Issues considered by financial analysts on ESG information (DJSI)
- Media analysis
- Peer' analysis
- Regulatory environments (Poland, Czech Republic, France and Spain)
- Over 170 online surveys in English, French and Spanish sent to suppliers, bank representatives, franchisors, franchisees, employees, NGOs
- Focus Group with the Sustainability Committee and survey to top management

As a consequence of the materiality analysis process 25 material topics were identified. Table below presents the most relevant ones. The company addresses the materiality topics in this annual Non-financial Information Statement. Materiality analysis will also be used for the purpose of Sustainability Strategy revision to cover the external and internal perspective.

Table. AmRest materiality topics by category

Category	Topic	Definition
Human capital	**Employee health and safety**	Aspects related to the safety and health of employees within the organization.
	Employment matters	Management of basic employee working conditions (remuneration, working time, absenteeism etc.).
	Diversity, inclusion and equal remuneration	Set of commitments, policies and procedures implemented to promote gender equality, diversity and inclusion in order to ensure equal opportunities and remuneration for all.
	Talent development	Training initiatives, professional and career development programs available for all employees.

Category	Topic	Definition
Customer relationship	**Customer orientation**	Ensuring an optimal customer experience, which helps us achieve high customer satisfaction scores and increases customer loyalty.
	Food quality and safety	Set of commitments, policies and procedures ensuring compliance with legal requirements and health controls in terms of food quality and safety.
Good governance	**Ethics and compliance**	Promotion of ethical practices both within the organization, its value chain and the sector.
	Corporate governance	Responsible practices of the governing bodies in terms of equality, ethics, accountability and transparency.
	Risk management	Identifying, assessing and managing the non-financial risks of the organization.
	Human rights	Respect for human rights, monitoring and supervising mechanisms to ensure that they are respected (such as whistleblowing channel).
Business model	**Responsible sourcing**	Integration of social, ethical, animal welfare, and environmental performance factors into the process of selecting suppliers.
	Responsible supply chain management	Sustainable purchasing policies, commitments, and guidelines.
Environment	**Environmental management**	Set of policies, commitments and management systems implemented in the company in order to minimize the impact on the environment.
	Circular economy	Commitments, policies and procedures aimed at responsible waste management, promoting of recycling, eliminating single-use-plastic etc.
	Energy and carbon footprint management	Energy efficiency initiatives and operational solutions carried out to fight against climate change.
	Food waste	Measures and initiatives implemented by AmRest to prevent food waste along its value chain and increase awareness among its stakeholders.

AmRest values its stakeholders view on the important topics as well as ambitiously strives to meet the global sustainability standards and local requirements.

CORPORATE SOCIAL RESPONSIBILITY STRATEGY

To effectively carry out its activities as a responsible company, AmRest has been implementing the **Responsible Business and Sustainable Development Strategy of AmRest for 2015 - 2020** (hereinafter named also CSR Strategy). By the time the document was created, the company was focusing on the CEE region, hence the strategy applied to brands managed by AmRest in Poland, Czech Republic, Hungary, Croatia, Bulgaria, Romania and Serbia. In 2018, the company developed a global Corporate Responsibility Policy that applied to all countries in which AmRest operated.

Table. Outcomes of the CSR Strategy of AmRest

Pillar	Key area of focus	Outcomes
Our food	■ Food quality and safety ■ Responsible purchasing ■ Transparency of information about the nutritional value of products	The company focuses on the highest standards of food safety and quality in the entire chain of supply and on procuring fresh produce from local suppliers whenever and wherever possible (approx. 80% local suppliers budget share). The company offers lighter options and vegetarian or vegan alternatives in the brands' menus.
Our people	■ Employer of choice ■ Inclusiveness ■ Trainings and development	AmRest creates a friendly, safe and diversity-conscious workplace (2% employees with disabilities, 3% employees over 50 years old). The company inspires and promotes self-development which is reflected in the internal-promotion rate: 80%.
Our environment	■ Environmentally-friendly packaging ■ Waste and recycling ■ Environmentally-friendly buildings	AmRest conducts its business with a respect for the environment, always looking for innovations and solutions to make company's activities more environmentally friendly. The company promotes waste segregation and recycling of waste, e.g. forwarding used oil to biofuel producers. In 2020 the KFC restaurant in Kraków, Poland was recognized as a LEED certified building. Financial resources dedicated to LEED certification of KFC restaurant was 21 930 EUR (cost of certification process).
Our communities	■ Children education projects ■ Employee volunteering	The company develops the passion and drive of its employees to change their environment and local communities for the better. AmRest takes advantage of the scale of opportunity and supports employees in activities that have a positive impact on the communities in which the company operates. Each year AmRest gives back to the local communities by donating +200 000 EUR.

AmRest has been working on revising its CSR strategy, based on the outcomes of the materiality analysis, current trends and the company's ambitions.

The new global document will be published in 2021.

RISK MANAGEMENT AT AMREST

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

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

- identifying risks and opportunities and recommending solutions;
- monitoring, verifying and reporting the implementation status of action plans addressing identified risks and opportunities to the AmRest Top Management and the Audit and Control Committee;
- periodic updating of 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 the risks arising from the specific nature of AmRest activities. These risks are grouped into strategic, financial, operational and compliance risks and are periodically evaluated by the AmRest Management.

The last update of the Risk Map was conducted in 2019. The AmRest Management Team along with representatives of the key departments evaluated the document and included additional new risks, e.g. environmental risks.

The Risk Map is one of the information sources for the process of creating the annual Audit Plan. AmRest analyses the risks and improves its risk management systems and the internal control systems on an ongoing basis.

Currently Compliance and Risk Management with support from the Internal Audit Department realizes Global Risk Management project to improve managing risks at AmRest Holding SE by introducing a new approach to: identifying, evaluating and managing corporate and local (market-specific) risks.

A table below presents the risks that may have a considerable adverse effect on the operating areas of AmRest, as well as on corruption prevention, environmental protection, respect for human rights and others.

Table. Risks that may have a considerable adverse effect on operating areas of AmRest, corruption prevention, environment protection, respect for human rights and others.

Risks
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 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.

Risks
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 a third party to the detriment of the Company's reputation.
Risk related to improper implementation and execution of anti-corruption procedures including a lack of protection for "whistle-blowers".
Risk related to losing employees in the key positions.
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 the Top Management and non-ethical behaviour of employees.

Having implemented the Code of Business Conduct and the CSR Strategy, AmRest prevents, among others, the following risks occurring:

- negative perception of the Company by the public in connection with undue care paid by AmRest to social/public interests;
- lack of awareness and sensitivity of managers with regard to the ethics and rules of responsible business;
- major negative impact of the Company's operations on the environment;
- inadequate response to environmental trends;
- damage to AmRest's reputation caused by cooperation with unethical suppliers of low reputation;
- lack of public knowledge of AmRest involvement in implementation of the goals in the area of ethics and responsible business;
- unethical practices by AmRest and AmRest employees.

The response to COVID-19 pandemic

The COVID-19 pandemic is the most important event in 2020 that has impacted almost every continent. The virus was on the rise in Asia at the end of 2019 and spread globally within just a few months., . This pandemic is not only a health crisis. Due to the effects of restrictions, lockdowns, and overall anxiety, the pandemic occurs as one of the biggest socio-economic crises of our time.

At AmRest, the first information about COVID-19 has been reported in the beginning of 2020 and came from China, where the Group operates Blue Frog and KABB restaurants. At that time, the group handled this matter on a local level, implementing proper solutions that included a new hygiene regime and the temporary closure of restaurants. As the coronavirus gradually spread across Europe, AmRest identified it as a global risk and responded immediately by creating the AmRest Crisis Mitigation Plan for COVID-19 based on the AmRest Global Crisis Management Procedure.

Main objectives of Crisis Mitigation Plan for COVID-19:

- Crisis Core Team activated and actively addressing the issue
- Appropriate action plans developed and executed
- Communication protocols established

As part of the plan, the Global Crisis Team was established, consisting of (Core Team) Chief Executive Officer, Chief Operations Officer, Chief People Officer and Brand Reputation Director, and of representatives of main departments at AmRest (Coordination Team). The main responsibilities of the Global Crisis Teams were:

- activating and leading a crisis management process in the organization
- appointing local/country crisis leaders
- constituting crisis task forces and ensuring adequate resources, human and financial
- gathering information on crisis development and agreeing adequate action plans
- ensuring communications flow and approving messages to internal and external stakeholders including AmRest franchisors, media and regulatory bodies
- updating AmRest's management bodies: Executive Team and Board of Directors.

The company followed the plan during the whole year, managing the crisis both globally and on a local level.

Impact on business

The COVID-19 pandemic posed a great challenge for the daily business of AmRest in 2020. The immediate consequence of the pandemic for AmRest Group has been temporary closure of shopping malls and dine-in areas, with the only remaining sales channels permitted being food delivery and, in some countries, take-away and drive-thru. For many years, the Group has been investing in delivery channel and recently made it one of the pillars of growth. While some AmRest restaurants have been temporarily closed during the year, the company was able to instantly change the business model to focus on take-away and delivery channels, with solid infrastructure and strong leadership,.

Moreover, in all countries where the Group operates, strict hygiene regime, limitations and lockdowns were implemented. Following legal requirements, the Group implemented a series of global procedures, guidelines and checklists for maintaining the hygiene regime in AmRest restaurants but also while delivering orders to the customers (contact-less deliveries). All global documents were adapted for brand purposes and local legislation.

Table. Selected hygiene and safety routines implemented at AmRest in response to COVID-19 pandemic

SELECTED HYGIENE AND SAFETY ROUTINES	
Social distancing	More attention on washing and disinfecting hands
Procedures and schedules for cleaning and disinfection	Employees and uniforms hygiene
Disposable gloves	Employee and visitor health checks
Masks	Employee temperature control

FOOD-RELATED MATTERS

Food quality and safety, responsible procurement and sales, as well as transparent disclosure of nutrition facts are the keys priorities of the Our food area - one of four pillars of Responsible Business and Sustainable Development Strategy of AmRest. The group's objective is to deliver the best culinary experience to its guests while maintaining the highest quality and safety standards across the supply chain.

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

- identifying possible risks and mitigating or eliminating them
- designing, constructing and maintaining restaurants, equipment, small wares, and consumables to standards that allow the company to maintain safety of our products
- implementing and executing strict hygiene, food safety and quality standards and procedures
- periodical training sessions on hygiene, quality, and food safety maintenance standards
- conducting unannounced audits in restaurants carried out by internal and external, independent auditors
- having 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
- implementing system and procedures for the prevention of pest entry and activity
- having systems designed to track expiration dates and manage inventory rotation

- having an order management system that helps restaurant and coffee house managers optimize the quantity of products they order and ensure that the inventory is always fresh
- having implemented systems for temperature control during all processing chain (from producer to a client)

Each of the brands in the AmRest Holdings SE portfolio has its own strict food safety policies and systems (including HACCP System) 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 for Pizza Hut, KFC, Burger King, Starbucks, and Sushi Shop. 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 must all meet a certain food safety level required by AmRest.

Audits System

Compliance audits are being conducted for every brand and market. AmRest's restaurants and coffee houses are meticulously inspected for hygiene and food safety. Individual inspection standards and schedules are applied across the different brands to account for their specific needs. During an audit all required standards related to food safety, quality and hygiene are checked. Inspection results are uploaded to an online system and analyzed. If the outcome is not satisfactory, a corrective plan is put in place.

Audits are unannounced. Audits in AmRest's franchised brands (KFC, Pizza Hut, Burger King, Starbucks) are conducted globally by an external company that is trained and controlled by the franchisors. In AmRest's proprietary brands (Sushi Shop, Blue Frog, KABB, La Tagliatelle, Bacoa) audits are conducted by external companies trained and controlled by AmRest and half of audits in China market is conducted by internal auditors.

Despite the pandemic, AmRest put in the effort to conduct as many audits as possible. To ensure the highest level of safety for its employees and products AmRest conducted online audits for some markets and brands due to local restrictions. **The full number of audits conducted in restaurants and among suppliers in 2020 was 4993.** The results achieved are at a very high level.

Supply chain management

AmRest's global presence 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 signs the AmRest Code of Conduct, which addresses the social and environmental matters such as child labor, discrimination, health and safety, protection of the environment. **As of 31 Dec 2020 over 80% of suppliers in CEE region were signatories of AmRest Code of Conduct.** Other regions are mostly covered by franchisors requirements, e.g. KFC in Western Europe.

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

Table. Selection of supplier audit processes for Pizza Hut and KFC brands conducted at AmRest

Name of the process	Description
Food Safety Audit (FSA)	Food Safety Audits (FSA) are performed in food manufacturing facilities annually or at a frequency determined by Yum! Brands. The audit covers specific food safety, sanitation and food safety culture requirements, as well as those related to food fraud.
Quality Systems Audit (QSA)	Quality Systems Audits (QSA) are performed in all Quality Risk Grade A food manufacturing facilities annually or at a frequency determined by Yum!. The audit focuses on the documentation, implementation, and effectiveness of a supplier's quality systems. It is mandatory for Yum! products to be running during the QSA.
Warehouse Audit (WA)	Warehouse Audits (WA) are performed in all facilities that store and distribute Yum! products, or those that act as a cross-dock location for Yum!, annually or at a frequency determined by Yum! The audit focuses on the documentation, implementation, and effectiveness of a distributors warehouse and product management systems. All cross-docks must be audited, suppliers and distributor's must communicate all cross-docks to Franchise QA.
Transportation Audit (TA)	Transportation Audit (TA) are performed in all facilities that deliver Yum! products directly to restaurants including both manufacturers and distributors. These are conducted annually or at a frequency determined by Yum! The audit focuses on the control and effectiveness of a distributors or a supplier's transportation and product management systems.
Packaging Audit (PA)	Packaging Audits are performed in food contact packaging manufacturing facilities annually or at a frequency determined by Yum! Brands. The audit focuses on specific packaging manufacturing requirements, as well as HACCP, food safety and hygiene.
Animal Welfare Audit KFC	All suppliers responsible for abattoir operations are subject to an animal welfare audit every 15 months. Suppliers are expected to humanely handle animals and AmRest monitors their performance. The scope of this audit focuses on the management of farms, feeding, responsible antibiotic usage, animal collection, transport and slaughter.
Yum! GAP Audit	All produce farms are required to have Global Gap Certification. Where this is not possible, the farm can take the Yum! GAP Audit which follows the same scope as Global GAP and includes water management, pest management, traceability, 'add-ons' usage and personnel GMPs.

In 2020 AmRest cooperated with 13 493 suppliers.

Total expenditure for local AmRest's suppliers was 79%.

The table below presents the number of AmRest business partners between 2018 and 2020.

Table. Number of AmRest Holdings SE suppliers in 2020 by type

	2018	2019	2020
Suppliers	13 846	16 836	**13 493**
(incl. food suppliers):	1 211	1 312	**1 253**

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 in Pizza Hut brand in France and Pizza Hut and Starbucks in Germany. AmRest covers only around 20% of purchases under the Procurement Procedure, the rest is governed by Starbucks EMEA. Following agreements with Yum! Brands Inc. purchases made for KFC in France, Germany and Spain are managed by Yum! Brands, as AmRest is one of the franchisors operating the brand on those 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.

In Spain, the purchases are governed by **Purchasing Manual: Purchasing Procedures and the Approval of Raw Materials and Suppliers**, a specific procedure created by the Spanish Purchasing Department.

This process includes different steps:

- Product selection process
- Homologation process of Product(s) and Supplier(s)
  - Product evaluation and acceptance process
  - Supplier and Product acceptance process
- Continuous Evaluation Process
- Criteria for Product Classification according to Risk
- Product incident process
- Process of Registration of Offers and/or Price Fluctuations

This process is supported also by specific documentation to capture the data:

- Product request document
- Supplier's initial questionnaire
- Supplier's assessment/evaluation document (facility audit)
- Price variation document
- Control document (continuous evaluation, product classification)
- Registration of offers

The Indirect Procurement Department makes purchases based on AmRest's **Global Procurement Procedure** applicable across the whole group. 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	79%
Foreign suppliers	21%

In 2020 100% of the suppliers providing fresh fruit and vegetables to AmRest's restaurants in the Central European Division received the **Global GAP certification**. Global GAP is a farm management practice assessment scheme that helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

AmRest 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. With biodiversity in mind, larger farmers are required to remove a portion of their land from production.

In 2020 AmRest for the first time issued the Forests survey by Carbon Disclosure Project (CDP), an independent body specializing in the disclosure process on carbon and climate risk management. The questionnaire involved disclosing data on a supply chain and use of raw products such as soy, coffee, palm oil, rubber, timber etc. The company mapped the topic in Poland, Czech Republic and Hungary. As a first-time responder AmRest was not scored.

Customer relations

Customer relations are crucial for a company's development. Ensuring the quality and safety of the food AmRest offers to customers through its restaurants is one of the company's key responsibilities. AmRest prioritizes the highest safety and quality standards along the whole supply chain and obtaining fresh produce from reliable suppliers.

At AmRest, customer relations are built on trust in the brands and products, drawing on loyalty and constantly improving customer satisfaction. The Group protects the health and safety of its customers by abiding by appropriate procedures.

Customer feedback plays an extremely important role in how AmRest approaches the services it provides worldwide. The guest feedback process and guest satisfaction survey program deliver thousands of valuable insights every day which allow AmRest managers to take all the necessary steps to make the service experience even better.

Customers who are willing to share with their opinion or idea with AmRest's may offer their feedback via:

- phone,
- e-mails,
- letters,
- online contact forms,
- customer satisfaction surveys,
- 3rd party delivery service provider system,
- 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.

In 2020 AmRest's restaurants and coffee houses handled **approx. 196 328 000 transactions**. The total number of complaints received in 2020 was 226 041The maximum average response time is 62.5 hours. The complaints-handling processes are governed by separate policies for different markets and are complying with local legislation. Each complaint is evaluated by the subject matter expert and a dedicated Customer Care representative. Based on the content of the complaint it received an appropriate grid tier, which determines the necessary path to follow and the maximum time allowed to find a resolution. This is carefully monitored and complaints are resolved by the Restaurant Management Team.

Table. Overall consumer satisfaction in 2020 by brand

Brand	Score*
Bacoa	88
Blue Frog	92
Burger King	70
KFC	80
La Tagliatella	77
Pizza Hut	72
Starbucks	82
Sushi Shop	85

*- *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 complaints made in 2020 by brand (without the data from China)

Brand	No. of complaints
Bacoa	241
Blue Frog	201
Burger King	4 522
KFC	107 221
La Tagliatella	4 184
Pizza Hut	30 438
Starbucks	14 775
Sushi Shop	64 459

Customer satisfaction results are distributed to all of AmRest's Restaurant Managers every day. Additionally, once per month, each brand representative of Top Management (Brand Presidents) communicates the next steps to follow in terms of customer satisfaction.

Nutritional value of the offer

Ensuring the transparent information of the nutritional value of meals served at the restaurants is vitally important for AmRest. The care for customers' health and addressing their specific dietary needs has impacted the food industry significantly in the last few years. That is why AmRest brands have recently introduced vegetarian, vegan and generally lighter option for customers in their menus.

In 2020, AmRest worked on a global document regulating the company's approach to the nutritional value of our food offer. Previously, the topic was governed by each brands' standards. The policy's focus is on simplifying ingredients by removing artificial flavors and colors, added preservatives, and reducing sodium and sugar levels. This policy will be implemented in 2021.

Table. Summary of main documents at AmRest in terms of food-related matters

Name of the document	Main objectives
Food Safety Fundamentals (FSF)	The document 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 must all meet the food safety level required by AmRest.
Brand Protection Monitoring System	Restrictive standards for each brand managed by AmRest in terms of food quality.
Code of Conduct	The aim of this document is to describe behaviors that are acceptable and not acceptable at AmRest. It applies to the relations with customers and coworkers, as well as business partners, media, local authorities and communities where AmRest operates.

ENVIRONMENTAL ISSUES

AmRest Holdings SE is committed to managing its environmental impact in a thoughtful and responsible manner across all its operations. AmRest wants to grow hand in hand with a coherent, organization-wide understanding of the significance of environmental protection. This understanding must be consistent across all countries and regions in which the company operates, regardless of any cultural differences.

The main environmental impacts of AmRest Holdings SE are:

- Climate change
- Circular economy
- Animal welfare
- Responsible sourcing

Climate change

AmRest constantly looks for ways to reduce its environmental impact and embrace opportunities to speed up positive change. This applies, for example, to transport and supply chain management, preventing food waste, and reducing CO2 and greenhouse gas emissions by cutting down on energy and fuel consumption.

Environmentally-friendly solutions in AmRest restaurants

In 2020 AmRest restaurants and coffee houses were working to minimize the environmental impact of their operations in accordance with each brand's procedures. In addition, AmRest's Global Design Department is working on a document that will centralize the brands' environmentally-friendly solutions that are either already implemented or will be in the future. The outcomes of this project are presented below. The Group is constantly seeking for new opportunities and commits to implement environmentally-friendly solutions to minimize the impact on environment.

Table. Selected initiative and ideas of sustainable design solutions.

Explanation of the abbreviations: PH – Pizza Hut, BK – Burger King, SSG – Sushi Shop Group, SBX – Starbucks, TAG – La Tagliatella.

Description	Objective	KFC	PH	BK	SBX	SSG	TAG
REAL ESTATE							
Automobile parking sustainable design strategy	To reduce pollution and land development impacts from automobile use.	√		√			√
Maintain maximum of the primary structural elements of existing building	To reduce the environmental impact on new land excavation, decrease demolition waste, and save energy on materials that are manufactured and transported for new building construction.	√	√	√	√	√	√
CIVIL DRAWINGS							
Parking spots for fuel-efficient vehicles	To reduce pollution and land development impacts from automobile use.	√					
Heat island reduction in site plan design	To reduce heat islands to minimize impact on microclimates and human and wildlife habitats.	√		√			
Native plant selection	To reduce irrigation water consumption by planting native species.	√		√			√
ARCHITECTURAL DRAWINGS							
Recycling areas at BOH provided inside and outside the restaurant. *BOH - a internal term for the kitchen area in AmRest restaurant.*	To facilitate the reduction of waste generated by building occupants that is hauled to - and disposed of - in landfills, by allocating space for recycling.	√	√	√	√		√
Provide bike racks	Reduce carbon dioxide emission from personal vehicles and promote healthy active lifestyles.	√					
Local building materials selection	To increase demand for building materials and products that are extracted and manufactured within the region, thereby supporting the use of indigenous resources and reducing the environmental impacts resulting from transportation.	√					√
Furniture and wall cladding from legitimated sources	To encourage environmentally responsible forest management.	√	√	√	√		√
MECHANICAL, ELECTRICAL, & PLUMBING DRAWINGS (MEP)							
Optimized kitchen hood selection	Optimizing exhaust hood selection requires the right balance between comfort, energy consumption and cost of HVAC system.	√	√	√			√
HVAC efficiency and economizers	Reduce the energy load and use associated with the HVAC system. Approx. costs of the solution in Poland in 2020 was 171 000 EUR for KFC brand.	√	√	√	√	√	√

Description	Objective	KFC	PH	BK	SBX	SSG	TAG
Green certification of kitchen technology	Improve energy efficiency of kitchen equipment.	√	√	√	√	√	√
Thermal transmittance coefficient of building envelope	Maximize the energy performance of the building envelope by selecting energy-efficient transparent and non-transparent windows and/or designing permanent shading devices on exterior walls.	√	√	√	√	√	√
Walk-in units (cooling&freezing chambers) design	Optimizing the walk-in units design, choosing sufficient chambers cargo space and high efficiency refrigerators in order to reduce energy consumption and cost.	√	√	√		√	√
Use ozone-friendly non-CFC and non-HCFC refrigerants	Reduce stratospheric ozone depletion minimizing direct contributions to global climate change.	√	√	√	√	√	√
Energy harvesting from waste heat	Reduce energy consumption associated with domestic hot water systems.	√		√			√
Thermal control	Provide comfortable indoor temperature levels to promote employee productivity, customer satisfaction and optimized HVAC energy usage at the same time.	√	√	√	√	√	√
Electricity consumption monitoring system	Reduce whole restaurant energy consumption.	√	√	√	√		√
Interior lighting	Reduce energy consumption by using energy efficient interior lighting and improve lighting experience, comfort and safety for our customers and restaurant staff.	√	√	√	√	√	√
Exterior lighting	Reduce energy consumption by using energy efficient exterior lighting and improve lighting experience, comfort and safety for our customers and restaurant staff, and restaurant external visibility.	√	√	√	√	√	√
Lighting control	To provide a high level of lighting control system for individual workstations to promote the productivity, comfort, energy savings and wellbeing of building occupants.	√	√	√	√		√
Minimization of water usage	Minimize the use of potable water required for plumbing fixtures.	√	√	√	√		√

Moreover, AmRest manages the environmental impacts also in its offices, implementing e.g. waste segregation, minimizing plastic usage, promoting recycling of materials.

Energy

In 2020 AmRest Holdings SE used **1 088 268 GJ** of electricity.

Table. AmRest Holdings electricity consumption in 2020 by country (GJ)

Country	2018	2019	2020
Austria	400	1 043	1 244
Belgium	-	1 463	702
Bulgaria	6 443	8 433	9 769
China	38 743	47 072	44 534

Country	2018	2019	2020
Croatia	10 481	6 658	5 823
Czech Republic	106 074	124 261	116 789
France	121 815	123 072	107 452
Germany	80 280	74 358	55 278
Hungary	69 012	75 530	84 357
Italy	-	293	254
Luxembourg	-	585	692
Poland	379 006	384 030	341 271
Portugal	-	2 952	1 730
Romania	8 675	10 433	23 156
Russia	204 816	190 633	164 879
Serbia	11 460	8 606	8 039
Slovakia	1 332	3 556	4 673
Slovenia	957	864	659
Spain	179 553	234 384	113 833
Switzerland	-	1 756	1 836
United Kingdom	-	1 463	1 297
TOTAL	**1 219 047**	**1 301 445***	**1 088 268**

*- *restated 1 301 591 reported in 2019.*

Other energy-related initiatives in Spain:

- 21 restaurants in Spain have **solar panels** installed. The tools are used for heating water.
- Gesinne Project: Electrical Savings. The project is aimed at reducing CO2 emissions from electricity consumption. Phase 1 started in Q4 2020. Estimations show around 7,78% of saved electricity on the 6 restaurants with this solution. Total costs of the project for Spain in 2020 was EUR 74 151.

Fuel

In 2020 AmRest collected data of fuel consumption applying to business cars.

Table. Fuel consumption of AmRest car fleet in 2020 (liter).

In China and Slovenia AmRest does not provide company cars. Bulgaria, Serbia, Portugal – no data available.

Country	DIESEL	PETROL
Austria	3 438	-
Belgium	-	48 921
Croatia	3 300	-
Czech Republic	75 981	2 711
France	81 196	175 690
Germany	59 486	5 401
Hungary	71 965	341 311
Italy	-	814
Luxembourg	-	6 605
Poland	313 945	46 999

Country	DIESEL	PETROL
Portugal	-	-
Romania	14 218	6 868
Russia	9 306	76 792
Slovakia	7 857	-
Spain	9 672	7 178
Switzerland	-	7 273
United Kingdom	-	343
TOTAL	**650 363**	**726 907**

Carbon footprint

Climate change is currently one of AmRest's main points of interest in terms of environmental impacts. While the company hasn't yet communicated commitments in this area, it has been continuously working on reducing greenhouse gas emissions, especially by aiming to optimize energy consumption by reducing electricity consumption. The company plans to publish carbon footprint reduction goals by the end of 2021.

Since 2018 the company has been disclosing information about its carbon footprint, improving the data collection and widening the scope each year. Starting from 2020 the company will be disclosing the Scope 3 calculation. AmRest is working on the procedures to conduct the calculation for its whole business. This year Scope 3 is being calculated for six countries, representing around 80% of AmRest's business. The Group is committed to improving the data collection in the years ahead. Due to the complexity of the AmRest business, the company also decided to base part of the data for Scope 3 as of 30 November 2020 (purchased goods, capital goods, transport, delivery).

Table. Factors taken into account in the calculation of AmRest carbon footprint for 2020

Scope		Topic
Scope 1		company facilities fuel consumption purchased gas
Scope 2		purchased electricity purchased heating
Scope 3	Upstream	purchased goods capital goods transport waste business travels
	Downstream	franchisees delivery (outsourced)

Table. Scope 1, Scope 2 and Scope 3 for AmRest Holdings [tCO2e]

Carbon footprint	[tCO2e]
Scope 1	**531 551**
Scope 2	**129 119**
Scope 3	**868 450**

In 2020 AmRest for the first time issued the Climate Change survey by Carbon Disclosure Project (CDP), an independent body specialized in disclosure process on carbon and climate risk management. The questionnaire involved disclosing data on risks and opportunities, targets and performance, emissions data and methodology.

Circular economy

To contribute to the Circular Economy, AmRest strives to make every effort to minimize waste produced in every aspect of its operations. Specifically, AmRest has been aiming to reduce food waste by implementing food waste prevention programs globally. AmRest is also developing solutions to minimize its use of plastic and is seeking to maximize the reuse of materials.

In 2020 a global survey was conducted at AmRest to research the waste management approaches across markets.

The variety of waste management solutions implemented and different legal requirements across individual countries and stores are the main 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. At AmRest, the main hazardous waste is used oil, that the company reuses by forwarding it to biofuel producers. Other hazardous waste is subject to local laws.

Table. Total amount of waste generated by type [tonnes]

Country	Type of waste					
	Mixed waste	Paper and cardboard	Plastic	Glass	Organic	Used oil
Austria	8.16	15.36 100% recycled	1.14 99% recycled	-	19.52	4.50 100% reused
Belgium	31.08	45.88 0% recycled	-	-	71.04	-
Bulgaria	274.01	-	-	-	19.56	17.89 100% reused
China	219.00	-	-	-	120.45	145.04 100% reused
Croatia	200.00	-	-	-	126.00	17.00 100% reused
Czech Republic	1 135.16	367.00 95% recycled	71.98 88% recycled	2.12 100% recycled	506.66	232.70 100% reused
France	2 518.87	1 467.86 30% recycled	-	-	1 000.63	362.64 100% reused
Germany	1 747.54	823.47 100% recycled	248.59 0% recycled	-	103.64	90.00 100% reused
Hungary	5 996.08	389.10 100% recycled	0.68 100% recycled	-	13.52	111.86 100% reused
Italy	4.82	7.00 0% recycled	-	-	11.02	-
Luxembourg	22.89	33.77 0% recycled	-	-	52.33	-
Poland	7 428.33	594.22 100% recycled	77.04 100% recycled	0.95 100% recycled	446.88	456.41 100% reused

Country	Type of waste					
Portugal	-	10.34 0% recycled	1.94 0% recycled	60.95 89% recycled	-	-
Romania	102.48	11.61 100% recycled	1.45 100% recycled	0.14 100% recycled	1.52	4.27 100% reused
Russia	1 077.58	143.43 100% recycled	-	-	1 154.25	811.93 100% reused
Serbia	240.00	47.03 100% recycled	3.84 100% recycled	-	-	25.60 100% reused
Slovakia	-	-	-	-	-	6.07 100% reused
Slovenia	26.50	4.60 100% recycled	2.80 100% recycled	-	3.80	3.00 100% reused
Spain	218.70	1 185.36 2% recycled	156.12 3% recycled	1 462.78 89% recycled	638.76	232.00 100% reused
Switzerland	66.12	97.61 100% recycled	-	-	151.15	-
United Kingdom	40.50	59.79 100% recycled	-	-	92.59	-
TOTAL	**21 357.82**	**5 303.43** 57% recycled	**565.58** 27% recycled	**1 526.94** 89% recycled	**4 533.32**	**2 520.91** 100% reused

The company strives to make every effort to ensure that less waste is produced in every aspect of its operations, putting emphasis on reducing organic waste. As part of these efforts, AmRest continues to implement effective programs and initiatives aimed at reducing food waste. AmRest plans to set waste reduction targets for specific streams and take other measures on waste prevention. The company is also developing solutions to minimize its use of plastic and is seeking to maximize the reuse of materials.

Single-use plastic reduction

Following the Directive of the European Parliament on the reduction of the impact of certain plastic products on the environment, AmRest is working on the reduction of plastic products used in its restaurants and coffee houses. Under the new legislation, single-use plastic plates, cutlery, and straws will be banned in 2021 in all of AmRest’s European markets.

Over the course of 2020, AmRest brands launched many initiatives to eliminate single-use plastic.

KFC implemented multiple solutions across the markets. This included the brand’s switch to recyclable paper bags, which allowed it to eliminate thousands of kilograms of plastic annually. Moreover, KFC burgers and Twister wraps are now made exclusively from paper, with no additional polyethylene layer. The brand has also changed the material used for shake cups to recyclable plastic.

Starbucks not only committed to switching to paper straws, but also introduced the new straw-less lids to help reduce the number of straws used. Straw-less lids have become the new standard for nearly all Starbucks cold drinks across the EMEA region. Starbucks' new straw-less lids feature a slightly raised sipping hole that eliminates the need for a straw, resulting in an overall reduction of plastic waste. The lid is made of plastic which can be recycled. Starbucks is also committed to eliminating plastic cutlery in 2021. Additionally, Starbucks will continue to reduce its use of paper cups through its promotion of the Bring Your Own Tumbler program under which guests who visit the coffee houses with their own cups and do not use paper cups receive a discount for any beverage they choose.

In 2020 **Burger King** was working on new solutions aimed at reducing plastic usage, including new ice cream cups that will not require a plastic lid. The brand also conducted a communications campaign encouraging customers not to use straws and plastic lids with their beverages. Burger King has also committed to promoting packaging made of biodegradable materials.

Sushi Shop is committed to minimizing the single-plastic used in its restaurants. In 2020 the brand removed plastic cutlery and switched to biobased PLA materials. Moreover, Sushi Shop switched to paper cups, eliminating the plastic ones. Currently, the brand is working on replacing plastic cups for soy sauce with a molded fiber solution.

Pizza Hut implemented several solutions aimed at reducing or eliminating plastic used in the restaurants. For example, in 2020 the brand switched to wooden cutlery. Also, Pizza Hut will be replacing plastic bags with paper ones. The work is still in progress with regards to the plastic support in pizza boxes and AmRest will seek a solution in cooperation with YUM, the owner of the Pizza Hut brand.

Water

Water consumption at AmRest is mainly related to meal preparation and is an area that is constantly monitored. The company strives to make every effort to achieve more efficient 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.

In 2020 AmRest Holdings SE used **2 047 228 m³ of water**.

Table. Water withdrawal in 2020 by country [m³]

Country	2018	2019	2020
Austria	558	1 613	1 349
Belgium	-	1 358	5 450
Bulgaria	27 409	32 816	12 931
China	155 432	190 505	166 983
Croatia	10 957	11 509	10 052
Czech Republic	169 888	186 929	144 753
France	835 316	301 367	323 722
Germany	-	-	128 277
Hungary	106 854	120 758	109 068
Italy	-	8 834	2 124
Luxembourg	-	4 684	2 013
Poland	469 779	480 081	395 105
Portugal	-	2 147	9 548
Romania	44 292	48 752	39 305
Russia	420 000	481 000	421 000
Serbia	12 710	14 692	9 051
Slovakia	2 583	3 757	4 242
Slovenia	1 779	2 897	2 624
Spain	308 133	340 355	235 170
Switzerland	-	4 548	15 222
United Kingdom	-	1 968	9 239
TOTAL	**2 565 690**	**2 240 570***	**2 047 228**

*- *restated (2 241 181 reported in 2019).*

Responsible sourcing

AmRest co-operates with suppliers who meet strict product quality criteria and requirements concerning sustainable production, animal husbandry, and crop cultivation. Wherever possible, AmRest sources the produce from local farmers. The company uses its scale to promote good practices among their business partners with suppliers as one of the key groups addressed in Environmental Policy of AmRest Holdings.

The company shares concerns regarding the ethical and humane treatment of animals. As a major food company, AmRest strives to use sustainable practices in all business areas, including **animal well-being**.

In 2020 AmRest established the Food Services Sustainability Project Group as a body responsible for managing sustainability topics in the supply chain area, focusing on the topic of poultry welfare as a crucial matter for AmRest's business due to the fact that KFC is the biggest brand in AmRest's portfolio. The Group is working on global policies that will govern animal welfare and nutrition matters at AmRest.

Table. Ethical sourcing practices at AmRest. All targets presented below apply to restaurants operated by AmRest.

Topic	Company's approach	Target
Fiber-based packaging	AmRest in Poland is sourcing 100% of fiber-based packaging from certified/or recycled sources.	2020*
Soy	Any soy used in Pizza Hut AmRest products must be sourced only from RTRS approved suppliers or an equivalent body in the market of operations.	2021
Palm oil	Using only RSPO certified palm oil as an ingredient for products in AmRest restaurants.	2021**
Animal welfare	AmRest follows the guidelines set by its franchisors regarding animal well-being in a global supply chain and conducts regular audits of its suppliers. The company is working on implementing an animal welfare policy for own brands exceeding those required in line with relevant legislation.	2022
Cage free eggs	AmRest is working on a roadmap for a transition of all eggs and egg products used in its restaurant and coffee houses to **cage free.**	2025***

**- Burger King brand set its target for 2025.*

***- Excluding AmRest brands in Russia and China.*

****- Excluding Burger King and AmRest brands in Russia and China. The proper actions are taken to set targets in line with franchisors' requirements.*

Table. Main raw material consumption in 2020.
Data collected from six biggest markets as part of the Scope 3 calculation.

Name of the raw material	Amount used [t]
Meat	40 013
Flour	10 564
Dairy	10 643
Cold drinks	16 517
Vegetables & fruits	6 051

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).

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

EMPLOYEE ISSUES

AmRest's success is based on people – both kind and professional, our people create a positive atmosphere in the company's restaurants every day. The Group has established a unique culture where all employees share the same values, despite being citizens of different countries.

AmRest's ambition is to create a workplace where people can spread their wings, make an impact and do what they love in a friendly and inspiring environment.

As of 31 December 2020 AmRest Holdings SE employed workers across 22 countries. AmRest operates in 25 markets, but reports employment in 22 countries, and in 21 countries it has its own restaurants (in which staff is employed by company) and the USA, where it does not have restaurants, but has an employee. Four of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

Due to the COVID-19 pandemic, over the course of 2020, the Group applied for support programs offered by country's governments, in the form of reimbursement of labor costs, and introducing internal actions, such as shortening of working hours or technical unemployment. More details on the topic can be found in *Public subsidies* chapter.

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

	2019	2020
Employee count	**51 804**	**44 780**
incl. women	27 495	24 867
incl. men	24 309	19 913
Number of dismissals		
Women	1 137	1 666
Men	1 917	2 217

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

Employee count	2019	2020
Employees of restaurants and coffee houses (OPS)	49 393	42 549
Restaurant support team (RST)	2 411	2 231
Number of dismissals		
OPS	3 012	3 801
RST	42	82

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

	2019	2020
Permanent contract	**34 868**	**32 597**
incl. women	18 986	18 403
incl. men	15 882	14 194
Temporary contract	**16 936**	**12 183**
incl. women	8 509	6 464
incl. men	8 427	5 719

Table. Average number of permanent contracts in 2020. Data collected on a quarterly basis.

Permanent contract	33 285.5
incl. women	18 649
incl. men	14 636.5

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

Full-time employees	20 410
incl. women	11 611
incl. men	8 799
Part-time employees	**24 370**
incl. women	13 256
incl. men	11 114

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

Permanent contract	32 597
<30	20 816
30-50	10 637
>50	1 144
Temporary contract	**24 123**
<30	11 037
30-50	903
>50	243

Table. Number of dismissals by age

Number of dismissals	2020
<30	2 867
30-50	928
>50	88

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

Permanent contract	32 597
OPS	30 476
RST	2 121
Temporary contract	**12 183**
OPS	12 073
RST	110

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

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.

The Group 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.

Talent Development

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.

Table. Selected employee development programs at AmRest

Name of the program	Description
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 positions, transferal to a different unit etc.
Review Board	Review Board is a key point of AmRest unique promotion process. 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 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.
AmCollege	A development program aimed at preparing for the Review Board on higher level in organization, attended by people who have successfully passed the Assessment Center.
AmSchool	AmSchool is a number of open trainings dedicated to managers of all levels. Internal trainings are generally available to all AmRest managers: KFC, Pizza Hut, Starbucks, Burger King, Blue Frog, Sushi Shop.
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.
Individual Development Plans	A tool that employees can use to organize their personal and professional development. It helps to plan development activities, monitor the progress and measure all successes achieved on your growth path.

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.

The total number of training hours of AmRest employees globally was **748 837 hours** – 742 591 for restaurant workers (OPS) and 6 246 for office workers (RST). In addition, nearly 2300 employees decided to set an Individual Development Plan, which helped them grow.

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

Digitalization of work life

The COVID-19 pandemic has changed the way people work and turned our homes into offices.

Work from home (Home Office) has become a daily routine for all AmRest office workers. The offices in many countries operated to a limited extent. AmRest recognized that this was a challenging time for its employees – at the same time, the company believed that working from home can be a productive and fulfilling experience.

The company ran an internal communications campaign, sharing tips for remote work, as well as developing a temporary home-office policy - reflecting legal recommendations in this area and providing tips and advice on how to make remote work a more positive experience.

Employee benefits

AmRest offers a wide range of employee benefits in many categories. The company does not have a global policy in this matter, but it is managed locally to respond to the specific needs of employees in each market.

Table. Selected employee benefits by category

Benefit category	Description
Health care	AmRest employees and their families can take advantage of medical care, covering visits to medical centers, an online patient portal, online consultations, e-referrals, e-prescriptions and online access to test results.
Insurance	Comprehensive insurance coverage during domestic and foreign business trips, additional life and accident insurance for employees and family members.
Vouchers	Each AmRest restaurant and office employee in Poland and Czech Republic receives the **BonAmpetit** discount card that allows them to buy products from AmRest brands in Poland and Czech Republic with a 25% discount. Additionally, a wide range of vouchers and discounts to many different shops are offered for AmRest employees across markets.
Entertainment	Employees can choose from a wide range of coupons, such as cinema or theater tickets, weekend or vacation holidays.

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

Collective bargaining agreements in Spain and Germany

Collective bargaining agreements or "CBAs" in Spain are detailed, binding agreements negotiated between unions (and/or other employee representatives) and employers' associations (and/or employers). In Spain, all companies that belong to a specific industry are automatically bound by the rules established in the nationwide CBA.

AmRest in Spain has signed 18 CBAs with different rules to be followed including salary and benefits, work hours, annual vacation planning, job categories, etc.

Actions aimed at facilitating conciliation and encouraging the co-responsible exercise of this by both parents in Spain:

- Sharing internal information channels to ensure that employees are informed of the legal possibilities of conciliation
- Monitoring of the equality plan established by 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.
- Discussions with unions to find new initiatives on a regular basis

The collective bargaining agreement/tariff agreement in Germany is negotiated between union NGG and the employers association BDS. All companies from the food service industry can be part of BDS. If they are part, their company is automatically bound by the rules, but individual contracts are possible as an example for AmRest RST employees.

Additionally AmRest in Germany has signed different agreements with the workers council for bonus, benefits, training, etc. Every agreement which contains better working conditions and payment conditions are allowed by the labor law.

Table. AmRest Holdings SE employees covered by collective bargaining agreements

Country	Number of employees
France	4 704
Germany	2 541
Italy	13
Portugal	55
Spain	3 300
Switzerland	179
TOTAL	**10 792**

Table. Total number of AmRest Holdings SE employees by country

Country	2019	2020
Austria	39	48
Belgium	290	143
Bulgaria	442	329
China	2 275	2 110
Croatia	214	154
Czech Republic	7 626	6 638
France	5 145	4 783
Germany	3 363	2 735
Hungary	1 997	2 003
Italy	19	13
Luxembourg	88	91
Poland	16 785	14 180
Portugal	84	55
Romania	749	720
Russia	7 436	6 357
Serbia	315	363
Slovakia	260	213
Slovenia	16	13

Country	2019	2020
Spain	4 430	3 576
Switzerland	152	179
United Kingdom	69	76
USA	1	1
TOTAL	51 804	**44 780**

Table. Average annual salary by gender, positioning within organization and segments in EUR, in 2020. The segments are defined in note number 5 of Annual Accounts. Total salary pay gap between men and women by position within the organization. The data represents 95% of employment.

Due to data protection and confidentiality, AmRest Holdings SE does not disclose information about remuneration in some segments when there are two or less persons employed on a given level.

2020		**thousand EUR**		**Gender pay gap**
Division	**Level**	**Women**	**Men**	**-/+**
China	L1	6.0	6.1	-2%
	L2	12.9	13.4	-4%
	L3	17.5	18.0	-3%
	L4	28.1	29.6	-5%
	L5	59.3	59.9	-1%
	L6	-	-	+4%
Western Europe	L1	15.8	17.3	-9%
	L2	23.1	22.6	+2%
	L3	22.5	24.6	-9%
	L4	37.0	38.6	-4%
	L5	59.3	59.7	-1%
	L6	103.7	102.6	+1%
Russia	L1	2.4	2.6	-5%
	L2	4.7	4.9	-5%
	L3	6.5	7.1	-9%
	L4	9.9	11.1	-10%
	L5	25.2	25.0	+1%
	L6	64.7	38.4	+68%
Central Europe	L1	6.2	6.0	+3%
	L2	10.0	10.1	-1%
	L3	12.9	13.5	-5%
	L4	17.4	19.1	-9%
	L5	35.3	37.4	-6%
	L6	66.8	74.3	-10%
Group pay gap				**-2%** In total women earn 2% less than men.

Group pay gap was calculated using sigma equation:

$$\sum_{X=1}^{n^{\underline{o}}\ of\ work\ classification} \frac{Gender\ wage\ gap_x \cdot N^{\underline{o}}\ of\ employees_x}{N^{\underline{o}}\ total\ of\ employees}$$

In 2020 the company collected the data of average annual salaries per gender from all countries, therefore the data are not comparable to NFIS for 2019, in which Sushi Shop markets were not considered. Starting from 2020 AmRest will calculate the gender pay gap each year based on the same data scope.

Table. Total average annual salary by age in EUR in 2020.

	thousand EUR
<30	**12.1**
30-50	**19.9**
>50	**23.3**

The Board of Directors compositions as well as the breakdown of the remunerations are set forth in the table below.

Table. Total annual remuneration of Board of Directors, including variable remuneration, allowances, compensation in 2020.

Name	Period	Type	thousand EUR FY 2020
José Parés Gutiérrez	From 01/01/2020 to 30/11/2020	Proprietary Director, Chairman of the Board	37.5
	From 01/12/2020 to 31/12/2020	Executive Director, Chairman of the Board	
Luis Miguel Álvarez Pérez	From 01/01/2020 to 31/12/2020	Proprietary Director, Vice-Chairman of the Board	37.5
Carlos Fernández González	From 01/01/2020 to 31/12/2020	Proprietary Director	37.5
Pablo Castilla Reparaz	From 01/01/2020 to 31/12/2020	Independent Director	50
Romana Sadurska	From 01/01/2020 to 31/12/2020	Independent Director	50
Emilio Fullaondo Botella	From 01/01/2020 to 31/12/2020	Independent Director	50
Mustafa Ogretici	From 01/01/2020 to 30/06/2020	Independent Director	50
Mónica Cueva Díaz	From 01/07/2020 to 31/12/2020	Independent Director	50
		Total	**362.5**

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.

Exceptionally given the circumstances created by the COVID-19 pandemic, the Board resolved on March 26 to reduce their remuneration by 50% and defer their payment until December 2020.

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

	thousand EUR
	FY 2020
Total Remuneration	**4 071**
Fixed	**2 975**
Variable	**607**
Share based remuneration schemes	**489**
Other	**-**
Allowances	**-**

Managers should be understood as group of person discharging managerial responsibilities (senior management staff who are not executive directors).

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.

Over the course of 2020 only one woman was a member of Executive Team at AmRest. Hence the remuneration by gender will not be provided due to the data confidentiality.

Table. Total annual remuneration of Managers, including variable remuneration, compensation by age except of share based remuneration

	thousand EUR
	2020
<30	**-**
30-50	**281**
>50	**380**

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
Disability	992	2%

Occupational health & safety

Occupational health and safety matters are generally governed by the relevant national laws and not at the organizational level. However, the topic is being monitored by the Health & Safety Committee within the Board of Directors of AmRest Holdings SE.

As part of the management of the topic, each country follows the Occupational Risk Prevention Plan, with an assessment and surveillance of the risk factors that may affect the labor health and labor safety of workers and ergonomic and psychological factors. In 2020 the company carried out an update of the Plan to comply with current legal requirements.

In 2020 AmRest implemented strict hygiene regime to ensure the highest level of employee health and safety during COVID-19 pandemic. Those applied both to AmRest restaurants but also to delivering orders to the customers (contact-less deliveries).

AmRest is also monitoring the preventive activity and determination of priorities in the adoption of preventive measures, and supervising their effectiveness.

The Group is committed to constantly raising awareness and educating employees in terms of employee health and safety as well as promoting practices helping to maintain the highest level of health and safety in the workplace. The company developed attractive training materials to promote occupational safety and an e-learning scheme to prevent workplace injuries. Additionally, each of AmRest's restaurants is equipped with first aid and emergency plans.

Table. Information about occupational health and safety in AmRest Holdings in 2020.

Work-related injuries	men	**473**
	women	**344**
Injury rate for employees	men	**23.75**
	women	**13.83**
Work-related fatalities	men	**0**
	women	**0**
Absenteeism among employees*	men	**214 950**
	women	**476 572**
Type of injuries	broken hands and legs; bone fractures; dislocations or sprains or tears; hot water, steam or chemical burns; internal injures	

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

Whistleblowing channel

At AmRest, open communication is a vital element that delivers valuable insight and helps the company to enhance and protect its employees and business. The **Speak Openly** program delivers on that mission by allowing employees, former employees and other stakeholders 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. The number of potential violations of the Code of Ethics filed by the Speak Openly in 2020 was 72.

AmRest values feedback and is committed to ensuring job satisfaction throughout all diverse brands. The company takes any work-related concerns, complaints or any other matters seriously and resolves them as promptly as possible.

In 2020 the company updated the **Whistleblowing Policy**. The aim of this document is to give guidelines on the whistleblower program, which is designed to remove any barriers that may exist as it relates to sharing and receiving any type of feedback that employees and other stakeholders feel is important.

Human rights

AmRest believes that a responsible business is one that respects human rights. Observing human rights is a foundation of a company's long-term development. Being aware that complying with human rights is the legal duty, the company stresses that conforming to human rights is a standard that follows from AmRest's corporate culture. Respect for human rights governs the internal relations (employees) and external dealings (e.g. customers, suppliers, local communities). The company does not operate or participate in projects that would infringe on human rights or encourage anybody to do so.

Continuously, in 2020 human rights, corruption and bribery matters have been governed by dedicated policies, explained in a table below. In 2020 there were **no confirmed discrimination instances neither violation of human rights** at AmRest Holdings SE.

Table. Summary of main AmRest policies in terms of employee-related issues

Name of the policy	Main objectives
Code of Conduct	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 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.
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. During the reporting period there were two incidents of employee misconduct with financial implications reported. One is still under investigation.
Diversity Policy	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.
The Whistleblowing Policy	Indicating ways of reporting wrongdoing in the organization, including cases of potential human rights abuses.
Social Media Policy	The increasing popularity of social media and new communications tools create challenges pertaining to the protection of AmRest's property rights, good name and reputation. The document presents rules and recommendations to follow when it comes to all currently available and future social media platforms and communications tools.
Gender Policy	The global framework that 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.

SOCIAL ISSUES

AmRest strengthens and promotes social engagement, creating both the space and opportunities for the employees to participate in initiatives that benefit local communities. As a responsible business, the Group helps to solve important social issues in the closest environment. AmRest's involvement takes different forms and concerns different types of social support, yet it always is in line with the company values.

In 2020 despite all the challenges the restaurant industry had faced, the company continued to support local communities (including medical services) and fight the food waste on a big scale.

The social engagement of AmRest Holdings SE in 2020 was 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**.
- 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 2020 AmRest Holdings SE donated 188 278EUR on social causes.

Table. Expenditure on social causes by country

Country	thousand EUR
China	18 705
Czech Republic	1 144
Germany*	85 814
Poland	12 775
Romania	18 441
Russia**	51 399
TOTAL	**188 278**

*- *The main beneficiary was the WWF.*
**- *The main beneficiary was the Opening Horizons Foundation.*

Global support for medical staff

In 2020, AmRest engaged in helping local communities around the world during the COVID-19 pandemic by donating meals for medical staff working in hospitals and ambulance stations. As a result, over 60 000 meals and 60 000 cups of coffee were donated by AmRest brands.

The biggest support was performed by KFC, Pizza Hut, Burger King and Starbucks in Poland. The brands in March joined forces with #**WzywamyPosiłki** initiative (#**MealsOnCall**), which established the coordinator network for the whole country. This provided regular, direct help for medics' needs, with each coordinator contacting hospitals in their area and organizing meals. AmRest responded to those needs by sharing 40 000 meals in two months.

Additionally, the Pizza Hut brand supported social welfare homes in June, offering free meals for the staff and residents, delivering a total of 2000 meals (soups, pizzas, desserts) to those in need.

AmRest's participation in the #MealsOnCall initiative has been recognized by The PepsiCo Foundation, which granted the company $65 000 for the purpose of supporting medical staff.

Table. Selected medical staff support initiatives across markets

Country	Brand	Initiative
Czech Republic	KFC, Pizza Hut, Burger King, Starbucks	Support for the Integrated Rescue System (medical services, firefighters, police)
Spain	La Tagliatella, KFC, Bacoa, Blue Frog	Delivering free meals to hospitals and police stations in Spain
France	Sushi Shop, Pizza Hut, KFC	Joint support of AmRest and its franchisees for medics
Russia	KFC, Pizza Hut	Delivering meals to hospitals

In 2020 **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. Due to the COVID-19 pandemic the company organized culinary workshops online via Facebook.

In 2020, AmRest also ran an innovative program supporting NGOs in Poland – AmHero. 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

Food waste prevention

Food waste prevention is a main point of AmRest social engagement. By tackling food waste, the company is at the same time reducing its impact on the environment and, through the Harvest initiative, supporting local communities.

In 2020 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 2020 Harvest operated across KFC restaurants in Poland, Hungary, Serbia and Spain and in Pizza Hut restaurants in Poland. AmRest also donates the surpluses from its warehouses in Poland and Spain. Overall, Harvest donations in 2020 exceeded food worth over 925 000 EUR in total. At the beginning of 2020, Burger King in Poland joined the scheme.

Table. Harvest: key figures (2020)

	Total	KFC	Pizza Hut	BK	Warehouses
Amount of food donated (kg)	**160 355**	134 398	3 438,5	1 167	21 352
Value of food donated (thousand euro)	**925**	745	9	13	159
No. of participating stores	**362**	319	13	30	-
No. of participating markets	**-**	4	1	1	2

Table. Harvest by country and brand

HARVEST at AmRest	No. of participating KFC restaurants	No. of participating Pizza Hut restaurants	No. of participating Burger King restaurants
Poland	243	13	30
Spain	27	-	-
Hungary	38	-	-
Serbia	11	-	-
TOTAL	**319**	**13**	**30**

Too Good To Go is a 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, a restaurant can sell it via the app. In 2020 the scheme covered 75 Sushi Shop stores, 149 Pizza Hut restaurants in Poland and 191 Starbucks coffee houses. In total over 232 000 of surprise boxes were saved.

In September 2020 AmRest joined forces with Too Good To Go to run a national educational campaign in Poland ('**1/3 of food is being wasted. Save it!**') that was aimed at raising awareness of the food waste issue.

Table. Too Good To Go in Europe: key figures

	Total	Sushi Shop	Pizza Hut	Starbucks
No. of meals saved	**232 502**	93 366	34 914	104 222
No. of equity stores	**415**	75	149	191
No. of markets	**-**	6	1	2
Tonnes of less CO_2	**580**	233	87	260

Other food waste prevention programs across markets

Sobras! allows users to purchase the surplus food at a discounted price, in their usual quality, from restaurants in the neighborhood. The app was available in Starbucks coffee houses in Hungary from December 2020.

Nesnězeno attempts to eliminate wasting food by presenting stores and restaurants to sell leftover meals before expiration or the end of business hours via a mobile app. The solution will be implemented in Starbucks coffee houses in Czech Republic in Q2.

Membership in organization

AmRest uses its scale to share the best practices among industry leaders in many countries. That is why the company actively participates in many local industry organizations, verifying and consulting the local legislation, encouraging the development of innovations and sharing its experience with other industry representatives. Total amount of money paid as membership fees is EUR 215 574.

Table. Membership of industry organization

Country	Name of the organization
China	Shanghai GiftCard Association
	Shanghai JinQiao Economic and Technological Development Zone Enterprise Association
	Shanghai Pudong Foreign Investment Enterprise Association
	Shanghai Catering and Cooking Industry Association
Croatia	Croatian Chamber of Economics
Czech Republic	International Facility Management Association
France	SNARR (National Professional Restaurant Union)
Germany	Bundesverband Systemgastronomie (The Federal Association of the System Catering)
	Industrie- und Handelskammer (Chamber of Commerce and Industry)
Hungary	Chamber of Commerce
Russia	Saint-Petersburg Chamber of Commerce and Industry
Poland	Związek Pracodawców Hoteli, Restauracji i Cateringu (Association of HORECA Employers)
	Young Presidents Organization
	Association of Chartered Certified Accountants
Poland	Polska Rada Centrów Handlowych (Polish Council of Shopping Centers)
	The Chartered Institute of Management Accountants
	American Chamber of Commerce
Romania	HoRa Organizația Patronală a Hotelurilor și Restaurantelor din România (Association of Hotel and Restaurant Employers)
	Asociatia "Centrul Vechi" (The Old Town Association)
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)

KEY NON-FINANCIAL FACTORS

List of noteworthy events of 2020:

1. Appointment of the Executive Chairman of the AmRest Group:
   - On 1 December 2020 AmRest has resolved to appoint Mr. José Parés Gutiérrez, current Chairman of the Board of Directors and of its Executive Committee, as new Executive Chairman of the AmRest Group. The Executive Chairman will be delegated all the powers that correspond to the Board of Directors except those that are non-delegable by virtue of the current legislation, the Bylaws and the Regulations of the Board of Directors of AmRest.
2. Changes within the Board of Directors and Executive Team of AmRest Holdings SE:
   - On 1 July 2020 AmRest announced the resignation presented by the director Mr. Mustafa Ogretici and the appointment of Ms. Mónica Cueva Díaz, as an independent director, approved on the same day by the Board of Directors. As a result, **the Board of Directors of AmRest Holdings SE currently consists of two women and five men.**
   - In September it was announced that Malena Pato Castel, Chief Operations Officer Equity Brand and a Member of the Executive Team, has decided to leave AmRest. As of 31 December 2020 the Executive Team consists of eight men.
3. Signing the first Pizza Hut franchise agreement in Poland, following the master-franchisee agreement with Yum! Brands. As a result, on 22 October 2020 the sub-franchisee opened Pizza Hut restaurant in the newly built shopping mall Galeria Wiślanka in the Southern Poland city of Żory.
4. Strengthening its presence in the **online and delivery segment** by adding a couple of new virtual brands to the Company's portfolio. In addition, the Company launched an innovative concept called Food About which enables consumers to order products from various virtual brands in one delivery.
5. Establishing the **Sustainability Committee**, which consists of the Chief Executive Officer, Chief Development Officer, Chief Operations Officer, Chief People Officer, Food Services President and Brand Reputation Director. Main objectives of Sustainability Committee:
   - To oversee and provide guidance on the management of the social, ethical and environmental impact of the business;
   - To review and approve strategies and policies on social, ethical and environmental issues;
   - To identify opportunities to promote the corporate image and potential threats to corporate reputation in the above mentioned areas;
   - To identify opportunities in which Corporate Responsibility and Sustainability can help improve the effectiveness, profitability and prospects of the business;
   - To review, approve and monitor progress of CSR/Sustainability projects and related budgets;
   - To agree on and monitor Corporate Responsibility/Sustainability KPIs.

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 zero tax as a result of settling losses from previous years.

Table. Profits earned by country

Country	Profit/(loss) before tax	thousand EUR
Austria		(18 255,5)
Belgium		(689 357.9)
Bulgaria		404 221.7
Croatia		(287 255.5)
Czech Republic		4 924 469.8
China		4 452 298.4
France		(43 577 185.6)
Germany		(44 529 494.6)
Hungary		302 424.3
Italy		(7 099.9)
Luxembourg		(417 036.1)
Malta		(29 934.2)
Netherlands		(451 897.1)
Poland		(68 469 364.4)
Portugal		(1 004 922.5)
Romania		(2 633 978.5)
Russia		(1 835 838.9)
Saudi Arabia		120 020.6
Serbia		(748 564.5)
Slovakia		(1 210 178.4)
Slovenia		(425 563.2)
Spain		(26 854 821.5)
Switzerland		300 847.2
UK		939 264.0
United Arab Emirates		554 515.2
USA		(713 853.4)

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)

Country	Income taxes paid (unearned)	thousand EUR
Czech Republic		4 342 293.1
China		1 232 075.4
France		947 346.3

Country	Income taxes paid (unearned)	thousand EUR
Germany*		523 789.3
Hungary		2 167 800.3
Poland		5 072 338.4
Russia		1 456 076.4
Slovakia		22 146.1
Spain		371 235.6

*- *Tax paid for 2015 (pre-acquisition tax liabilities)*

The above data differ to income tax line in the consolidated income statement. Income tax line in consolidated financial statements includes both the 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.

Public subsidies received

For the main markets of operation the Group has filled the following programs in the area of labor costs:

- Spain

  In accordance with the provisions of article 47 of the Workers Statute, in relation to Royal Decree 1483/2012 and article 22 and 23 of Royal Decree-Law 8/2020, as well as Royal Decree-Law 30/2020, AmRest companies in Spain have filed before the Spanish labor authority a Temporary Employment Regulation File (Expediente de Regulación Temporal de Empleo or "ERTE"). The ERTE covered 3 288 employees. Under the ERTE, the employees remain employed with AmRest with suspended salary and at the same time receive unemployment benefits from authorities of up to 70% of their normal salary. One Spanish entity, The Grill Concept, S.L.U. declined to extend the Temporary Employment Regulation (ERTE) in September. As of 31 December 2020 the ERTE covers 591 employees.

- Poland

  Under the Act on special solutions related to the prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them of 2 March 2020 (Journal of Laws of 2020, item 374), the following measures were taken, effective in the period 7 April – 6 July 2020, with respect to 4 050 employees of AmRest Polish companies:

  - introduction of reduced working hours and salary by 20% (2 897 employees),
  - introduction of economic downtime (3 936 employees),
  - application for compensation for the protection of workplaces from the funds of the Fund of Guaranteed Employee Benefits to co-finance the remuneration of employees affected by economic downtime or reduced working hours as a result of COVID-19.

  In the period 1 August – 31 October 2020 following measures were taken: application for compensation for the protection of workplaces from the funds of the Fund of Guaranteed Employee Benefits to co-finance the remuneration of employees affected by economic downtime (August 3 736 crew employees, September 3 628 crew employees, October 3 747 crew employees).

  From 1 December 2020 following measures were taken: application for compensation for the protection of workplaces from specific industries - Fund of Guaranteed Employee Benefits, article 15gga (December 309 crew employees, 247 managers in stores, 33 RST employees). Applications are continued in January and February 2021.

- France

  Introduced "partial activity" technical unemployment government program for 4 188 employees (Sushi Shop, KFC, Pizza Hut). Employees were partially or 100% unemployed by the Companies. With the suspension of the employment contract the gross salary was maintained at 70% and 100% for minimum salary. The employee social security contributions were also reduced, allowing the employees to receive 84% of net salary (or 100% for those who perceive the minimum salary). The government reimburses 100% of the salary paid to employees in partial activity. The program started from 15 March and is maintained until the end of the year in the same condition. Restaurants continue to use it on rotating employee basis, especially during the second confinement (15 October to 15 December 2020). Refunds requests are in progress. Companies have one year to request the reimbursement.

- Germany

  Reduced working hours (Kurzarbeitergeld) salary government reimbursement program has been introduced effective on 1 March 2020 for approx. 3 000 employees. The government reimburses 60% of the employee's net salary and social contributions. In the period July - September 2020 the companies stopped meeting the conditions but after the second wave of restrictions started in Q4 2020 the companies applied for the next governmental help beginning of November 2020. The government reimburses now 60-87% of the net salary and social contribution depending on the individual situations. The reimbursement is based on not worked hours as compared to the contract hours. The company pays the difference up to 90% of the average salary before March 2020.

- Czech Republic

  The companies have applied for the government aid under special COVID-19 regulations. There were two separate programs:

  - employees on downtime between 13 March and 31 May 2020: 80% of salary and social contribution reimbursed by the government (1 600 employees covered),
  - employees with 40% reduction of working hours between 13 March and 31 May 2020: 60% of salary and social contribution reimbursed by the government (80 employees covered).

  Both programs were extended until the end of February 2021. Governmental help for the period June – September was not material as not many employees were on downtime. During the second wave of restrictions (October – December) the companies applied for governmental help in the amount of EUR 1.55 million.

Similar actions are also taken on other markets. The Group has applied for support programs offered by each country's government, in the form of reimbursement of labor costs, and introducing internal actions, such as shortening of working hours or technical unemployment.

Group's policy is to present government grants related to income as other operating income.

For 12 months period ended 31 December 2020 Group has recognized government grants for payroll costs (EUR 21.6 million) and social contribution (EUR 7.9 million). The total amount of EUR 29.5 million has been recognized as other operating income. The above government grants are in a form of waived social security payables (EUR 3.7 million) and cash grants (EUR 25.8 million, out of which EUR 5.1 million as of 31 December 2020 was not received yet).

In August 2020 entities operating in Czechia applied for a government program called COVID Najem, providing the government grants for rent costs (grant limit CZ 20 million per entity). For 12 months period ended 31 December 2020 Group has recognized government grants for rent costs in the amount of EUR 1.7 million as other operating income.

Granting of the grant by governments is in some cases associated with requirements to keep the agreed level of workforce for agreed period. As of 31 December 2020 the Group does not expect that such conditions would not be met, therefore there are no material unfulfilled conditions or other contingencies attached to government assistance that has been recognized.

GRI Standards content index

Non-financial Information Report. Contents index of the Law 11/2018			
General information		**GRI selected**	**Pages**
Business model	Brief description of the group's business model	GRI 102-2 GRI 102-7	36
	Geographical presence	GRI 102-3 GRI 102-4 GRI 102-6	37
	Objectives and strategies of the organization	GRI 102-14	39
	Main factors and trends that may affect future evolution	GRI 102-14 GRI 102-15	39, 41, 45-46
General	Reporting framework	GRI 102-54	36
	Materiality principle	GRI 102-46 GRI 102-47	42-43
Management approach	Description of the applicable policies	GRI 103-2	46, 48-51, 54, 72
	The results of these policies	GRI 103-2	46, 49-51, 65-67, 71-72
	The main risks related to these issues involving the activities of the group	GRI 102-15	45-46
Environmental questions			
Environmental management	Current and predictable impacts of the company's activities on the environment and, if applicable, on health and safety.	GRI 102-15	54-62
	Environmental assessment or certification procedures	GRI 103-2	44, 52
	Resources dedicated to the prevention of environmental risks	GRI 103-2	44, 55, 57
	Application of the precautionary principle	GRI 102-11	54
	Amount of provisions and guarantees for environmental risks	GRI 103-2	62
Contamination	Measures to prevent, reduce or offset air pollution emissions (including noise and light pollution)	GRI 102-46	58
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	59-60
	Actions to combat food waste	GRI 103-2 GRI 306-2	74-75
Sustainable use of resources	Water consumption and water supply according to local constraints	GRI 303-5 (2018 GRI version)	61
	Use of raw materials and measures taken to improve the efficiency of their utilization	GRI 301-1 GRI 301-2 GRI 301-3	62
	Energy use, direct and indirect	GRI 302-1	56-57
	Measures taken to improve energy efficiency	GRI 103-2 GRI 302-4	55-57
	Use of renewable energies	GRI 302-1	57
Climate change	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	58
	Measures taken to adapt to the consequences of climate change	GRI 103-2	58
	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	58

Non-financial Information Report. Contents index of the Law 11/2018			
Protection of biodiversity	Measures taken to protect or restore biodiversity	GRI 102-46	62
	Impacts caused by activities or operations in protected areas	GRI 102-46	n/a
Social and personnel questions			
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	GRI 102-8 GRI 405-1	63-64
	Total number and distribution of work contract modalities	GRI 102-8	63-64
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	GRI 102-9	64
	Number of dismissals by sex, age, and professional classification	GRI 103-2	63-64
	Salary gap	GRI 103-2 GRI 405-2	68
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	GRI 103-2 GRI 405-2	68
	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	69-70
	Implementation of employment termination policies	GRI 103-2	64
	Employees with disabilities	GRI 405-1	70
Work organization	Work schedule organization	GRI 103-2	64, 66
	Number of hours of absenteeism	GRI 403-9 (2018 GRI version)	71
	Measures aimed to facilitate the conciliation while encouraging the co-responsible performance by both parents	GRI 103-2 GRI 401-3	64, 66
Health and safety	Work health and safety conditions	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018 GRI version)	70-71
	Work accidents, in particular their frequency and severity, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	71
	Occupational diseases, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	71
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	GRI 103-2	66-67
	Percentage of employees covered by collective agreement by country	GRI 102-41	67
	The balance of collective agreements, particularly in the field of health and safety at work	GRI 403-3	67
Training	Policies implemented for training activities	GRI 103-2 GRI 404-2	65
	The total amount of training hours by professional category	GRI 404-1	65
Universal accessibility for people with disabilities	Universal accessibility for people with disabilities	GRI 103-2	70
Equality	Measures taken to promote equal treatment and opportunities between women and men	GRI 103-2	72
	Equality plans (Section III of Organic Law 3/2007, of March 22, for the effective equality of women and men)	GRI 103-2	72

Non-financial Information Report. Contents index of the Law 11/2018			
	Measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	GRI 103-2	72
	Policy against any type of discrimination and, where appropriate, diversity management	GRI 103-2	72
Information about the respect for human rights			
Human rights	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	71-72
	Claims regarding cases of human rights violations	GRI 103-2 GRI 406-1	72
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	GRI 103-2 GRI 407-1 GRI 408-1 GRI 409-1	72
Information about anti-bribery and anti-corruption measures			
Corruption and bribery	Measures adopted to prevent corruption and bribery	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	72
	Measures adopted to fight against anti-money laundering	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	7962
	Contributions to foundations and non-profit-making bodies	GRI 102-13 GRI 201-1	76
Information about the society			
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	GRI 103-2 GRI 203-2 GRI 204-1	72-75
	The impact of company activity on local populations and on the territory	GRI 413-1 GRI 413-2	72-75
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	GRI 102-43 GRI 413-1	72-75
	Actions of association or sponsorship	GRI 103-2 GRI 201-1	72-75
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	GRI 103-2	49
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	GRI 102-9 GRI 308-1	49
	Supervision systems and audits, and their results	GRI 102-9 GRI 308-2	49
Consumers	Customer health and safety measures	GRI 103-2	52-53
	Claims systems, complaints received and their resolution	GRI 103-2 GRI 418-1	53
Tax information	Benefits obtained by country	GRI 103-2 GRI 207-4	78
	Taxes on paid benefits	GRI 103-2 GRI 207-4	78-79
	Public subsidies received	GRI 201-4	79-80

AmRest Holdings SE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

for the year ended 31 December 2020

Data identify issuer:

Ending date of reference financial year	31/12/2020
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. OWNERSHIP STRUCTURE

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

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

Indicate whether there are different classes of shares with different associated rights:

Yes _ **No X**

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Artal International SCA	5.18	0.000	0.000	0.000	5.18
AVIVA Otwarty Fundusz Emerytalny AVIVA BZWBK SA	3.12	0.000	0.000	0.000	3.12
Nationale-Nederlanden Open Pension Fund	4.26	0.000	0.000	0.000	4.26

Breakdown of the indirect holding

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights

Indicate the most significant changes in the shareholder structure during the year:

Name of shareholder	Date of transaction	Description of transaction
Artal International SCA	30/03/2020	Transaction carried out in a regulated market, resulting in crossing a threshold of 5% of the Company's voting rights

Most significant movements

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name of director	% of voting rights attached to the shares		% 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	**67.05**

Remarks

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% 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 controls 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 two 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, indicate 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, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description

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

Name or company name of related party	Nature of relationship	Brief description

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

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors 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 was a proprietary director of controlling shareholder Grupo Finaccess until 30 November 2020, when he became an executive director.
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.

Remarks

A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes __ **No X**

Parties to the shareholders' agreement	% of share capital concerned	Brief description of the agreement	Expiry date of the agreement, if any

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

Yes __ **No _X_**

Parties to the concerted action	% of share capital concerned	Brief description of the concerted action	Expiry date of the concert, if any

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes _X_ No __

Name or company name
CARLOS FERNÁNDEZ GONZÁLEZ

Remarks
FCapital Dutch, B.V., FCapital Lux, S.à.r.l. – being direct shareholders of AmRest – hold jointly 67.58% of the voting rights in the company. Finaccess Capital, S.A. de C.V. controls first two direct shareholders (FCapital Dutch, B.V., FCapital Lux, S.à.r.l.), and is in turn owned by Grupo Finaccess, S.A.P.I. de C.V. 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 controls 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:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
623,461	-	0,2840%

(*) Through:

Name or company name of direct shareholder	Number of direct shares

Total:	

Explain any significant changes during the year:

Explain significant changes

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 floating capital:

	%
Estimated floating capital	20.11

Remarks
The company's working capital amounts to just above 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 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes _ **No X**

Description of restrictions

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes _ **No X**

If so, 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 Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes _ **No X**

If so, indicate each share class and the rights and obligations conferred.

Indicate the various share classes

B. GENERAL SHAREHOLDER'S MEETING

B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details:

Yes X No __

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	**% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act 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.

Description of differences

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes _ **No X**

Describe how it is different from the regime provided in the Spanish Corporate Enterprises Act.

	Qualified majority different from that established in Article 201.2 of the Spanish Corporate Enterprises Act for matters referred to by Article 194.1 of said Act	Other matters requiring a qualified majority
% established by the company for the adoption of resolutions		

Describe the differences

B.3 Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

Pursuant to Articles 19 and 20 of AmRest's Articles of Association and Articles 16 and 26 of the Board of Directors Regulation, where an ordinary or extraordinary general shareholders' meeting is arranged to discuss amendments to the Articles of Association, shareholders representing at least 60% of the share capital subscribed with voting rights must be in attendance at the first calling (primera convocatoria) for such meeting(s) to be considered valid. At second call (seguna convocatoria), at least 40% of the subscribed capital with voting rights is required.

With regard to the adoption of resolutions, the Articles of Association and Board Regulation refer to the terms set forth by law, i.e. resolutions adopted by way of absolute majority where the present or represented capital equals 50% (60% at the first calling). At second call, where shareholders representing less than 50% of the capital subscribed with voting rights are present, resolutions concerning amendments to the Articles of Association may only be validly adopted with a favourable vote of two-thirds of the present or represented capital at the general shareholders' meeting.

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
10/06/2020	0.00%	70.32%	0.00%	0.00%	70.32%

Of which floating capital:	0.00%	4.66%	0.00%	0.00%	4.66%
14/05/2019	0.00%	79.26%	0.00%	0.00%	79.26%
Of which floating capital:	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 floating capital:	0.00%	1.20%	0.00%	3.14%	4.34%

Remarks

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

Yes _ **No X**

Items on the agenda not approved	% votes against (*)

(*) If the non-approval of the point was 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 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes _ **No X**

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

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

Yes _ **No X**

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

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

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

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 BOARD OF DIRECTORS

C1.1 Maximum and minimum number of directors established in the articles of incorporation 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 Complete the following table on Board members:

Name or company name of director	Represen-tative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure	Date of birth
José Parés Gutiérrez		Executive	Executive 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	June 10, 2020	General shareholders' meeting resolution	July 28, 1951
Emilio Fullaondo Botella		Independent	Vocal	May 14, 2019	June 10, 2020	General shareholders' 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
Mónica Cueva Díaz		Independent	Member	July 1, 2020	July 1, 2020	Board of Directors' resolution	April 6, 1965
						Total number of Directors	**7**

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
Mustafa Ogretici	Independent	October 5, 2017	June 30, 2020	Audit Committee, Health and Safety Committee	Yes

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting
Resignation submitted presented by the director due to his desire to dedicate more time to other professional projects, whose management was incompatible with the proper exercise of his positions as director, member of the Audit Committee and chairman of the Health and Safety Committee.

C1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
José Parés Gutiérrez	Previously proprietary director. The Executive Chairman was delegated all of the powers that correspond to the Board of Directors except those that are non-delegable by virtue of the current legislation, the Bylaws and the Regulations of the Board of Directors of AmRest.	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).
	Total number of Executive Directors	**1**
	Percentage of Board	**14.29**

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
Luis Miguel Álvarez Pérez	**Grupo Finaccess S.A.P.I. de C.V.**	Board Member, Audit Committee Member and Investment Committee Member of Finaccess, S.A.P.I. Founder, Chairman of the Board and CEO of Compitalia, S.A. de C.V. 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.
Carlos Fernández González	**Grupo Finaccess S.A.P.I. de C.V.**	Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. He is also currently 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).
	Total number of proprietary directors	2
	Percentage of Board	28.57

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
Pablo Castilla Reparaz	Has held the roles of Director of Santander Direkt Bank (Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones, S.A., Member Secretary of Santander Investment, S.A., Secretary of the Grupo Santander Investment Committee, 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.
Mónica Cueva Díaz	She has been working with Banco Santander for more than 30 years, holding various roles in different jurisdictions, generally linked to the financial, accounting and control areas. Ms. Mónica Cueva has also led important integration processes such as the acquisition of ABN AMRO. Ms. Mónica Cueva has also been a college professor and lecturer, and a member of the European Banking Authority representing Banco Santander. Ms. Mónica Cueva has been a director in numerous companies of the Santander Group and currently holds the position of director of Banco Santander Rio (Argentina).
Romana Sadurska	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. Ms. Romana Sadurska was a member of the International Advisory Board of the Instituto de Empresa Business School and the Advisory Board of Uría Menéndez. Currently, she is Executive Vice President of the Professor Uría Foundation and serves as patron of the Aspen Institute Spain. She is also an honourably member of the Polish Academy of Gastronomy.
Emilio Fullaondo Botella	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).
Number of independent directors	**4**
Percentage of the Board	**57.14**

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its 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.
If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

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

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
José Parés Gutiérrez	**30.11.2020**	**External Proprietary**	**Executive**

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

	Number of female directors				% of total directors for each category			
	Year n	Year n-1	Year n-2	Year n-3	Year n	Year n-1	Year n-2	Year n-3
Executive	0	0	0	N/A	0.00%	0.00%	0.00%	N/A

	Number of female directors				% of total directors for each category			
	Year n	Year n-1	Year n-2	Year n-3	Year n	Year n-1	Year n-2	Year n-3
Proprietary	0	0	0	N/A	0.00%	0.00%	0.00%	N/A
Independent	2	1	0	N/A	28.57%	14.29%	0.00%	N/A
Other external	0	0	0	N/A	0.00%	0.00%	0.00%	N/A
Total	2	1	0	N/A	28.57%	14.29%	0.00%	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 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

Yes X No _ Partial policies __

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.
If the company does not apply a diversity policy, explain the reasons why

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

Policy detailed in the following sections.

C1.6 Describe the measures, if any, agreed upon by the nomination 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, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures
Board members are selected and appointed based on the company's needs and in compliance with the requirements set out in the AmRest Director Selection Policy. The Board of Directors and Appointments Committee seek candidates who bring a wealth of diverse knowledge, abilities, experience and profile within the company. Searches are essentially based on the notion that the chosen candidates provide experience, know-how and professional merit, as well as demonstrating conduct and a background aligned to AmRest's values. Any male or female who meets these requirements can be included in the selection process. In the last two years, Ms Romana Sadurska and Ms Mónica Cueva Díaz have been appointed as directors. The Group strives to ensure that senior management has the necessary diversity of knowledge, skills, experience and gender, although there is no specific policy to this effect.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

C1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

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, the first female member of AmRest Board of Directors, Ms. Romana Sadurska, was appointed in May 2019, followed by the second female director of the Company, Ms Mónica Cueva Díaz, appointed in July 2020.

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

Name or company name of shareholder	Reason

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes _ **No X**

Name or company name of shareholder	Explanation

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	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, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	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 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes X No __

Explanation of the rules and identification of the document where this is regulated

Pursuant to Article 22 of the AmRest Board of Directors Regulation, directors shall not form part of more than four other listed companies' boards of directors. In this regard, all of the companies' boards of directors belonging to the same group will be considered to have one single mandate as well as those holding board memberships as proprietary directors proposed by a company of the same group even if the stock held in the company, or the level of control, may not qualify that company to be considered as part of the group.

Exceptionally, and provided there is just cause, the Company's 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 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	363
Amount of pension rights accumulated by directors currently in office (thousands of euros)	0
Amount of pension rights accumulated by former directors (thousands of euros)	0

Remarks

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

Name or company name	Position(s)
Mark Chandler	Chief Executive Officer
Eduardo Zamarripa	Chief Financial Officer
Olgierd Danielewicz	Chief Operations Officer
María Elena Pato-Castel Tadeo	Equity Brands President
Adam Mularuk	Equity Brands President
Oksana Staniszewska	Chief People Officer
Ismael Sanchez	Chief People Officer
Jerzy Tymofiejew	Chief Development Officer
Peter Kaineder	Chief Strategy Officer
Ramanurup Sen	Food Services President
Robert Żuk	Chief Information Officer

Number of women in senior management	0
Percentage of total senior management	0

Total remuneration of senior management (thousands of euros)	4,071

Remarks
Ms. Oksana Staniszewska left AmRest in February 2020, Ms. María Elena Pato-Castel Tadeo in September 2020 and Mr. Adam Mularuk in December 2020.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes __ **No X**

Description of amendment(s)

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List 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 to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)
The annual evaluation of the Board in 2019 has not resulted in major changes to its internal organization and on the procedures applicable to its activities in 2020.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
The Board evaluated its performance for the year 2020 at a meeting held in February 2021. 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 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

N/A

C.1.19 Indicate the cases in which directors are obliged 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 particular kind of decision?

Yes _ **No X_**

If so, describe the differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for

being appointed as chairman of the Board of Directors.

Yes _ **No X _**

Description of requirements

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

Yes _ **No X_**

	Age limit
Chairman	
Managing Director/CEO	
Director	

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes _ **No X_**

Additional requirements and/or maximum number of years of office

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these 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 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of Board meetings	**49**
Number of Board meetings held without the chairman's presence	**1**

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

Number of meetings	**46**

Remarks
The coordinating member of the Board of Directors has attended all meetings. Until November 30, 2020, there was no executive director on the Board.

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

Number of meetings held by the Executive Committee	**8**
Number of meetings held by the Audit Committee	**6**
Number of Meetings held by the Nomination and Remuneration Committee	**10**
Number of meetings held by the Nomination Committee	**N/A**
Number of meetings held by the Remuneration Committee	**N/A**
Number of meetings held by the Health and Safety Committee	**4**

Remarks

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data.

Number of meetings in which at least 80% of directors were present in person	48
Attendance in person as a % of total votes during the year	98%
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	49
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100%

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes _ **No X_**

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

Name	Position

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

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 or company name of the secretary	Representative
Eduardo Rodríguez-Rovira	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of 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 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes _ **No X**

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, explain their content:

Yes _ **No X_**

Explanation of disagreements

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes X__ No __

	Company	**Group Companies**	**Total**
Amount invoiced for non-audit services (thousand euros)	54.9	98.3	152.3
Amount invoiced for non-audit services/Amount for audit work (in %)	17%	13%	14%

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes _ **No X_**

Explanation of the reasons and direct link to the document made available to the shareholders at the time that the general meeting was called in relation to this matter

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	**Consolidated**
Number of consecutive years	3	3

	Individual	**Consolidated**
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	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 25% (individual) and 40% (consolidated).

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes X_ No __

Details of the 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 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes X_ No __

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

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes _ **No X**

Director's name	Nature of the	Remarks

situation

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee..

Yes _ No_

Decision/Action taken	Reasoned explanation

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

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

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of 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.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting	
Body authorising the clauses	X		
		YES	**NO**

Are these clauses notified to the General Shareholders' Meeting?	X

C.2 COMMITTEES OF THE BOARD OF DIRECTORS

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

EXECUTIVE COMMITTEE

Name	Position	Current category
José Parés Gutiérrez	Chairman	Executive
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

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

Remarks
As of November 30, 2020, Mr. José Parés became an executive director.

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

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

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

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

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

AUDIT COMMITTEE

Name	Position	Current category
Emilio Fullaondo Botella	Chairman	Independent
Pablo Castilla Reparaz	Member	Independent
Mónica Cueva Díaz	Member	Independent

% of proprietary directors	0.00%
% of independent directors	100%
% of external directors	0.00%

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in 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 2020 – 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 2019 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. The project is of great importance considering the growing concern on the part of the regulators regarding the internal control and risk management systems of listed companies, but its launch has been forced to be delayed until the second half of the year due to the time and efforts required from the Audit Committee to manage the effects of the COVID-19 pandemic. However, the current situation highlights important issues related to the Group's risks and the timing of the launch is therefore considered to be the most appropriate; (iv) in 2020, 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) has continued to work on improving consolidation and reporting systems for better control of information and more efficient preparation to enhance the performance of operations; (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 members 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 on which the Chairperson of this committee was appointed.

Name of directors with experience	Emilio Fullaondo Botella / Pablo Castilla Reparaz / Mónica Cueva Díaz
Date of appointment of the chairperson	14 May 2019

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Current category
Pablo Castilla Reparaz	Chairman	Independent
Luis Miguel Álvarez Pérez	Member	Propietary

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 functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in 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
Romana Sadurska	Chairman	Independent
Mónica Cueva Díaz	Member	Independent
Pablo Castilla Reparaz	Member	Independent

% of proprietary directors	0.00%
% of independent directors	100.00%
% of external directors	0.00%

Explain the functions assigned to this committee and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in 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, the execution of which has started to carry out during the 2020 fiscal year.

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 n Number %	Year n-1 Number %	Year n-2 Number %	Year n-3 Number %
Executive committee	0.00%	0.00%	0.00%	N/A
Audit committee	33.33%	0.00%	0.00%	N/A
Nomination and remuneration committee	25.00%	25.00%	0.00%	N/A
Nomination committee	N/A	N/A	N/A	N/A
Remuneration committee	N/A	N/A	N/A	N/A
Health and Safety committee	66.67%	0.00%	N/A	N/A

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

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

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the 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 that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

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

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

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousand of euros)

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 consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

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

Remarks

D.5 Report any material transactions carried out by the company or entities belonging to its

group with other related parties that have not been reported in the previous sections.

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

D.6 List 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) 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 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them

Yes _X_ No__

La Sociedad está controlada por el Grupo Finaccess.

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

Yes__ **No** _X_

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported
They have not been reported as there are no business relationships between the parent company or its group and the Company or any of its subsidiaries and no activities related to those of any of them.

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest
No specific mechanisms have been established other than those already existing in the applicable regulations in relation to resolving possible conflicts of interest between the parent of the listed company and the other group companies.

E. RISK MANGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax 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 status of action plans implementation declared by the Management.

Internal Audit Department was updating AmRest Risk Map on a regular basis till end of 2019. The objectives of the AmRest Risk Map project were 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 was communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks. The Risk Map report was communicated to the Audit and Control Committee for overseeing.
At the beginning of 2020, Global Security function, reporting to CEO, was created. One of function goals is to improve risk management at AmRest. The global AmRest risk management project proposal was presented and approved by the Audit and Control Committee and the Board of Directors. New AmRest risk management approach assumes:

- top down and bottom up perspective in risks inventory, reporting and management;
- design of corporate Enterprise Risk Management, which will capture inputs from country risk inventories;
- country deployment plan based on risk scoring process in order to prioritize the highest country risk exposure.

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 preparing and executing the Risk Management and Control System, including tax 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.

At the beginning of 2020, Global Security function, reporting to CEO, was created. One of function responsibilities is to manage risks at AmRest and improve compliance with internal and external regulations.

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 Indicate the main risks, including tax 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. Liquidity risk

The Group is exposed to the liquidity risk due to the breach of covenants and reclassification of long-term debt to short-term which can be therefore due in the next 12 months, however, prior to 2020 year end AmRest has obtained from its financing banks and majority of bondholders (Schuldschein) waivers to the compliance with certain covenants related to the Group's leverage and interest coverage ratios for the fourth quarter of 2020 and the first, second and third quarters of 2021.

The Group actively manages liquidity resources and does its best to improve the business. Strengthening of the Group's position in terms of liquidity and mitigation of adverse impacts of COVID-19 outbreak is taken on several areas. The Group maintains close communication with its financing banks. In March 2020 Group has drawn entire facility available under revolving Tranche D of syndicated bank loan, increasing amount drawn from EUR 37.3 million in the end of 2019 to 98.9 million in the end of 1Q 2020. Additionally in April 2020 Spanish and French subsidiaries of AmRest Holdings, SE applied for state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. The Group was granted total EUR 75 million. Additionally, the Group sees recovery in its core business as the number of open restaurants have increased and the revenues trends have been recovering.

AmRest has established internal task forces in every market to monitor the situation also around cost saving initiatives and also a big part of capital expenditures have been put under review. The Group was and is closely monitoring available program that are offered on various markets. The government support programs include for example direct subsidies to payroll costs, tax exemptions, social security contributions reductions. Additionally entities from the Group were able to apply for extended deadlines for payments of various taxes.

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.

2. Risk related to coronavirus and its implication for the economy and society.

The COVID-19 pandemic has rapidly spread around the world. Most governments are taking constrain measures to contain the spread, which include isolation, confinement, quarantine and restrictions to free movement of people and closure of public and private facilities. This situation is affecting significantly the global economy, including HORECA sector, as well as AmRest Group.

Visible results of the COVID-19 outbreak include the decrease in demand, the disruption or slowdown of supply chains and a significant increase in economic uncertainty, increase of volatility in the price of assets, exchange rates and a decrease in long term interest rates. Possible results of the COVID-19 outbreak may include changes in the market environment, peoples behaviors and ways of living.

The COVID-19 pandemic has a particularly negative impact on the restaurants sectors. The ban or significant limitations in operation of restaurants resulted in a decrease in business activity and customer demand and consequently decrease of revenues.

Group management is closely monitoring the development of situation and looks for the ways of mitigating the impact of COVID-19 spread on the Group. In addition, the Group implemented additional measures to mitigate the risk of infection among its employees, including in particular:

- Providing detailed instructions and guidelines on monitoring the health of the Group's employees and the health of Group's customers.
- Strengthening already stringent hygiene, cleaning and sanitation procedures and introducing contactless options that protect both employees and guests in restaurants.
- Providing the restaurant employees with additional personal protection and hygiene supplies.
- Requesting to reduce the number of meetings as well as domestic and foreign business travel, and to use teleconferencing and video-conferencing facilities to the largest extent possible, as well enabling remote work.

3. 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 business point of view. 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.

As a consequence of the pandemic and lack of business activity or relatively lower activity in certain locations, the Group performed review of its rental agreements and has entered into negotiations with landlords. One of the outcomes may be that some locations would need to be closed due to worsened economics and lack of mutual agreement between the parties. 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. Additionally, closing any of the franchised restaurants is subject to the 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 to AmRest restaurants in the remaining countries. This results from the specific nature of these markets.

4. Dependency on the franchisor

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

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

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

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

5. 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.

6. 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. 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.

7. 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, 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.

8. 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.

9. 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.

10. 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.

11. Risk related to developing new brands.

AmRest has operated Bacoa, Sushi Shop and all the virtual 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. 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.

14. Risk related to the current geopolitical situation

The Company conducts its business in countries where political situation is uncertain. Tensions around that subject may result in a negative impact on economy, including instable currency, interest rates, liquidity, supply chain disruptions and consumer confidence deterioration. All these events and uncertainty that accompanies them 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.

15. 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.

16. 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' minimization, 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.

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.

17. 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.

18. 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.

19. 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.

20. 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.

21. Cyberattack risk

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

22. 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.

23. 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.

E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

Internal Audit Department was updating AmRest Risk Map on a regular basis till end of 2019. The objectives of the AmRest Risk Map project were 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 was communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks. The Risk Map report was communicated to the Audit and Control Committee for overseeing.

The AmRest Risk structure included a 3-level risk classification system:

- The first level (main categories of risks) was divided into 4 areas:
  - Strategic,
  - Operational,
  - Financial,
  - Compliance.
- The second level contained specific risks.

The risks were evaluated by using the consistent parameters: vulnerability, impact and probability.
Risks could 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.

At the beginning of 2020, Global Security function, reporting to CEO, was created. One of function goals is to improve risk management at AmRest. The global AmRest risk management project proposal was presented and approved by the Audit and Control Committee and the Board of Directors. New AmRest risk management approach assumes:

- top down and bottom up perspective in risks inventory, reporting and management;
- design of corporate Enterprise Risk Management, which will capture inputs from country risk inventories;
- country deployment plan based on risk scoring process in order to prioritize the highest country risk exposure.

E.5 Indicate which risks, including tax risks, have materialised during the year.

Liquidity risk

The Group was exposed to the liquidity risk due to the breach of covenants and reclassification of long-term debt to short-term which could be therefore due in the next 12 months. The Group maintains close communication with its financing banks and bond holders. AmRest has obtained respectively from its financing banks and its bondholders waivers to the compliance with certain covenants related to the Group's leverage and interest coverage ratios for the fourth quarter of 2020 and the first, second and third quarters of 2021. During said periods, those covenants shall be replaced by a commitment to maintain a minimum level of liquidity.

Risk related to coronavirus and its implication for the economy and society.

The COVID-19 pandemic had a particularly negative impact on the restaurants sectors. The ban or significant limitations in operation of restaurants resulted in a decrease in business activity and customer demand and consequently decrease of revenues.

Some other 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 oversight plans for the company's main risks, including tax risks, 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 committees operating at AmRest in order to respond and supervise entity's main risks, including:

1. Committees composed of the members of the Board of Directors:
   - Audit & Control Committee;
   - Health and Safety Committee;
   - Appointments and Remuneration Committee;
   - Executive Committee;
2. Other committees:
   - Information Security Committee;
   - Ethics Committee;
   - Crisis Management Committee;
   - GDPR Committee;
   - Sustainability 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 RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1 THE ENTITY'S 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 system; (ii) its implementation; and (iii) its supervision.

The Board of Directors is ultimately responsible for the internal control and risk management systems. In this sense, in accordance with article 19.4.b) of the Regulations of the Board of Directors, this function is entrusted to the Audit and Control Committee. In particular, the audit committee shall:

- oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence;
- oversee the process for preparing and disclosing mandatory financial information regarding the Company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information.

Regulations on Audit and Control Committee adopted, develop and supplement the provisions of the Status and Regulations of the Board of Directors. With regard to the process of preparing economic and financial information, Audit and Control Committee shall:

- oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be
- review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable
- submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information
- advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet;

The Finance Department prepares the financial information and submits it for approval of the Audit Committee and the Board, and keeps the daily interaction and communication with the Group's external auditor.

Additionally, the Internal Auditing Department of the Group, with regard to its function of supporting the Auditing Committee when supervising the efficiency of the Internal Control System and company Risk Management, includes in its audit plan periodic revisions of the internal, financial and operational controls; the results of these revisions are summarized in the audit reports indicating the deficiencies detected and the action plans proposed by the Group Management to remedy them.

The Company has also adopted the Regulatory Compliance Policy implementing:

- Set of operating principles associated with the main compliance areas affecting organization;
- Set of mechanisms and procedures to prevent, identify and resolve situations in which unethical, unlawful practice or regulatory breaches occur in the course of our activities.

Lastly, the code of business conduct sets out the main ethical principles and regulations on behavior for all Group employees.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial

information:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination 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, 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, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.**

According to the Code of Conduct, the Ethics Committee addresses 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. The Committee members are appointed and dismissed by the Board of Directors at the request of the HR Department Director of the largest (in terms of employment) company incorporated in AmRest Holdings SE or of the Chairperson of the Committee.

- **Whistleblower channel allowing 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, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights**

of the whistleblower and the person reported.

Till the end of Q1 2020 there was whistleblowing system operating at AmRest which is being replaced by new one. Currently, the new whistleblowing system still does not function at AmRest in: Hungary, Germany, Russia, China and France. According to the plan, it should be fully implemented by the end of Q1 2021.

- **Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.**

With regard to employee training in financial and control issues, AmRest provides through its:

- AmRest College,
- AmRest University,
- Other internal and external trainings.

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 and others.

F.2 ASSESSMENT OF RISKS IN FINANCIAL REPORTING

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, 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.

- **Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.**

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 corporate structures or special purpose vehicles.**

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.

- **Whether 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 and a description of the ICFR, to be disclosed to the securities markets, 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 accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

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,
- leases.

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, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation 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 for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation 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

Report on 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 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning 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 THE FUNCTIONING OF THE SYSTEM

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its 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 for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been 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 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses

detected.

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 advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet.

F.6 OTHER RELEVANT INFORMATION

N/A

F.7 EXTERNAL AUDITOR´S REPORT

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding 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. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company´s conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should 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 its shares on the market.

Complies X | Explain |

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- **a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- **b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies | Complies partially | Explain | **Not Applicable X** |

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- **a) Changes that have occurred since the last General Shareholders' Meeting.**
- **b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.**

Complies | Complies partially | **Explain X** |

At the General Meeting held in June 2020, such a verbal presentation was not made, since all the attending shareholders other than the controlling shareholder, who has representation on the Board, attended through proxies to the members of the Board of Directors, thus no such explanation was necessary.

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company,

and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

The Group does not have a specific independent policy regarding the communication of economic-financial, non-financial and corporate information, although these aspects are dealt with in the policy on communication and contacts with shareholders and institutional investors.

Complies | **Complies partially X** | Explain |

The Group does not have a specific independent policy regarding the communication of economic-financial, non-financial and corporate information, although these aspects are dealt with in the policy on communication and contacts with shareholders and institutional investors.

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies X | Complies partially | Explain |

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.
b) Reports on the workings of the audit and nomination and remuneration committees.
c) Report by the audit committee on related party transactions.

Complies X | Complies partially | Explain |

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies | **Explain 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.

The Company has mechanisms that allow the delegation and exercise of votes by remote means. The Company is not a highly capitalized company and therefore does not consider attendance and active participation in the General Shareholders' Meeting to be necessary or expedient.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders’ Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies X | Complies partially | Explain |

9. That the company should permanently publish on its website 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 | Explain |

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders’ Meeting, the company:

- **a) Should immediately distribute such complementary points and new proposals for resolutions.**
- **b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.**
- **c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.**
- **d) That after the General Shareholders’ Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.**

Complies | Complies partially | Explain | **Not Applicable X** |

11. That if the company intends to pay premiums for attending the General Shareholders’ Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies | Complies partially | Explain | **Not Applicable X** |

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being 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, promoting its continuity and maximising 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 conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies X | Complies partially | Explain |

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies X | Explain |

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- **a) Is concrete and verifiable.**
- **b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**
- **c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies | **Complies partially X** | Explain |

The Company has a Director Selection Policy aimed at promoting an appropriate composition of the Board of Directors.

There is no specific policy for the appointment of senior executives other than the provisions included in the Board Regulations regarding the competencies of the Appointments and Remuneration Committee.

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies | **Complies partially X** | Explain |

Currently the number of female directors represents 28.57%.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- **a) In large-cap companies where very few shareholdings are legally considered significant.**
- **b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

Complies X| Explain |

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies X | Explain |

18. That companies should publish the following information on its directors on their website, and keep it up to date:

a) Professional profile and biography.
b) Any other Boards to which the directors belong, regardless of whether or not 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) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
e) Company shares and share options that they own.

Complies X| Complies partially | Explain |

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explain | **Not Applicable X**|

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. 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.

Complies X| Complies Partially | Explain | Not Applicable |

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination 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 inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by 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 takeover bid, merger or other similar corporate 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 application of the proportionate representation criterion provided in Recommendation 16.

Complies X| Explain |

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies X | Complies partially | Explain |

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 to the secretary of the Board of Directors, even if he or she is not a director.

Complies X| Complies Partially | Explain | Not Applicable |

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies X | Complies Partially | Explain | Not applicable |

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies X | Complies partially | Explain |

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies X | Complies partially | Explain |

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies X | Complies partially | Explain |

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 at the request of the director expressing them.

Complies X | Complies Partially | Explain | Not Applicable |

29. That the company should 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 | Explain |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies X | Explain | Not Applicable |

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in 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 be duly recorded in the minutes.

Complies X | Complies partially | Explain |

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X | Complies partially | Explain |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, 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 make this advisable.

Complies X| Complies partially | Explain |

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to 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 to coordinate a succession plan for the chairman.

Complies | **Complies Partially X**| Explain | 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 such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies X| Explain |

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 in the composition and skills of the Board of Directors.**
- **d) Performance of the chairman of the Board of Directors and of 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 nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies X| Complies partially | Explain |

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies X| Complies Partially | Explain | 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 | Explain | Not Applicable |

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies X| Complies partially | Explain |

40. That under the supervision of the audit committee, there should 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 | Explain |

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies X| Complies Partially | Explain | 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) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.**
- **b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.**

c) **Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.**
d) **Generally ensuring that internal control policies and systems are effectively applied in practice.**

2. **With regard to the external auditor:**

a) **In the event that the external auditor resigns, examining the circumstances leading to such resignation.**
b) **Ensuring 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) **Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**
d) **Ensuring 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 performed and the development of the company's accounting situation and risks.**
e) **Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.**

Complies X| Complies partially | Explain |

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies X| Complies partially | Explain |

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 draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X | Complies Partially | Explain | Not Applicable |

45. That the risk management and control policy identify or determine, as a minimum:

a) **The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.**
b) **A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.**
c) **The level of risk that the company considers to be acceptable.**
d) **Measures in place to mitigate the impact of the risks identified in the event that they should materialised.**

e) **Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

Complies | **Complies partially X**| Explain |

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 risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) **Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.**
b) **Actively participating in drawing up the risk strategy and in important decisions regarding risk management.**
c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies X | Complies partially X | Explain |

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies X| Complies partially | Explain |

48. That large-cap companies have separate nomination and remuneration committees.

Complies | Explain | **Not Applicable X**|

49. That the nomination 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 be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies | **Complies partially X**| Explain |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman and the Chief Executive on those matters.

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**
b) **Verifying compliance with the company's remuneration policy.**

c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**
d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**
e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies X| Complies partially | Explain |

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies | **Complies partially X**| Explain |

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.

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**
b) **That their chairpersons 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 require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee 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 their minutes be made available to all directors.**

Complies X | Complies Partially | Explain | Not Applicable |

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it

Complies X | Complies Partially | Explain |

54. The minimum functions referred to in the foregoing recommendation are the following:

a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.**
e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

Complies | **Complies partially X**| Explain |

Although not expressly contemplated in the Company's internal regulations, the Audit Committee, the Appointments and Remuneration Committee and the Health and Safety Committee perform the functions referred to in this recommendation.

55. That environmental and social sustainability policies identify and include at least the following:

a) **The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct**
b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**
c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
d) **Channels of communication, participation and dialogue with stakeholders.**
e) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies | **Complies partially X**| Explain |

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.

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 judgement of non-executive directors.

Complies X| Explain |

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or

instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies X| Complies partially | Explain |

58. That, as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on 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 incurred to achieve a given result.
b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies | Complies Partially | Explain | **Not Applicable X** |

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies | Complies Partially | Explain | **Not Applicable X** |

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies | Complies Partially | Explain | **Not Applicable X**|

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 executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies | Complies Partially | Explain | **Not Applicable X**

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies | Complies Partially | Explain | **Not Applicable X**

At present, no executive director owns shares, options or financial instruments corresponding to remuneration schemes.

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies | Complies Partially | Explain | **Not Applicable X**

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies X | Complies Partially | Explanation | Not Applicable |

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its 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 repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

A.2. In relation to Mr. Carlos Fernández González, additionally, and as "other close ties" of the Board Members, the following information is indicated:
D. Carlos Fernández González has a close relationship with Finaccess México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión. This company has a 0.53% interest in the capital stock of the company. The holder of the participation is Latin 10, SA de CV, a fund managed independently by Finaccess Mexico, SA de CV.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010

As AmRest is listed on the Warsaw Stock Exchange, the Company periodically reports on the degree of compliance with the corporate governance recommendations required by applicable law through the publication of the Declaration of Compliance with the Principles of Good Practice for Companies Listed on the Warsaw Stock Exchange.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 24 February, 2021.

State whether any directors voted against or abstained from voting on this report.

Yes **No X**

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons

SIGNATURES OF THE BOARD OF DIRECTORS

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mónica Cueva Díaz
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Madrid, 24 February 2021