

AmRest Holdings N.V.

**Condensed Consolidated Financial Statements
as at and for the quarter ended September 30th 2006**

Table of contents:

	Page
Consolidated income statement	3
Consolidated balance sheet	4
Consolidated statement of cash flows	5
Consolidated statement of changes in equity	6
Selected notes to the consolidated financial statements	7

Consolidated income statement
For the quarter ended 30 September

	9 months ended Sept-30 2006	3 months ended Sept-30 2006	9 months ended Sept-30 2005	3 months ended Sept-30 2005
<i>in thousands of Polish zloty</i>				
Restaurant sales	447 334	167 325	358 500	130 637
Restaurant expenses:				
Cost of food	(150 758)	(56 288)	(119 510)	(42 659)
Direct marketing expenses	(22 657)	(8 500)	(18 215)	(5 700)
Direct depreciation and amortization expenses	(27 851)	(9 403)	(22 228)	(8 132)
Payroll and employee benefits	(85 512)	(32 297)	(66 907)	(24 660)
Continuing franchise fees	(26 549)	(9 947)	(21 331)	(7 748)
Occupancy and other operating expenses	(75 399)	(26 525)	(61 520)	(22 118)
Total restaurant expenses	(388 726)	(142 960)	(309 711)	(111 017)
Gross profit on sales	58 608	24 365	48 789	19 620
General and administrative (G&A) expenses	(27 377)	(10 186)	(28 511)	(9 909)
Depreciation and amortization expense (G&A)	(1 970)	(966)	(1 001)	(343)
Other operating income/(expense), net	2 250	778	4 078	1 826
Gain/(loss) on the disposal of fixed assets	1 886	(236)	(2 404)	(1 687)
Impairment gain/(losses)	(2 403)	(999)	(1 443)	(532)
IPO expenses			(1 937)	-
Profit from operations	30 994	12 756	17 571	8 975
Financing income	5 743	(2)	1 864	249
Finance costs	(3 257)	(836)	(7 709)	(1 919)
Share of profit of associates	530	184	282	183
Net profit before tax	34 010	12 102	12 008	7 488
Income tax expense	(5 564)	(2 607)	3 135	(299)
Net profit	28 446	9 495	15 143	7 189
Attributable to:				
Minority interests	5	(37)	50	26
Shareholders of the parent	28 441	9 532	15 093	7 163
Net profit for the period	28 446	9 495	15 143	7 189
Basic and diluted earnings per share in Polish zloty	2,11	0,70	1,26	0,53

Consolidated balance sheet
As of 30 September 2006 and 31 December 2005

in thousands of Polish zloty

	2006	2005
Assets		
Property, plant and equipment, net	188 184	174 141
Intangible assets	14 071	16 280
Goodwill	23 707	4 765
Investments in associates	1 118	574
Other non-current assets	17 672	17 342
Deferred tax assets	9 506	11 540
Total non-current assets	254 258	224 642
Inventories	7 840	5 973
Trade and other receivables	9 378	15 072
Income tax receivable	1 275	3 673
Other current assets	5 537	4 788
Cash and cash equivalents	23 506	31 575
Assets held for sale	-	3 219
Total current assets	47 536	64 300
Total assets	301 794	288 942
Equity		
Issued capital	519	519
Share premium	218 834	218 640
Retained deficit	(95 514)	(117 641)
Current year net profit	28 441	22 127
Cumulative translation adjustment	(3 336)	(574)
Equity attributable to shareholders of the parent	148 944	123 071
Minority interests	25	20
Total equity	148 969	123 091
Liabilities		
Interest-bearing loans and borrowings	70 051	80 440
Finance lease liabilities	3 378	3 237
Employee benefits	949	791
Provisions	4 833	4 690
Deferred tax liabilities	886	1 263
Other non-current liabilities	2 293	2 168
Total non-current liabilities	82 390	92 589
Interest-bearing loans and borrowings	10 913	18 321
Finance lease liabilities	65	45
Trade and other accounts payable	59 457	54 896
Total current liabilities	70 435	73 262
Total liabilities	152 825	165 851
Total equity, minority interests and liabilities	301 794	288 942

Consolidated statement of cash flows
For the 9 months ended 30 September

in thousands of Polish zloty

	2006	2005
Cash flows from operating activities		
Profit before tax	34 010	12 008
Adjustments for:		
Share of profit of associates	(530)	(282)
Amortization	4 486	1 803
Depreciation	25 335	21 426
Interest expense, net	2 940	2 316
Unrealized foreign exchange (gain)/loss	(2 104)	(1 644)
(Gain)/loss on disposal of fixed assets	(1 886)	2 404
Impairment losses	2 403	1 443
Equity-settled share based payments expenses	194	66
Forgiveness of loans	(3 396)	-
Working capital changes:		
(Increase)/decrease in receivables	8 450	(6 227)
(Increase)/decrease in inventories	(478)	586
(Increase)/decrease in other assets	(999)	(14 068)
Increase/(decrease) in payables and other liabilities	1 997	(5 772)
Increase/(decrease) in other provisions and employee benefits	(2 087)	518
Income taxes paid	(3 837)	(527)
Interest paid	(2 305)	(5 159)
Other	3 496	(534)
Net cash provided by operating activities	65 689	8 357
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(20 235)	(17 752)
Proceeds from the sale of property, plant and equipment	793	2 178
Proceeds from the sale of intangible assets	-	132
Acquisition of property, plant and equipment	(34 095)	(23 817)
Acquisition of intangible assets	(967)	(4 070)
Acquisition of investment in related parties	(10)	-
Net cash used in investing activities	(54 514)	(43 329)
Cash flows from financing activities		
Proceeds from borrowings	7 948	175 062
Cash contribution from shareholders	-	77 866
Repayment of borrowings	(26 706)	(211 280)
Repayment of finance lease	(161)	(86)
Net cash provided by/(used in) financing activities	(18 919)	41 562
Net change in cash and cash equivalents	(7 744)	6 590
Cash and cash equivalents, beginning of period	31 575	11 486
Effect of foreign exchange rate movements	(325)	(78)
Cash and cash equivalents, end of period	23 506	17 998

**Consolidated statement of changes in equity
for the 9 months ended 30 September 2006**

in thousands of Polish zloty

As at 01.01.2005

(previously reported)

Correction of accounting
treatment for lease arrangement

As at 01.01.2005 (restated)

Employees share option scheme -
Share-based payments liabilities
assumed by shareholder
Employees share option scheme –
value of employee services
Currency translation differences
Profit for the period
Issue of shares

	Attributable to equity holders of the Company							Minority Interest	Total	
	Share Capital (Note 19)	Share premium	Share options (Note 21)	Other reserves (Note 19)	Total Reserves	Accumula- ted deficit	Currency translations			Total
As at 01.01.2005 (previously reported)	373	132 582	-	6 191	138 773	(117 198)	141	22 089	36	22 125
Correction of accounting treatment for lease arrangement	-	-	-	-	-	(440)	-	(440)	-	(440)
<u>As at 01.01.2005 (restated)</u>	373	132 582	-	6 191	138 773	(117 638)	141	21 649	36	21 685
Employees share option scheme - Share-based payments liabilities assumed by shareholder	-	-	528	-	528	-	-	528	-	528
Employees share option scheme – value of employee services	-	-	66	-	66	-	-	66	-	66
Currency translation differences	-	-	-	-	-	-	(86)	(86)	-	(86)
Profit for the period	-	-	-	-	-	15 093	-	15 093	49	15 142
Issue of shares	146	77 720	-	-	77 720	-	-	77 866	-	77 866
<u>As at 30.09.2005</u>	519	210 302	594	6 191	217 087	(102 545)	55	115 116	85	115 201
<u>As at 01.01.2006</u>	519	210 302	2 147	6 191	218 640	(95 514)	(574)	123 071	20	123 091
Employees share option scheme – value of employee services (Note 21)	-	-	194	-	194	-	-	194	-	194
Currency translation differences	-	-	-	-	-	-	(2 762)	(2 762)	-	(2 762)
Profit for the period	-	-	-	-	-	28 441	-	28 441	5	28 446
<u>As at 30.09.2006</u>	519	210 302	2 341	6 191	218 834	(66 248)	(3 336)	148 944	25	148 969

See accompanying notes to the consolidated financial statements.

Selected Notes to the Financial Statements

(a) Information on the Activities of the AmRest Group

Amrest Holdings N.V. (the “Company”) was established as a joint stock company in October 2000 in the Netherlands. The Company’s head office is located in Rokin 55, 1012KK Amsterdam, Postbus 990, 1000 AZ Amsterdam, the Netherlands. The Company’s corporate offices are located in Wroclaw, Poland.

The principal activity of the Group, conducted by its subsidiaries in Poland, the Czech Republic and Hungary, is to operate Kentucky Fried Chicken („KFC”) and Pizza Hut franchised restaurants, and solely in Poland „Ice*Land” ice cream outlets, „Rodeo Drive” and „Freshpoint” restaurants.

On 27 April 2005, the shares of AmRest Holdings N.V. commenced trading on the Warsaw Stock Exchange (“WSE”) in Poland.

Prior to 27 April 2005, the Company was jointly owned and controlled by International Restaurant Investments, LLC (“IRI”) of the United States and Kentucky Fried Chicken Poland Holdings BV (“KFC BV”) of the Netherlands. Before the initial public offering each shareholder possessed a 50% ownership.

IRI is a wholly-owned subsidiary of American Retail Concepts, Inc. of the United States (“ARC”), whereas KFC BV is a wholly-owned subsidiary of Yum! Brands, Inc. (“YUM!”) of the United States.

In conjunction with the listing of the Company’s shares on the WSE, YUM! sold all of its shares in the Company and is no longer a shareholder. Moreover, IRI also sold part of its shares as a result of the Company’s IPO on the stock exchange.

As at 30 September 2006 the Company’s largest shareholder with a 37,50% voting rights and ownership interest remains IRI.

Pizza Hut and KFC restaurants operate under franchise agreements with YUM! and YUM! Restaurants International Switzerland, Sarl („YRIS”), a subsidiary of YUM!. Each franchise agreement has a term of ten years, with an option of renewal by the Company for further ten years, subject to certain conditions being met as described in the agreements.

YUM! committed to notify the Company if it enters into another franchise, at least six months before the first KFC or Pizza Hut restaurant is opened in Poland, the Czech Republic or Hungary. During this period, the Company has the right to state its opinion on the issue. YUM! has indicated that at present it has no plans to conclude agreements with other prospective franchisees in Poland, Czech Republic and Hungary or to open new restaurants by itself.

The Consolidated Financial Statements as at and for the nine months ended 30 September 2006 comprise the data on the Company, its subsidiaries and on the Group’s equity interest in associates.

AmRest Holdings N.V.

As at September 30th 2006, the Group included the following subsidiaries:

Company	City and country of incorporation	Core business	Parent undertaking	Ownership interest and total vote	Date of effective control
American Restaurants Sp. z o.o.	Wrocław, Poland	Operation of Pizza Hut and KFC restaurants in Poland	AmRest Holdings N.V.	100.00 %	December 2000
American Restaurants s.r.o.	Prague, Czech Republic	Operation of Pizza Hut and KFC restaurants in the Czech Republic	AmRest Holdings N.V.	100.00 %	December 2000
International Fast Food Polska Sp. z o.o.	Wrocław, Poland	No operations conducted currently	American Restaurants Sp. z o.o.	100.00 %	January 2001
Pizza Hut s.r.o.	Prague, Czech Republic	No operations conducted currently	American Restaurants s.r.o. American Restaurants Sp. z o.o.	99.973% 0.027%	December 2000
American Restaurants, Kft *	Budapest, Hungary	Operation of Pizza Hut and KFC restaurants in Hungary	American Restaurants Sp. z o.o.	100.00%	June 30 2006
Fried Chicken s.r.o. (former miklik's food s.r.o.)	Prague, Czech Republic	No operations conducted currently	Pizza Hut s.r.o.	100.00%	May 2005
Grifex I Sp. z o.o.	Wrocław, Poland	Operation of a children's entertainment centre in Warsaw and a KFC restaurant	American Restaurants Sp. z o.o.	48.00 %	September 2003
Galeria Arka Sp. z o.o.	Warsaw, Poland	Lessee of space where a restaurant is to be opened	American Restaurants Sp. z o.o.	100.00 %	March 2005
Amrest Ukraina t.o.w.	Kiev, Ukraine	Established to develop and operate Pizza Hut restaurants in Ukraine	American Restaurants Sp. z o.o.	100.00 %	December 2005

* On 19 September 2006 Kentucky System, Kft. changed its name to American Restaurants Kft.

AmRest Holdings N.V.

As at September 30th 2006, the Group included the following affiliates, consolidated with the equity method:

Company	City and country of incorporation	Core business	Parent undertaking	Ownership interest and total vote	Initial investment
Worldwide Communication Services LLC	Nevada, USA	Marketing services for the Group	American Restaurants Sp. z o.o.	33.33 %	October 2003
Global Communication Services Sp. z o.o. in liquidation	Warsaw, Poland	No operations conducted currently	Worldwide Communication Services LLC	33.33 %	May 2002
Synergy Marketing Partners Sp. z o.o.	Warsaw, Poland	Marketing services for the Group	Worldwide Communication Services LLC.	26.66%	May 2002
Red 8 Communications Group Sp. z o.o.	Warsaw, Poland	Marketing services for the Group	Worldwide Communication Services LLC	17.33%	May 2002
Synergy Marketing Partners s.r.o.	Prague, Czech Republic	Marketing services for the Group	Synergy Marketing Partners Sp. z o.o.	24.00%	Incorporated in February 2005
SCM Sp. z o.o.	Chotomów, Poland	Delivery services for restaurants operated by the Group	American Restaurants Sp. z o.o.	45.00%	April 2005

The Group's corporate offices are located in Wrocław, Poland. The restaurants operated by the Group are located throughout Poland, the Czech Republic and Hungary.

(b) Statement on the Accounts' Compliance with the International Financial Reporting Standards

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") and their interpretations adopted by the International Accounting Standards Board (the "IASB") in the form approved for application on the territory of the European Union by virtue of the IFRS Regulation (the European Commission 1606/2002).

(c) Seasonality of Production and Markets

In the case of the AmRest Group, the seasonality of sales and inventories is not significant, which is typical of the restaurant business.

The restaurants record the lowest sales in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to

AmRest Holdings N.V.

improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping centres.

(d) Non-Recurring Events with a Bearing on the Financial Performance

During the period covered by these financial statements no material non-recurring events took place.

(e) Form of Presentation of the Consolidated Financial Statements and Type and Value of Changes in the Applied Estimates

Amounts in these consolidated financial statements are presented in the Polish zloty (PLN), rounded off to full thousands. These financial statements were prepared based on the historical cost convention, except financial assets and liabilities (including derivative instruments) which are subject to measurement at fair value through profit or loss.

The preparation of financial statements in compliance with the International Financial Reporting Standards requires the Management Board to make certain assumptions, judgments and estimates, which are reflected in the applied accounting policies and affect the value of assets and liabilities, revenues and expenses disclosed in these financial statements. The estimates and the related assumptions, which are made on the basis of experience and various factors deemed relevant in given circumstances, are the basis for valuation of the assets and liabilities which do not directly result from other sources. Actual results may differ from the estimates.

Estimates and their underlying assumptions are reviewed on an on-going basis. Any adjustments of the accounting estimates are recognised in the period in which the adjustments were made, on condition that they concern this period only, or in the period in which they were made and in the future periods, if they concern both the current and future periods.

The most significant estimates and assumptions concern the valuation of property, plant and equipment, intangible assets, including goodwill, revaluation allowances for accounts receivable and inventories, and adjustment to the valuation of deferred tax assets. During the period covered by these financial statements, there were no material changes in the value of estimates disclosed in the previous reporting periods.

The accounting policies have been applied consistently in all periods presented in these consolidated financial statements. The accounting policies were applied consistently by all members of the Group.

(f) Issue, Redemption and Repayment of Debt and Equity Securities

During the period covered by these financial statements, no debt or equity securities were issued, redeemed or repaid.

(g) Dividend Payment

No dividends were paid during the period covered by these financial statements.

(h) Segment Reporting

Geographical Segments

The operations of the Group's restaurants are managed centrally. However, the restaurants operate mainly in two principal geographical areas: Poland and the Czech Republic.

Breakdown of the Group's revenue into geographical segments is based on the geographical location of customers. Breakdown of the Group's assets into geographical segments is based on the geographical location of the Group's assets.

The operations of the Group's restaurants represent a single business segment. The restaurants' products and customers can be described in a similar way. Business risks and operating margins are similar for all types of operated restaurants.

Inter-segment pricing is determined on an arm's length basis.

Geographical segment data for the period ended September 30th 2006 and for the comparable period ended September 30th 2005.

AmRest Holdings N.V.

	<i>Poland</i>	<i>Czech unallocated</i>		<i>Total</i>
<u>9 months ended 30 September 2006</u>				
Revenue from external customers	314 680	122 721	9 933	447 334
Inter-segment revenue	-	-	-	-
Operating profit/segment result	25 013	7 706	(1 725)	30 994
Finance income				5 743
Finance cost				(3 257)
Share of profit of associates	530	-	-	530
Income tax				(5 564)
Profit for the period				28 446
Segment assets	197 243	81 546	-	278 789
Investments in associates	1 118	-	-	1 118
Unallocated corporate assets	-	-	21 887	21 887
Consolidated total assets				301 794
Segment liabilities	40 757	21 203	-	61 960
Unallocated corporate liabilities			90 865	90 865
Consolidated total liabilities				152 825
Investments in associates	1 118	-	-	1 118
Depreciation	16 998	8 023	314	25 335
Amortization	3 973	513	-	4 486
Capital investments	41 378	12 350	-	53 728
Impairment of fixed assets	611	1 492	-	2 103
Impairment of trade receivables	-	-	-	-
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	-	-
<u>3 months ended 30 September 2006</u>				
Revenue from external customers	114 150	43 242	9 933	167 325
Inter-segment revenue	-	-	-	-
Operating profit/segment result	11 035	2 186	(465)	12 756
Finance income				(2)
Finance cost				(836)
Share of profit of associates	184	-	-	184
Income tax				(2 607)
Profit for the period				9 495
Segment assets	197 243	81 546	-	278 789
Investments in associates	1 118	-	-	1 118
Unallocated corporate assets	-	-	21 887	21 887
Consolidated total assets				301 794
Segment liabilities	40 757	21 203	-	61 960
Unallocated corporate liabilities			90 865	90 865
Consolidated total liabilities				152 825
Investments in associates	1 118	-	-	1 118
Depreciation	5 752	2 632	314	8 698
Amortization	1 485	186	-	1 671
Capital investments	8 347	6 339	-	14 686
Impairment of fixed assets	-	999	-	999

AmRest Holdings N.V.

Impairment of trade receivables	-	-	-	-
	<i>Poland</i>	<i>Czech unallocated</i>		<i>Total</i>
<u>9 months ended 30 September 2005</u>				
Revenue from external customers	259 353	99 147	-	358 500
Inter-segment revenue	-	-	-	-
Operating profit/segment result	10 948	8 846	(2 223)	17 571
Finance income				1 864
Finance cost				(7 709)
Share of profit of associates	282	-	-	282
Income tax				3 135
Profit for the period				15 143
Segment assets	185 224	86 419	-	271 643
Investments in associates	1 016	-	-	1 016
Unallocated corporate assets	-	-	437	437
Consolidated total assets				273 096
Segment liabilities	36 167	10 535	-	46 702
Unallocated corporate liabilities	-	-	111 193	111 193
Consolidated total liabilities				157 895
Depreciation	15 109	6 317	-	21 426
Amortization	1 502	301	-	1 803
Capital investments	17 204	10 330	-	27 534
Impairment of fixed assets	863	580	-	1 443
Impairment of trade receivables	-	-	-	-
<u>3 months ended 30 September 2005</u>				
Revenue from external customers	95 937	34 700	-	130 637
Inter-segment revenue	-	-	-	-
Operating profit/segment result	4 548	5 996	(1 569)	8 975
Finance income				249
Finance cost				(1 919)
Share of profit of associates	183	-	-	183
Income tax				(299)
Profit for the period				7 189
Segment assets	185 224	86 419	-	271 643
Investments in associates	1 016	-	-	1 016
Unallocated corporate assets	-	-	437	437
Consolidated total assets				273 096
Segment liabilities	36 167	10 535	-	46 702
Unallocated corporate liabilities	-	-	111 193	111 193
Consolidated total liabilities				157 895
Depreciation	5 502	2 221	-	7 723
Amortization	654	98	-	752
Capital investments	3 738	-	-	3 738
Impairment of fixed assets	233	299	-	532
Impairment of trade receivables	-	-	-	-

AmRest Holdings N.V.

The unallocated column relates to corporate assets, liabilities (including borrowings and lease liabilities) and transactions of AmRest Holdings N.V., AmRest Ukraine t.o.w., corporate assets and liabilities of Kentucky System Kft. and amounts relating to income tax.

(i) Events Subsequent to the Balance-Sheet Date

No material events subsequent to the balance-sheet date occurred which are not disclosed in these financial statements.

(j) Effects of Changes in the Group's Structure

Acquisition of Doris 2006 Sp. z o.o by American Restaurants Sp. z o.o., a Subsidiary

October 25th 2006 saw the closing of acquisition of 100% of shares in Doris 2006, a limited liability company of Warsaw, Poland. Following the transaction, AmRest became the sole owner of Doris 2006, which is the lender of business surface in Warsaw..

The fair value of assets acquired and liabilities assumed was as follows (in thousands of Polish zloty):

Intangible assets (favourable leases)	495
Cash paid on acquisition	495
Net cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	<u>495</u>

(k) Changes in Future and Contingent Liabilities

As in the previous reporting period, the Company's future liabilities follow from the Franchise Agreements and Development Agreement discussed in Section (a).

The Franchise Agreements, discussed in Section (a), have a term of ten years each, the earliest of which commenced in 2000, and are renewable at the Company's option for a further ten years in accordance with their terms. The initial fees paid are approximately USD 40,900 per restaurant and renewal fees are 50% of the initial fees, adjusted to reflect changes in the US Consumer Price Index during the term of the relevant franchise.

Under the Franchise Agreements, the Company, through its subsidiaries, must from time to time upgrade, modify, renovate or replace all or part of its restaurants or any of their fittings, fixtures or signage or any of the equipment, systems or inventory used in the restaurant in order to maintain compliance with the relevant franchisor's then current standards. During each of the initial term and the renewal term, if any, the franchisor may not require more than two comprehensive refurbishments of all fittings, fixtures, signage, equipment, systems and inventory in the "front-of-house" area of each AmRest restaurant to then current standards and more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the "back-of-house" area of each restaurant. Individual franchise agreements signed after the Master Franchise Agreement do not contain this provision. The Company estimates the cost of upgrades at 1.5 percent of annual restaurant sales in future periods.

AmRest Holdings N.V.**l) Earnings per Ordinary Share**

The basic and diluted earnings per ordinary share were computed as follows:

	9 months ended Sept 30 2006	3 months ended Sept 30 2006	9 months ended Sept 30 2005	3 months ended Sept 30 2005
Net profit attributable to shareholders of the parent(PLN '000)	28 446	9 495	15 143	7 189
Ordinary shares as at January 1st/April 1st	13 500 000	13 500 000	10 000 000	13 500 000
Effect of shares issued	-	-	2 012 821	-
Effect of stock options granted	25 399	25 399	-	-
Weighted average number of ordinary shares as at September 30	<u>13 525 399</u>	<u>13 525 399</u>	<u>12 012 821</u>	<u>13 500 000</u>
Basic and diluted earnings per share (PLN)	2,11	0,70	1,26	0,53

The effect of potential new ordinary shares to be created under the options granted is slightly dilutive. This applies mainly to options granted in 2005.