The AmRest Holdings SE Group

Report for the First Half of 2011

31 August 2011

Wszystko jest możliwe!

AmRest Holdings SE Report for the First Half of 2011

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Part I
Directors' Report

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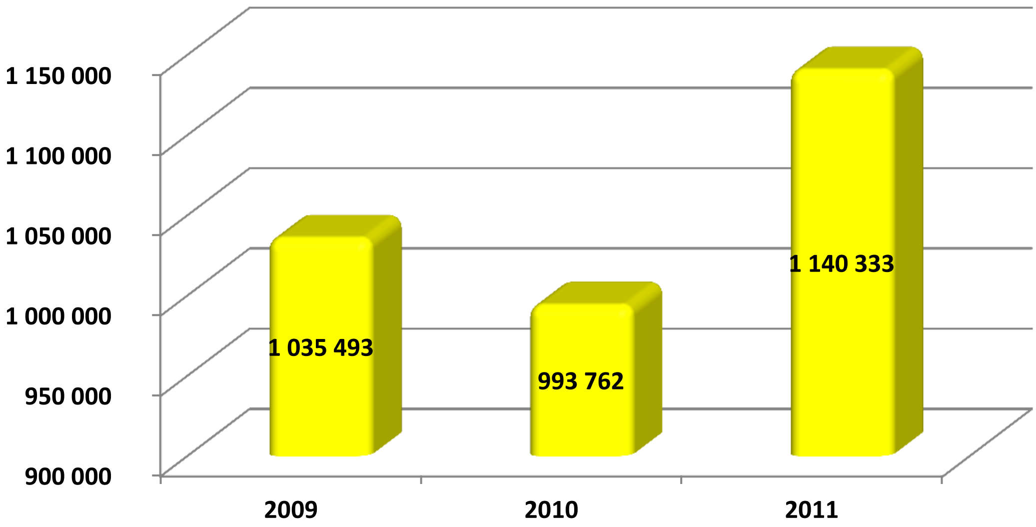

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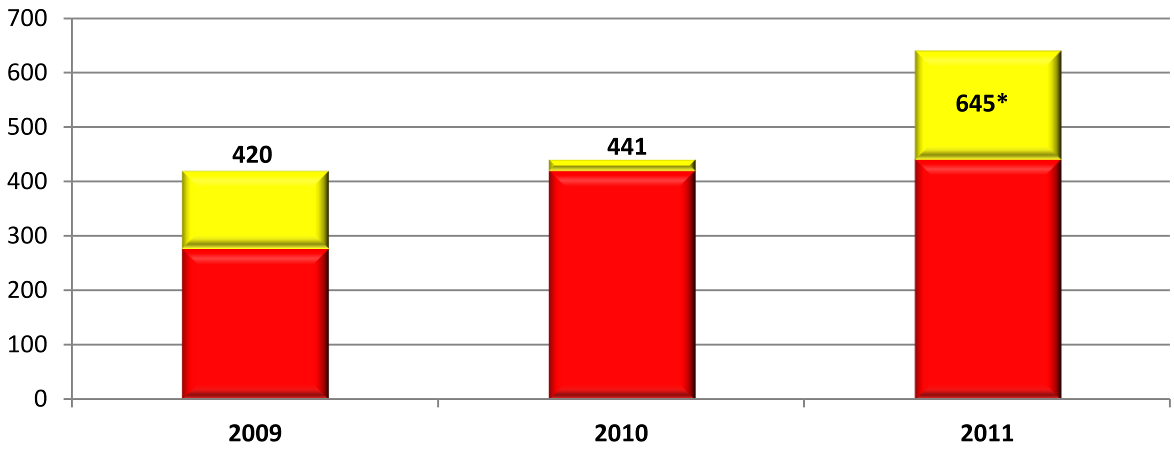

*Including restaurants managed by franchisees of the La Tagliatella brand

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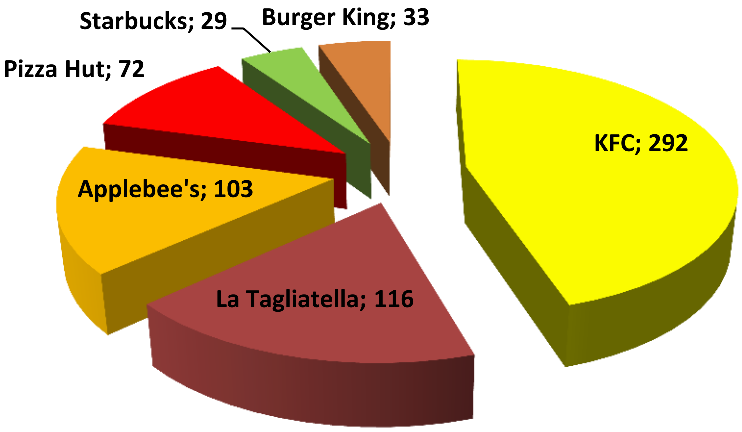

*Including restaurants managed by franchisees of the La Tagliatella brand

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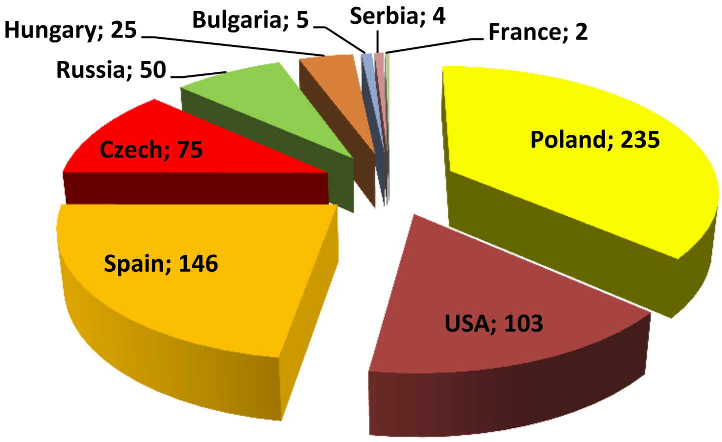


*Including restaurants managed by franchisees of the La Tagliatella brand

2. Description of the Company

2.1 Basic services provided by the Group

AmRest Holdings SE ("AmRest") manages 6 restaurant brands in 9 countries in Central and Eastern Europe, and North America. In accordance with our corporate culture "Everything is Possible!", every day over 19,000 AmRest employees provide excellent flavours and deliver exceptional value-for-money service.

AmRest manages its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King and Starbucks, and Casual Dining Restaurants (CDR) – La Tagliatella, Pizza Hut and Applebee's.

AmRest restaurants provide on-site catering services, take away services, drive-in services in special sales points and telephone deliveries. The AmRest restaurant menus include quality dishes prepared from fresh products in accordance with the original recipes and according to KFC, Pizza Hut, Burger King, Starbucks, Applebee's and La Tagliatella chain standards.

AmRest is the franchisee of Yum! Brands Inc. in respect of KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis in accordance with the agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licences to develop and manage Starbucks restaurants in Poland, the Czech Republic and Hungary. Applebee's restaurants also operate on a franchise basis, in accordance with the agreement with Applebee's International, Inc. The La Tagliatella brand is the private label of AmRest which became part of the portfolio in May 2011. La Tagliatella restaurants are run both by AmRest and by entities to which the Company leases rights to run restaurants on a franchise basis.

2.1.1 Restaurants in the Quick Service Restaurants (QSR) segment

KFC is a quick service restaurant chain serving various dishes based on the unique flavor of chicken. The largest part of KFC products sold are sets comprising various pieces of chicken in the traditional Kentucky version, based on the original Colonel Sanders recipe, and a hot version - Hot&Spicy. Another product which is characteristic of KFC are Hot Wings. KFC also offers fresh salads, which vary depending on the season, cakes and deserts, hot and cold drinks. The chicken prepared in KFC is freshly marinated and crumb-coated every day in the restaurants, which results in the best flavour and the highest quality of the served dishes. KFC chicken suppliers meet the highest EU standards, and products are delivered to each restaurant many times during the week.

The first half of 2011 was very good for KFC brand. We opened many new restaurants especially in Poland and Hungary. KFC appeared for the first time in some smaller cities where it was very successful. In May we opened the first concept-store in Warsaw, where thanks to the glass-walls our Guests are able to observe how their favorite meals are being prepared.

2011 will be a milestone for KFC because of the introduction of the grill platform. Sandwich and Twister Brazer turned out to be great success since the launch. Introducing new products is aligned with good results of the base business, where we also observe improving results. The value products introduced due to the global slowdown (B-Smart) are still selling very well.

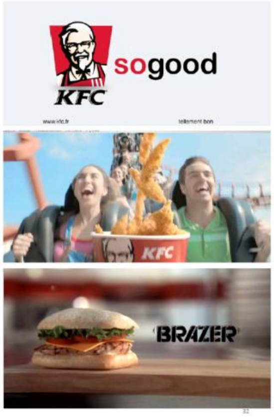
Currently the AmRest run 260 KFCs in Eastern Europe 260 restaurants, 138 in Poland, 58 in the Czech Republic, 19 in Hungary, 39 in Russia, 4 in Serbia and 2 in Bulgaria.

Additionally, AmRest runs 32 KFC restaurants in Spain – in Madrid and in Barcelona.

The first half of 2011 was very good for KFC. The quality and flavour of the served dishes were significantly improved while low prices were maintained. The "value" offer continues to be a very significant item in the menus of the Spanish KFC restaurants, taking into consideration the current economic situation.

The main event of the last six months was KFC's first television campaign, covering the whole of Spain. The campaign was aimed at showing the differences between KFC and the competition's restaurants, focusing on the freshness, quality and taste.

In the period under discussion the desserts offer was also expanded by adding Kream Ball, ice cream with different sauces. This product proved to be very successful in the second quarter of 2011.



Since the beginning of 2011, two new restaurants have been opened: in one of Madrid's commercial malls and in Barcelona.

Burger King is the second largest restaurant chain in the world – with over 12 300 restaurants in more than 76 countries all over the world. About 90% of all Burger King restaurants are owned by independent franchisees. Each year Burger King services more than 11 million guests.

The AmRest Burger King chain shows high effectiveness in reaching the target group of purchasers in the quick service restaurant sector (men aged between 18 and 35) by offering larger and tastier burgers, prepared in grill flames. In accordance with the slogan "Have It Your Way", Burger King customers may make up their own burgers according to their fancy and culinary tastes. BURGER KING offers an opulent menu – from the brand's flagship product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, King Wings, pieces of chicken and deserts.


In the first half of 2011, AmRest continued to develop the Burger King chain in Poland by opening four new restaurants. As at the publication date, AmRest owns 31 Burger King restaurants – 23 in Poland, 5 in the Czech Republic and 3 in Bulgaria. By the end of the year, AmRest will open ca. 7 new outlets in Poland and 1 in the Czech Republic.

In May 2011 the first radio and television campaign in Poland started. The campaign is aimed at increasing awareness of the brand and acquainting guests with the high quality of the dishes served.

Starbucks global is the leading coffeehouse in the world with over 16,000 stores in 49 countries. Starbucks sells brewed coffee, espresso-based hot drinks, snacks, coffee beans, and retail merchandise. The store designs provide a unique experience rooted to the coffee heritage and reflects the surrounding neighborhood. AmRest Coffee (a Joint Venture between Starbucks Coffee International and AmRest Holdings) currently operates Starbucks stores in Poland, Czech Republic, and Hungary.

In April Starbucks celebrated its 40th Anniversary by serving local neighborhoods totaling 200,000 volunteer hours globally. AmRest Coffee employees participated in the Marquee service events in each of their Poland, Czech Republic, and Hungary neighborhoods such as cleaning parks, painting schools, and making a positive impact. They inspired us!

In 2011, the development focus continues in existing markets in Czech, Poland, and Hungary. In the first half of the year, Starbucks expanded into the Tri-cities area by opening the Manhattan Starbucks store in Gdansk. The store results have indicated that the customers were ready for Starbucks and are excited for continued growth. Starbucks will develop further in existing markets to provide a convenience for its customers and local store they can call their own.

In early May customers enjoyed the new Personalized Frappuccino which enables customization and variety. In order to maintain and grow Starbucks market share the Personalized Frappuccino is a differentiating product, a better offer value, and allows our customers to have variety. Personalized Frappuccino is a key contributor to Starbucks beverage business and has been extremely popular this summer.

In coming months, AmRest will continue development of Starbucks brand. AmRest Coffee operates 29 Starbucks stores; 13 in Poland, 12 in Czech and 4 in Hungary.

2.1.2 Restaurants in the Casual Dining Restaurants (CDR) segment

La Tagliatella is the fastest developing Italian restaurant brand in Spain.

The brand's success is mainly due to the excellent quality of the food and care taken in the details and décor of each restaurant. The constant very high quality of food is guaranteed by a centralized kitchen thanks to which identically prepared dishes may be found in each of the restaurants.

The vast majority of dish components prepared in the centralized kitchen are purchased in Italy. They are used to prepare dishes according to original recipes from the Liguria, Piemonte and LaRegio Emilia regions.

Care for the unusual décor of the facilities and the high quality of dishes provided in connection with the simplicity of preparing the meals in the restaurant enables providing the guests with service at luxury restaurant (Fine Dining) level for the prices of Casual Dining restaurants and at a speed equivalent to the QSR segment.

La Tagliatella restaurants are very popular among franchisees. The first franchise restaurant was opened in 2004, currently there are 83 of them.

In the first half of 2011 eleven La Tagliatella restaurants were opened, 8 of which are franchise restaurants. In the second half of the year another eleven restaurants will be opened.

Currently there are 114 La Tagliatella restaurants, 112 in Spain and two in France.

Applebee's Neighborhood Grill & Bar is the largest global chain in the casual dining restaurant segment which is characterized by a friendly atmosphere, an interior design closely related to the life of the local community and excellent American dishes at affordable prices.

Each Applebee's restaurant is designed so as to reflect its unique neighbourhood in the best possible way – the interiors relate to local historical events, sports teams, schools and organizations. Employees of the restaurants support local communities by becoming involved in charitable activities and local marketing actions such as cooperating with local schools, organizing charity collections, participating in local events.


In the first half of 2011 marketing actions concentrated on offering high quality products in affordable sets. The restaurants' menus were enriched by additional items, enabling the guests to choose from a wide variety of burgers, inspired by traditional recipes from various parts of the USA.

In the second half of the year AmRest will continue to renovate Applebee's restaurants. The Company plans to renovate the interiors and exteriors of the outlets and to update the menu.

The Applebee's restaurants chain currently comprises more than 2000 outlets all over the world, around 80% of the restaurants are maintained by franchisees. Currently AmRest runs 103 Applebee's restaurants in 8 states in the USA.

Pizza Hut is one of the largest chains of casual dining restaurants in Europe. It is inspired by Mediterranean cuisine, and promotes the idea of sharing excellent food with close friends and relatives. In Poland the brand is known for its professional service, excellent quality of products and the hospitality and casual atmosphere created by a young and professional team. It is also the largest brand in Poland in terms of sales and the number of transactions in the casual dining segment.

In the first half of 2011 sales results and profitability continued to improve due to the comprehensive marketing actions and restaurant management.

The regular presence in the media, well-directed offers (Pizza Festival) which combined very attractive value for client (without harming profitability) and building the emotional brand identity through excellent service and a hospitable climate effectively distinguish the firm from the competition. Consistent building of the lunch category and an innovative offer "15x15" (a lunch set for PLN 15 with the guarantee of being served within 15 minutes) helped build a new business segment and make better use of the restaurant resources outside the traditionally strong evening and weekend time. The lunch offer which now covers a wide range of products with pizzas, pastas, calzone, soups, drinks and deserts, will soon be expanded with attractive novelties.

Improved profitability is the anticipated effect of the long-term initiatives focused on three pillars: production management; improvement in work effectiveness through a new worktime allocation system and simplifying processes, and a project for reducing energy and equipment costs. At the same time, the Pizza Hut team is strengthening its operating processes related to the quality of service, suggestive sales and local marketing. The actions commenced earlier to promote the so-called "Internal Hospitality" have resulted in high staff morale, reduced turnover, more effective recruitment and internal promotion.


AmRest Pizza Hut currently consists of 72 restaurants, 59 in Poland, 11 in Russia and 2 in Hungary. In the second half of the year new outlets will be opened in Radom, Kielce, Wrocław and Rzeszow; material relocations will take place in Szczecin and in Warsaw, and thorough repairs will be carried out in restaurants throughout Poland as a continuation of the renovation program.

3. Structure of revenues

In the first half of 2011, sales of the AmRest Group amounted to PLN 1 140 333 thousand. This comprised an increase of 14.7% compared with PLN 993 762 thousand in the comparable period of 2010. The increase in sales resulted from the consolidation of the acquired company Restauravia, new openings of restaurants in Central and Eastern Europe and an increase in sales in comparable restaurants (SSS).

In the first half of the year sales comprised restaurant sales of PLN 1 110 065 thousand and revenues from franchises and from other operations of PLN 30 268 thousand. The table below shows the dynamics of restaurant sales.

Table 1 Restaurant sales dynamics

		EU	USA	Group
Q2	local currency	34.6%	3.2%	22.8%
	PLN	34.6%	-10.0%	18.0%
YTD	local currency	21.7%	4.0%	15.1%
	PLN	22.3%	-2.7%	13.0%

Since the beginning of 2011 restaurants operating in the CEE region generated 53.8% of the Group's total sales. In the same period sales in AmRest restaurants in the USA constituted 31.1% of total AmRest sales. Revenues from Russian restaurants constituted 8.6%, and from Spanish restaurants 6.5% of sales.

Table 2 AmRest sales broken down by country

	30 June 2011		30 June 2010	
Region	PLN'000	Share (%)	PLN'000	Share (%)
CEE	613 374	53.8%	544 667	54.8%
USA	354 307	31.1%	364 188	36.6%
Russia	98 624	8.6%	84 907	8.5%
Western Europe	74 028	6.5%	0	0.0%
AmRest	1 140 333	100.0%	993 762	100.0%

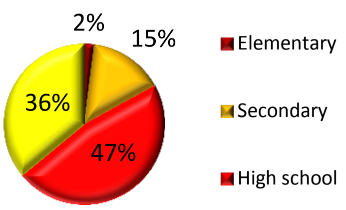
The seasonality of sales and inventories of the AmRest Group is not significant which is typical for the whole restaurant industry. In Europe restaurants have lower sales in the first half of the year which is mainly the result of the smaller number of days of sale in February and lower number of visits to the restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight recovery related to the holiday season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and the high number of holidays.

4. Our Guests

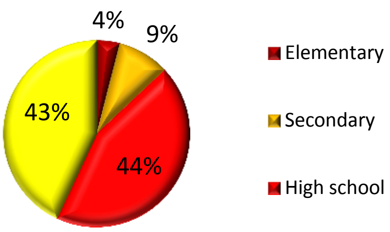
AmRest products are addressed to a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, Spain, France and the USA, mainly located in cities or in their vicinity. The graphs below show customer profiles by education, occupation and gender in the QSR and CDR segment on the basis of KFC AmRest and Pizza Hut AmRest restaurants operating on the Polish market.

a) Education

QSR (KFC Poland)

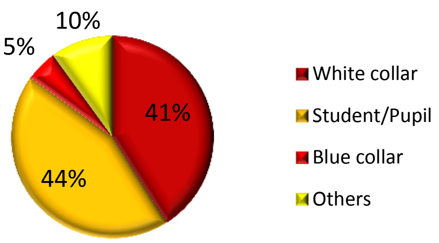


CDR (PH Poland)

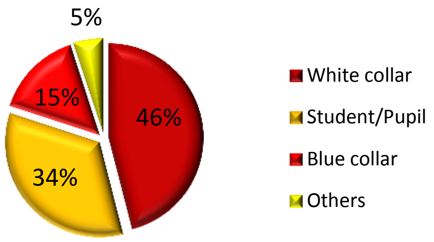


b) Occupation

QSR (KFC Poland)

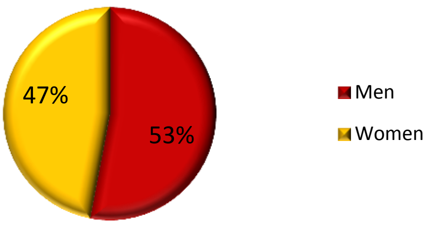


CDR (PH Poland)

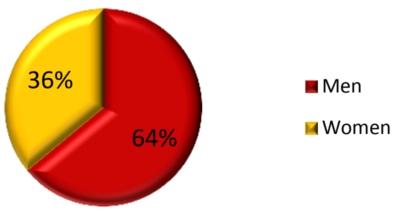


c) Gender

QSR (KFC Poland)



CDR (PH Poland)



5. Supplier chain

In the first half of 2011, in connection with the unstable conditions on the global markets and many weather anomalies which had an impact on the level of the prior year's harvest, we observed significant increases in food prices all over the world. Despite such a difficult situation, we managed to minimize increases in product prices for AmRest, mainly thanks to:

- Relations with the suppliers;
- Long-term contracts with suppliers of critical goods'
- Taking decisions on concluding short- or long-term contracts in appropriate periods;
- Working on increasing the effectiveness of chicken meat producers in Poland;
- Increasing the share of local suppliers for the Burger King chain;

The current weather conditions may have a significant impact on the level of crops and thus also the prices of cereals, meat, oils and vegetables. In the light of the unstable economic conditions the strategy for building long-term relationships with suppliers, which enables neutralizing the potential price increase, is becoming more and more important. An ultimate assessment of the situation will be possible after the end of the harvest on global markets.

The main goals of the strategy of the AmRest Group in the area of purchases in the foreseeable future are:

- Further consolidation of purchases within SCM to facilitate the further implementation of new technologies and thus reducing the level of production costs;
- Increasing purchases on local markets and developing cooperation with new local suppliers to increase competitiveness and reduce foreign currency risk;
- Cooperation with multi-year, proven partners according to long-term purchase strategy policies;
- Constant observation of the situation on global markets enabling the firm to make decisions quickly.

The list of largest AmRest suppliers:

1. Eurocash S.A. (previously McLane) – distributor in Poland
2. Dachser Cr. a.s.– distributor in the Czech Republic
3. Drobimex – supplier of chicken products in Poland
4. Jihočeská drůbež s.r.o. – supplier of chicken products in the Czech Republic
5. RBD Distribution Co Ltd – distributor in Russia
6. Konspol – supplier of chicken products in Poland
7. LEKKERLAND – distributor in Hungary
8. Roldrob – supplier of chicken products in Poland
9. Cargill – supplier of oil, dressings and eggs in the United States
10. Beskyd Frycovice – supplier of vegetables and fresh products in the Czech Republic

6. Management and Supervisory Bodies of the Company

6.1 Composition of the Management Board and the Supervisory Board

On 1 March 2011 the Management Board of AmRest informed that as of 28 February 2011 Mr Wojciech Mroczyński had handed in his resignation as member of the Management Board of AmRest. The reason for the resignation is that he is taking a sabbatical which will last for the next 12 months.

During the Ordinary General Shareholders' Meeting of AmRest ("AGM"), which took place on 10 June 2011, resolutions were passed on completing the composition of the Company's Supervisory Board. In connection with the expiring mandates of two former members of the Board, the AGM decided to appoint Mr Per Steen Breimyr and Mr Jan Sykora new members of the AmRest Supervisory Board. Information on particular candidates can be found in the Company's Current Reports, RB 29/2011, and RB 30/2011 respectively.

Management Board

Piotr Boliński

Mark Chandler

Drew O'Malley

Supervisory Board

The Supervisory Board of AmRest consists of:

Henry McGovern - Chairman

Per Steen Breimyr

Raimondo Eggink

Robert Feuer

Jacek Kseń

Joseph P. Landy

Jan Sykora

7 Information material to the assessment of the human resources, asset, financial position and the results of the Company

7.1 Key changes in employment

In the reported period, apart from the changes in pt. 6.1 (changes to the composition of the Management Board and Supervisory Board) there were no significant changes in employment.

7.2 Financial position of the Company

Table 3 Basic financial data of AmRest (first halves of 2011-2009)

in PLN thousand, unless otherwise stated	30 June 2011	30 June 2010	30 June 2009
Sales revenue	*1 140 333*	*993 762*	*1 035 493*
Operating profit before amortization and depreciation (PLN'000 EBITDA)	*112 147*	*88 862*	*91 816*
Operating margin after amortization and depreciation (EBITDA margin)	*9.83%*	*8.94%*	*8.90%*
Operating profit (loss) (PLN'000)	*43 923*	*38 137*	*41 484*
Operating margin (EBIT margin)	*3.85%*	*3.84%*	*4.00%*
Profit (loss) before tax (PLN'000)	*31 176*	*31 453*	*37 430*
Gross margin	*2.73%*	*3.17%*	*3.60%*
Net profit (loss) (PLN'000)	*24 818*	*23 905*	*26 316*
Net margin	*2.10%*	*2.41%*	*2.54%*
Equity	*890 427*	*769 056*	*413 971*
Return on equity (ROE)	*6.07%*	*8.30%*	*13.00%*
Total assets	*2 303 754*	*1 555 272*	*1 129 100*
Return on assets (ROA)	*2.74%*	*3.53%*	*5.00%*

Definitions:

- Operating margin after amortization and depreciation – operating profit before amortization and depreciation (EBITDA) to sales;
- Operating margin – operating profit to sales;
- Gross margin – profit before tax to sales;
- Net profitability – net profit to sales;
- Return on equity (ROE) – net profit to average equity;
- Return on assets (ROA) – net profit to average assets.

Table 4 Liquidity analysis (in the years 2011-2010)

in PLN thousand, unless otherwise stated	30 June 2011	31 December 2010	30 June 2010
Current assets	263 490	334 848	570 607
Inventories	32 137	20 886	19 380
Short-term liabilities	267 570	231 389	601 936
Quick ratio	*0.86*	*1.36*	*0.92*
Current ratio	*0.98*	*1.45*	*0.95*
Cash and cash equivalents	140 614	245 118	484 263
Cash ratio	*0.53*	*1.06*	*0.80*
Inventory turnover (in days)	*4.24*	*3.70*	*3.76*
Trade and other receivables	60 826	45 007	42 437
Trade receivables turnover (in days)	*8.47*	*8.03*	*7.05*
Operating ratio (cycle) (in days)	*12.71*	*11.73*	*10.81*
Trade and other payables	254 213	215 975	181 622
Trade payables turnover (in days)	*37.62*	*36.51*	*35.52*
Cash conversion ratio (in days)	*-24.91*	*-24.78*	*-24.71*

Definitions:

- Quick ratio – current assets net of inventories to current liabilities;
- Current ratio – current assets to current liabilities;
- Cash ratio – cash and cash equivalents to current liabilities at the end of the period;
- Inventories turnover ratio (in days) – average inventories to sales multiplied by the number of days in the period;
- Receivables turnover ratio (in days) – average trade receivables to sales multiplied by the number of days in the period;
- Operating ratio (cycle) (in days) – total of inventories turnover and receivables turnover;
- Payables turnover ratio (in days) – ratio of average trade payables to sales multiplied by the number of days in the period;
- Cash conversion ratio – difference between the operating ratio (cycle) and the payables turnover ratio.

Table 5 Gearing analysis (in the years 2010-2009)

in PLN thousand, unless otherwise stated	30 June 2011	31 December 2010	30 June 2010
Current assets	263 490	334 848	570 607
Non-current assets	2 042 998	1 034 111	984 662
Trade and other receivables	60 826	45 007	42 437
Liabilities	1 476 906	622 929	786 216
Long-term liabilities	1 209 336	391 540	184 280
Debt	830 755	383 281	571 030
Share of inventories in current assets (%)	10.06%	6.01%	3.40%
Share of trade receivables in current assets (%)	20.08%	13.06%	7.44%
Share of cash and cash equivalents in current assets (%)	53.37%	73.20%	84.87%
Fixed assets to equity ratio	0.40x	0.91x	0.78x
Gearing	0.64x	0.41x	0.51x
Long-term gearing ratio	0.52x	0.26x	0.24x
Liabilities to equity ratio	1.75x	0.66x	1.02x

Definitions:

- Debt – total long-term and short-term loans and borrowings
- Share of inventories, trade receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets
- Equity to fixed assets ratio – equity to fixed assets;
- Gearing – total liabilities and provisions to total assets;
- Long-term gearing – long-term liabilities to total assets;
- Liabilities to equity – liabilities and provisions as at the end of a given period to the value of equity.

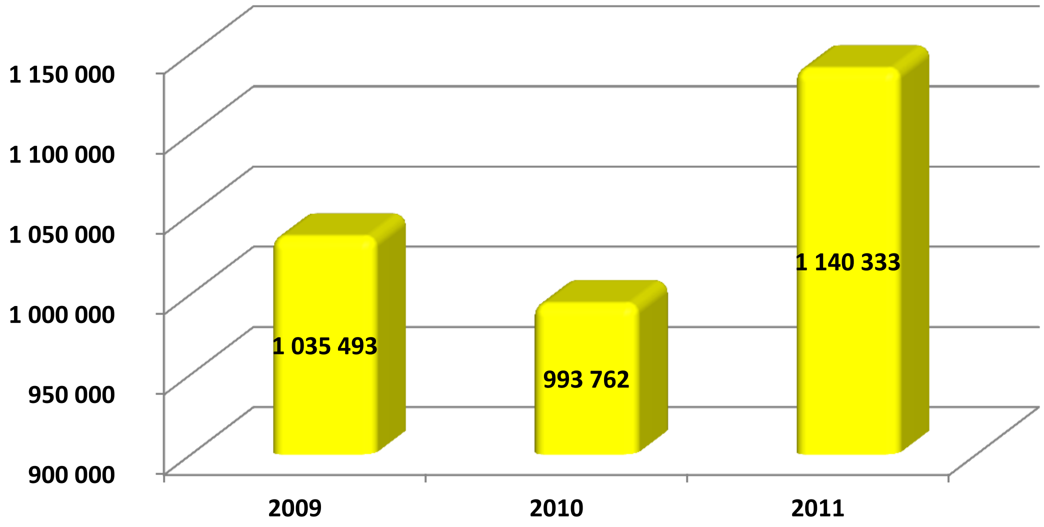
On 28 April 2011 AmRest finalized the take-over of Restauravia (RB 18/2011). The Company started to consolidate the results of the Spanish Group as of May 2011.

Sales of the AmRest Group in the first half of 2011 amounted to PLN 1 140 333 thousand. This represented an increase of almost 15% compared with the analogous period of 2010. Sales generated by the La Tagliatella restaurants and the Spanish KFC in May and June 2011 added another PLN 74 028 thousand to the Company's results. Analyzing other markets, the especially good results of the Russian restaurants should be emphasized; they improved sales by more than 16% compared with the first half of the previous year thanks to very good results of KFC and Pizza Hut. Restaurants operating in Central and Eastern Europe showed high, almost 13% sales dynamics.

AmRest sales in the second quarter of 2011 improved by over 21%. Similarly to the whole of the six months, restaurants operating on the Russian market coped especially well and improved their sales by over 18% thanks to good results of KFC and Pizza Hut.

Revenues from restaurants operating in the CEE region increased by over 16% which resulted mainly from new openings and improving sales in comparable restaurants.

Diagram 5 AmRest Sales Value in the first Halves of the years 2009-2011 (in PLN'000)



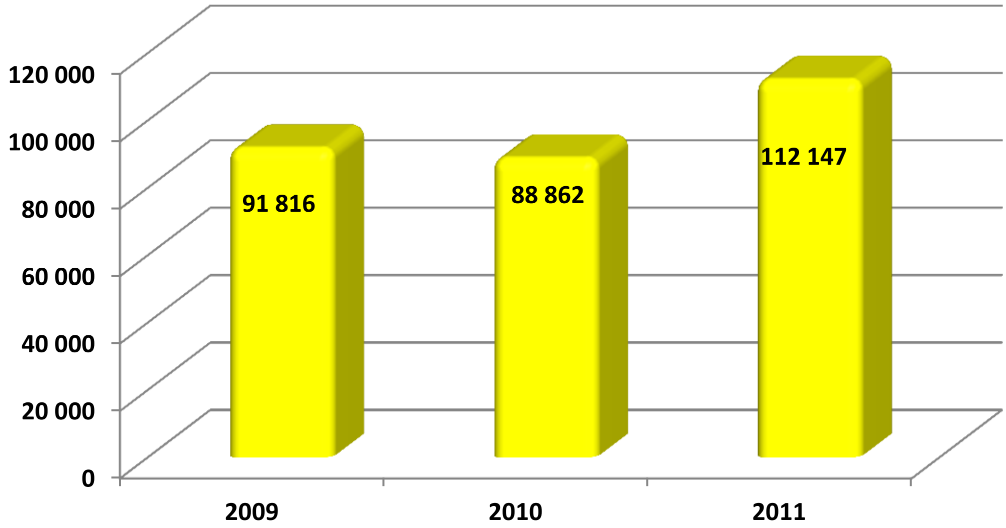
The EBITDA margin of the AmRest group in the first half of 2011 increased to 9.8% from 8.9% in the analogous period of 2010. Consolidation of the Spanish restaurants which earned an EBITDA margin exceeding 21% had a positive impact on the Company's margin. Additionally, the increase in the margin resulted from a higher margin generated on the Russian and American markets, of 14.1% and 5.5% respectively, compared with 13.3% and 5.0% in the prior year. In the first half of 2011 the Group's EBITDA amounted to PLN 112 147 thousand compared with PLN 88 862 thousand in 2010.

1-off opening expenses (training of employees, rents and other administrative fees paid prior to the opening of the restaurant) in regard with the dynamic organic growth of the Group are negatively affecting the profit margins generated by the Company. After excluding these one-off expenses related to new openings the EBIDTA margin in the first half of 2011 amounted to 10.6% compared to 9.5% last year.

AmRest's EBITDA margin in the second quarter of 2011 increased to 10.1% from 7.9% in the analogous period of the previous year. The increase in the margin, apart from the positive impact of the consolidation of the Spanish restaurants referred to above also resulted from a significant improvement in the EBITDA margin on the Russian market – an increase to 17.1% from 13.0% in the previous year, resulting mainly from an improvement in sales and lower marketing expenses in the second quarter. In the second quarter of 2011 the EBITDA margin on the CEE markets remained unchanged compared with the prior year and amounted to 10.5%. The impact of better than last year margins in the Czech Republic was offset by a lower margin on the Polish Market.

After excluding opening expenses the EBIDTA margin in Q2 2011 amounted to 10.9% compared to 8.6% last year.

Table 6 EBIDTA in the first half of 2009 – 2011 (PLN '000)



EBIT margin in the first half of 2011 remained unchanged over the previous year and amounted to 3.9%. The margin did not drop despite the much greater number of new openings and the associated costs.

In the second quarter of 2011 the EBIT margin has increased compared with the corresponding period of 2010 and amounted to 4.0% (2.6% last year).

Table 6 Revenues and margins generated In the different markets In the first halves of 2010 and 2011.

thousand PLN	H1 2011	revenues share	margin	H1 2010	revenues share	margin
Sales	**1 140 333**			**993 762**		
Poland	*419 847*	*36.8%*		*378 364*	*38.1%*	
Czechy	*149 374*	*13.1%*		*129 401*	*13.0%*	
Other CEE	*44 153*	*3.9%*		*36 902*	*3.7%*	
CEE	**613 374**	***53.8%***		**544 667**	***54.8%***	
Russia	**98 624**	***8.6%***		**84 907**	***8.5%***	
Western Europe	**74 028**	***6.5%***		**-**	**-**	
USA	**354 307**	***31.1%***		**364 188**	***36.6%***	
EBITDA	**112 147**		***9.8%***	**88 862**		***8.9%***
EBITDA*	**120 263**		**10.5%**	**94 226**		**9.5%**
Poland	*52 279*		*12.5%*	*52 540*		*13.9%*
Czechy	*16 220*		*10.9%*	*12 536*		*9.7%*
Other CEE	*-691*		*-1.6%*	*-1 439*		*-3.9%*
CEE	**67 808**		***11.1%***	**63 637**		***11.7%***
Russia	**13 890**		***14.1%***	**11 271**		***13.3%***
Western Europe	**15 627**		***21.1%***	**-**		**-**
USA	**19 515**		***5.5%***	**18 059**		***5.0%***
Unassigned	**-4 693**		**-**	**-4 105**		**-**

*EBIDTA excluding new opening expenses

Net profit in the first half of 2011 improved by nearly 4% and amounted to PLN 24 818 thousand compared to PLN 23 902 thousand in the first half of 2010. Net margin on sales in the first half of 2011 was 2.2% compared to 2.4% in the first half of 2010.

In connection with the dynamic pace of openings of new restaurants and finalizing the Restauravia take-over transaction, in the first half of 2011 the liquidity ratios dropped. The quick, current and cash ratios amounted to 0.86, 0.98 and 0.53 respectively compared with 1.36, 1.45 and 1.06 in the first half of 2010.

The cash conversion ratio is at a level of (-24.9) days. Consolidation of the Spanish business had a positive impact on the trade payables turnover ratio which increased from 36.5 to 37.6 days. The model of operation of the taken-over company, similarly to AmRest's strategy to-date, stipulates the use of trade credit, which has a positive impact on the cash conversion cycle.

The above ratios are at levels ensuring seamless operation and their relatively low level is related to the specific nature of the restaurant industry. The generation of excess cash on a current basis allows efficient servicing of the existing debt and financing of the planned investment expenditure.

Equity increased to PLN 846 090 thousand from PLN 746 030 thousand as at the end of 2010. As a result of the pace of openings and the take-over of Restauravia, the liabilities to equity ratio increased to 1.8 from 0.7 as at the end of 2010. The net debt to EBITDA ratio as at the end of the first half of 2011 amounted to 2.5.

7.3 Description of key domestic and foreign investments

The table below presents purchases of non-current assets as at 30 June 2011 and as at 30 June 2010.

Table 7 Purchases of non-current assets in AmRest Holdings SE (first halves of 2011-2010)

Value in PLN'000	30 June 2011	30 June 2010
Intangible assets, including:		
Trademarks	257 868	-
Favorable lease agreements	4 535	54
Licences for the use of Pizza Hut and KFC trademarks	5 071	1 573
Goodwill	330 345	-
Other intangible assets	194 034	206
Fixed assets, including:		
Land	3 162	-
Buildings	126 391	21 234
Equipment	64 790	11 837
Vehicles	728	61
Other (in consideration of fixed assets under construction)	51 137	23 870
Total	**1 038 061**	**63 198**

The investment expenditure incurred by AmRest relates mainly to the construction of new restaurants and the reconstruction and replacement of the value of non-current assets in the existing restaurants. The Company's investment expenditure depends mainly on the number and type of restaurants opened. Additionally, in 2011 increased investment expenditure was related to the purchase of Restauravia Grupo Empresarial, SL.

In 2011 investments were financed mainly with cash flows from operating activities, whereas the purchase of Restauravia Grupo Empresarial, SL. was financed with the additional tranche of a loan and an increase in equity.

Table 8 Number of restaurants

Country	Brand	31-12-2006	31-12-2007	31-12-2008	31-12-2009	31-12-2010	8-31-2011
Poland		**131**	**139**	**158**	**188**	**206**	**235**
	KFC	79	85	94	110	121	138
	Burger King		4	9	17	19	25
	Starbucks				3	9	13
	Pizza Hut	52	50	55	58	57	59
Czech		**43**	**44**	**62**	**67**	**75**	**75**
	KFC	43	44	53	55	58	58
	Burger King			1	2	5	5
	Starbucks			8	10	12	12
Hungary		**17**	**22**	**22**	**22**	**21**	**25**
	KFC	5	13	15	17	16	19
	Starbucks					3	4
	Pizza Hut	12	9	7	5	2	2
Russia			**40**	**54**	**51**	**50**	**50**
	KFC		22	37	37	39	39
	Pizza Hut		18	17	14	11	11
Bulgaria			**1**	**4**	**4**	**5**	**5**
	KFC		1	2	2	2	2
	Burger King			2	2	3	3
Serbia			**1**	**1**	**2**	**3**	**4**
	KFC		1	1	2	3	4
USA				**104**	**103**	**103**	**103**
	Applebee's			104	103	103	103
Spain							**146**
	La Tagliatella equity restaurants						32
	La Tagliatella franchisee						82
	KFC						32
France							**2**
	La Tagliatella franchisee						2
AmRest		**191**	**247**	**405**	**437**	**463**	**645**

As at 31 August 2011 AmRest ran 645 restaurants, including 116 La Tagliatella restaurants, of which 84 were managed by franchisees. Compared with 31 December 2010 the Company runs 182 more new restaurants of which 35 are new openings in CEE, 6 are new opening in Western Europe, 7 are franchisee openings and 135 is the number of restaurants run by the taken-over company Restauravia.

Table 9 New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Suma
31.12.2010	463	0	**463**
New openings	41	7	**48**
Closings	-1	0	**-1**
Acquired	58	77	**135**
31.08.2011	**561**	**84**	**645**

7.4 Other information

On 10 February 2011 AmRest acquired 76.3% shares in Restauravia Grupo Empresarial S.L. (RB 7/2011) and the remaining portion of shares (23.7%) was taken up by the former management of the acquired Company. As at the transaction date, Restauravia operated a total of 130 restaurants in Spain: 30 KFC and 89 La Tagliatella restaurants (including 73 restaurants operated by franchisees), 6 Il Pastificio and 5 Trastevere restaurants (hereinafter called jointly "La Tagliatella" restaurants). Restauravia is the owner of the brands of La Tagliatella restaurants. In 2010 the Company earned sales of ca. EUR 100 million and normalized EBITDA of EUR 23.9 million.

AmRest has the call option ("Call Option") for all or a portion of shares from minority shareholders. AmRest is entitled to exercise the Call Options after 3 and up to 6 years from the date of finalization of the Contract (28 April 2011) between 1 May and 1 December of every year in the period. At the same time minority shareholders have put options ("Put Option") for all or a portion of the shares. The Put Option may be exercised after 3 and up to 6 years of the date of the Finalization of the Contract. The exercise price for both options will be equivalent to 8.2 times the value of EBITDA for the last 12 months adjusted by the value of the net debt as at the date of exercising the option.

On 28 April 2011, with reference to RB 7/2011, the Management Board of AmRest informed of the finalization of the Share Sale, Purchase and Take-up Agreement concluded on 10 February 2011 by and between AmRest and the Shareholders of Corpfin and Managers of Restauravia Grupo Empresarial S.L. ("Restauravia").

The value of Restauravia is EUR 198 million. The transaction was financed with an equity investment of AmRest in the amount of EUR 90 million, taking up shares worth EUR 28 million by the Managers of Restauravia and with an external bank debt.

On 1 March 2011, the Management Board of AmRest informed, with reference to RB 19/2010, of making a subscription for 1 048 000 shares at an issue price of 75 per share by the shareholder WP Holdings VII B.V ("WP") under the Additional Subscription for Shares on 28 February 2011.

On 25 March 2011, the Management Board of AmRest informed, with reference to RB 19/2010, of making a subscription for 1 223 590 shares at an issue price of 75 per share by the shareholder WP under the Additional Subscription for Shares on 25 March 2011.

On 18 April 2011 the Management Board of AmRest informed, with reference to RB 10/2011 and RB 12/2011, that it had received information on the registration of an increase in the share capital of AmRest as part of the target capital as a result of a private share issue of 7 and 8 series shares addressed to WP Holdings VII B.V. with its registered office in Amsterdam, the Netherlands, with the total exclusion of pre-emptive rights for the former shareholders, by the District Court for Wrocław-Fabryczna in Wrocław, on 8 April 2011. The share capital of AmRest was increased by EUR 22 715.90 from EUR 189 340.99 to EUR 212 056.89 by way of issuing 1 048 000 ordinary bearer series 7 shares and 1 223 590 ordinary bearer series 8 shares with a nominal value of EUR 0.01 each. The total number of the Company's shares after the capital increase amounts to 21 205 689 ordinary bearer shares.

On 19 April 2011, the Management Board of AmRest informed, with reference to the Loan Agreement ("Agreement") referred to in RB 56/2010, of signing, on 18 April 2011 a Modified Loan Agreement ("Modified Agreement") by and between AmRest, AmRest Sp. z o.o. ("AmRest Polska") and AmRest s.r.o. ("AmRest Czech") – jointly "the Borrowers" and Bank Polska Kasa Opieki S.A. ("PEKAO"), RBS Bank Polska S.A. ("RBS Polska"), Royal Bank of Scotland N.V. ("RBS") and Bank Zachodni WBK S.A. ("WBK") – jointly "the Creditors". AmRest Polska and AmRest Czech are 100% subsidiaries of AmRest.

On the basis of the Modified Agreement, the Creditors (with the exception of RBS Polska) granted an additional tranche of a loan of EUR 80 million ("Tranche C") to the Borrowers. The funds obtained from Tranche C are earmarked for financing the costs of acquisition of shares in Restauravia Grupo Empresarial S.L. following from the Share Take-up Agreement described in RB 7/2011 and for refinancing the existing debt of Restauravia Group companies. Tranche C should be repaid by 11 October 2015. Other terms of the loan granted under Tranche C are arm's length. All Borrowers are jointly and severally liable for the repayment of the liabilities resulting from the Modified Agreement.

The loan bears a floating interest rate and is available in EUR.

During the General Shareholders' Meeting of AmRest which took place on 10 June 2011, resolutions were passed on completing the composition of the Company's Supervisory Board. In connection with the expiring mandates of two former members of the Board, the AGM decided to appoint Mr Per Steen Breimyr and Mr Jan Sykora new members of the AmRest Supervisory Board. Information on particular candidates can be found in the Company's Current Reports, RB 29/2011, and RB 30/2011 respectively.

8 Investment plans and an assessment of the possibility of their execution

AmRest will continue its expansion mainly through organic growth on the Central and Eastern Europe market. Additionally, the Company monitors the mergers and acquisitions market for potential acquisition opportunities.

The objective of AmRest in the Central and Eastern Europe is to continue the development of the best developed brand of the AmRest Group, namely KFC, by opening new restaurants and increasing sales in the existing ones, and the development of new brands Burger King and Starbucks by opening new restaurants, mainly on the main markets in Poland and the Czech Republic.

AmRest's objective is to strengthen its position on the main markets. The Company is able to finance its development in 2011 (opening of ca. 80 new restaurants) using internal cash flows and debt financing.

The plan for new launches will be adapted on an ongoing basis to the market conditions and to opportunities in obtaining new attractive locations in the individual countries. In the new year 2011, AmRest will be very restrictive and selective each time when making a decision on how to allocate its cash – the objective being to achieve a minimum of 20% IRR on each investment.

The average cost of opening a new AmRest restaurant in Europe differs by location and the type of restaurant and amounts to PLN 2.8 million. Moreover, the Company plans to keep up the program of continued modernization of existing selected restaurants – throughout 2011 the AmRest Group plans to allocate approx. PLN 50 million to this purpose. A considerable part of the renovations budget will be eaten up by modernizations in Poland.

Additionally, in the Company’s opinion the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

The Management Board anticipates that the long-term growth will be financed mainly with own funds and debt financing.

9 External and internal factors which are significant to the Company's development in 2011

The Management Board of AmRest believes that the following factors will have a significant effect on the Company's future development and results:

a) external factors

- competitiveness – in terms of prices, quality of service, location and quality of food;
- demographic changes, trends as to the number of people using the restaurants and the 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 Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Spain, France and the United States and consumer trust, the amount of disposable income and individual spending patterns;
- changes in legal and tax determinants;
- adverse changes on the financial markets.

b) 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 restaurant networks and products;
- building an integrated information system.

10 Basic risks and threats to which the Company is exposed

The Management Board 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 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 Management Board of AmRest performed a review, an analysis and a ranking of risks to which the Company 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 ongoing basis.

a) Factors remaining outside the Company’s control

This risk is related to the effect of factors remaining outside the Company'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.

b) Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Applebee’s 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 franchisor 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. The duration of the franchising agreements related to the Applebee’s brand is 20 years with a continuation option for the next 20 years, on similar terms as in the case of the remaining AmRest brands.

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, in the case of Burger King, the first period commenced in 2007 with the opening of the first restaurant of this brand. In the case of some Applebee's restaurants, the first period commenced in 2000. For the remaining Applebee's restaurants, the first period commenced in 2008.

c) Dependency on joint venture partners

AmRest will open Starbucks restaurants through Joint Venture Companies in Poland, the Czech Republic and Hungary, based on partnership as part of joint venture agreements. Therefore, some decisions as part of the joint business activities will be dependent on the partners' consent.

The JV agreements with Starbucks have been concluded for a period of 15 years with a possibility of their extension for the next 5 years after meeting the specified conditions. Should AmRest fail 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 the Joint Venture Companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the Joint Venture Companies.

d) No exclusive rights

The franchising agreements concerning the running of KFC, Pizza Hut, Burger King and Applebee's restaurants do not contain provisions on granting AmRest any exclusive rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest's 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 Company) should appear who would be able to effectively compete with the AmRest Group restaurants is relatively limited.

In the case of Starbucks restaurants, the joint venture companies will be the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusive rights to some institutional locations.

e) 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 not 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 point of view of business practice. If this is not possible a potential loss of important restaurant locations may have an unfavourable effect on AmRest's operating results and its business activities.

Moreover, in certain circumstances AmRest may make a decision to close a given restaurant and 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 Company. Closing any of the restaurants is subject to approval by the franchisor and it is not certain that such approval will be obtained.

In the case of Russian restaurants acquired by AmRest in July 2007 the average term of the rental contracts is relatively shorter compared with AmRest restaurants in the remaining countries. This results from the specific nature of the Russian market.

f) 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 unfavourable information being circulated by the mass media concerning the quality of the products, diseases caused by them and losses incurred as a result of eating in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, and as a result of revealing unfavourable 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 and Applebee's, 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.

g) Risk related to keeping key personnel in the Company

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.

h) Risk related to labour costs of restaurant employees and employing and keeping professional staff

Running catering activities on as large a 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 Poland, the Czech Republic and Hungary (including in the catering sector) are still decidedly lower than in other European Union countries, there is a risk of outflow of qualified staff and thus a risk of the Issuer 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.

i) 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 Company cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavourable 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 or to price increases for those products. Both the deficits and product price increases may have an adverse effect on the Group's results 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.

j) Risk related to developing new brands

AmRest has operated the Burger King, Starbucks and Applebee's 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.

k) 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.

l) 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 group companies.

m) Risk of increased financial costs

The Issuer and its subsidiaries are exposed to the significant adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating and fixed interest rates. The interest rates of bank loans and borrowings and issued bonds is based on floating reference rates which are updated over periods shorter than one year. Interest on financial assets with fixed interest rates is fixed over the entire period to maturity of these instruments. 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.

n) Risk of economic slowdowns

Economic slowdowns in the Central and Eastern Europe and the United States of America 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.

o) Risk related to seasonality of sales

Seasonality of sales and inventories of the AmRest Group are not significant, which is a feature of the entire restaurants sector. On the markets of Central and Eastern Europe 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. The United States market is characterized by higher sales in the first half of the year compared with the second half. After a period of lower sales in the summer months and a slight revival related to the Christmas holidays, the first half of the year is a period of intensified traffic due to the use of gift cards, promotional coupons and a large number of days off and holidays.

p) 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 Company 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.

11 The Company’s development trends and strategy

The Issuer’s strategy is to gains a leader position in terms of sales in the segment of Quick Service Restaurants and in the segment of Casual Dining Restaurants through mergers and acquisitions and running brand-name restaurant networks which are able to achieve the required scale (annual sales at a minimum of USD 50 million) and the profitability criterion (IRR at a minimum of 20%).

The Issuer estimates that as far as the brands currently operated by the Company in Europe are concerned, the present potential of the market on which it operates is many times higher than the portfolio of restaurants it currently owns. The Company plans to significantly accelerate its growth. The Issuer will implement its strategy in Europe by continuing the development of the existing brands, increasing sales in the existing restaurants and new acquisitions in the region. The planned acceleration of growth and the considerable increase in the number of newly-opened restaurants will cause short-term pressure on the net profit margin related to increased financial costs (expenditure related to settlement of debt) and increased one-off costs related to opening of new restaurants.

The Issuer, through AmRest LLC which operates 103 Applebee’s restaurants in the United States, is present on the largest restaurant market in the world. The growth strategy on the American market assumes acquisitions and consolidations within the Applebee’s brand. The Issuer’s objective is to continue to benefit from the extensive experience of AmRest LLC’s management in consolidating the Applebee’s business and use the potential of the Applebee’s brand.

In the Company’s opinion the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand, the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

The Company intends to steadily continue its activities aimed at adding value to clients. By continuing to improve the quality of service, offering tasty meals prepared from fresh ingredients and introducing new products, the Issuer intends to deepen the clients awareness of a perfect balance between the price and value of the service.

12 True and fair financial statements

To the best knowledge of the Management Board of AmRest Holdings SE the abridged consolidated bi-annual financial statements and the comparative figures presented in the abridged consolidated bi-annual financial statements of the AmRest Group have been prepared in accordance with the binding accounting policies and they give a true, fair and clear view of the financial position of the AmRest Group and its results. The bi-annual Directors' Report included in this document provides a true image of the development and achievements and the situation of the AmRest Group, including a description of the basic risks and threats.

12.1 Selection of the registered audit company

The entity authorized to audit the financial statements, PricewaterhouseCoopers Sp. z o.o., which carried out a review of the abridged bi-annual consolidated financial statements of the AmRest Group has been selected in compliance with the provisions of the law. This entity and the registered auditors performing the review have met the conditions necessary to issue an unbiased and independent review report in accordance with the relevant regulations.

Drew O'Malley
AmRest Holdings SE
Board Member

Piotr Boliński
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Wrocław, 31 August 2011

AmRest Holdings SE Report for the First Half of 2011

Section II
Supplement to Directors' Report

Contents:

1. The position of the Management Board of AmRest Holdings SE concerning the realization of previously published prognoses concerning the results for the year

The Company did not publish any forecasts of its results.

2. Shareholders holding at least 5% of the general number of votes at the General Shareholders' Meeting of AmRest Holdings SE as at the date of the report

According to the Company's information, as at the date of submitting the bi-annual report – 31 August 2011 – the following shareholders provided information on holding directly or indirectly through subsidiaries at least 5% of the number of votes at the General Shareholders' Meeting of AmRest:

Table 6 Shareholders holding more than 5% of votes at the AGM of AmRest

Shareholders	Number of shares	Interest in share capital	Number of votes at the AGM	% of votes at the AGM
WP Holdings	6 997 853	33.00%*	6 997 853	33.00%
BZ WBK AM**	2 672 016	12.60%	2 672 016	12.60%
ING OFE	3 633 013	17.13%	3 633 013	17.13%
Henry McGovern ***	1 408 036	6.64%	1 408 036	6.64%
AVIVA OFE	1 411 207	6.65%	1 411 207	6.65%
Free float	5 083 564	23.97%	5 083 564	23.97%

*WP Holdings holds a 32.9999% share in the share capital and at the AGM of AmRest

**BZ WBK AM manages assets which include, among others, funds belonging to BZ WBK TFI
*** shares held directly by Henry McGovern and through his 100% subsidiaries, i.e. IRI and MPI

3. Description of changes in the shareholding

In the period since the last interim report (the report for the first quarter of 2011 published on 16 May 2011), the Company communicated changes in the shareholding structure listed below:

The Management Board of AmRest informed on 25 May 2011 that on 24 May 2011 it was notified by Henry McGovern, the President of the Supervisory Board of AmRest, that on 24 May 2011 he had acquired 25,000 shares in AmRest at an average price of 77.00.

As a result, Henry McGovern increased his interest in the share capital of AmRest to a total of 1,403,110 shares in AmRest, representing 6.62% of the Company's share capital and giving the right to 1,403,110 votes, i.e. 6.62% of the total number of votes at the General Shareholders' Meeting.

Before the change, Henry McGovern held a total of 1,378,110 shares in AmRest, representing 6.50% of the Company's share capital and giving the right to 1,378,110 votes, i.e. 6.50% of the total number of votes at the General Shareholders' Meeting.

Henry McGovern owns the shares of AmRest directly or through companies of which he is a 100% owner, namely International Restaurant Investments, LLC ("IRI") and Metropolitan Properties International Sp. z.o.o. ("MPI").

The Management Board of AmRest informed on 9 June 2011 that on 8 June 2011 it was notified by Henry McGovern, the President of the Supervisory Board of AmRest, that on 8 June 2011 he had acquired 3,770 shares in AmRest at an average price of 76.23.

As a result, Henry McGovern increased his interest in the share capital of AmRest to a total of 1,408,036 shares in AmRest, representing 6.64% of the Company's share capital and giving the right to 1,408,036 votes, i.e. 6.64% of the total number of votes at the General Shareholders' Meeting.

Before the change, Henry McGovern held a total of 1,404,266 shares in AmRest, representing 6.62% of the Company's share capital and giving the right to 1,404,266 votes, i.e. 6.62% of the total number of votes at the General Shareholders' Meeting.

The Management Board of AmRest Holdings SE ('AmRest") informs that on 17 June 2011 it received notification from a Member of the Supervisory Board of AmRest concerning the purchase of 50,000 shares of AmRest at an average price of 79.396.

The Management Board of AmRest informed on 1 August 2011 that as a result of selling shares on 25 July 2011 the clients of BZ WBK Asset Management S.A. ("BZ WBK AM") became the owners of 2,672,016 shares in AmRest, representing 12.60% of the Company's share capital and giving the right to 2,672,016 votes, i.e. 12.60% of the total number of votes at the General Shareholders' Meeting.

Before the change, the clients of BZ WBK AM owned 2,674,474 shares in AmRest, representing 12.61% of the Company's share capital and giving the right to 2,674,474 votes, i.e. 12.61% of the total number of votes at the General Shareholders' Meeting.

BZ WBK Asset Management S.A. manages assets, including among other things funds belonging to BZ WBK TFI S.A.

3.1. Other information on shareholding

The Management Board of AmRest does not know of any holders of securities which give special rights of control over the Company.

3.2. Changes in the number of shares or rights to shares held by members of the Company's management and supervisory bodies

	Function*	Number of share options as at 30/06/2011	Number of share options as at 31/12/2010
Henry McGovern	S	150 000	140 000
Mark Chandler	M	7 000	7 000
Piotr Boliński	M	19 700	17 300
Drew O'Malley	M	38 500	38 500

* (M) management function, (S) supervisory function

4. Information on significant proceedings related to AmRest Holdings SE or other group companies

As at the date of the report, there are no significant proceedings in progress against the Company.

5. Composition of the Group

The current composition of the AmRest Group is presented in Section V of the Report for the First Half of 2011.

The Group's offices are located in Wrocław, Poland. The restaurants currently run by the Group are located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, the United States, Spain and France.

6. Loans and borrowings in the Group

On 26 April 2011, AmRest Sp. z o.o. signed a loan agreement with AmRest TAG S.L.U. for an amount of EUR 47,720 thousand. The loan is a revolving loan and is repayable by the end of September 2016.

On 27 April 2011, AmRest Sp. z o.o. signed a loan agreement with Restauravia Food S.L.U. for an amount of EUR 10,000 thousand. The loan is a revolving loan and is repayable by the end of September 2016.

On 27 April 2011, AmRest Sp. z o.o. signed a loan agreement with Pastificio Service S.L.U. for an amount of EUR 37,280 thousand. The loan is a revolving loan and is repayable by the end of September 2016.

On 1 May 2011, AmRest LLC signed a loan agreement with AmRest Sp. z o.o. for an amount of USD 2,324 thousand. The loan is a revolving loan and is repayable by the end of April 2013.

Below is a summary of all the loans granted to related entities:

a) AmRest Holdings SE

		in PLN'000	
Borrower	Loan currency	Amount of loans granted per agreements*	Amount of loans as at 30/06/2011**
AmRest s.r.o.		25 431	26 649
AmRest Sp. z o.o.		350 000	112 774

* translated at the NBP rate as of 30/06/2011

** including interest accrued to 30/06/2011

b) AmRest Sp. z o.o.

Borrower	Loan currency	in PLN'000 Amount of loans granted per agreements*	Amount of loans as at 30/06/2011**
AmRest EOOD		12 000	4 475
AmRest Ukraina t.o.w.	USD	352***	825***
AmRest Kft		12 300	6 562
OOO AmRest	USD	969	11
AmRest TAG S.L.U.	EUR	47 720	176 527
Pastificio Service S.L.U.	EUR	37 280	148 730
Restauravia Food S.L.U	EUR	10 000	40 039

* translated at the NBP rate as of 30/06/2011

** including interest accrued by 30/06/2011

*** loan covered by a 100% write-down

c) AmRest Kft

Borrower	Loan currency	in PLN'000 Amount of loans granted per agreements*	Amount of loans as at 30/06/2011**
OOO AmRest	RUB	262 369	26 736

* translated at the NBP rate as of 30/06/2011

** including interest accrued to 30/06/2011

d) AmRest BK s.r.o.

Borrower	Loan currency	in PLN'000 Amount of loans granted per agreements*	Amount of loans as at 30/06/2011**
AmRest s.r.o.	CZK	2 133	4 691

* translated at the NBP rate as of 30/06/2011

** including interest accrued to 30/06/2011

e) AmRest LLC

Borrower	Loan currency	in PLN'000 Amount of loans granted per agreements*	Amount of loans as at 30/06/2011**
AmRest Sp. z o.o.	USD	6 395	6 433

* translated at the NBP rate as of 30/06/2011

** including interest accrued to 30/06/2011

7. Information on pledges in respect of loans or borrowings or guarantees granted by AmRest Holdings SE or the group companies

In the period covered by this report AmRest did not grant any pledges in respect of loans or borrowings or any guarantees the value of which would constitute at least 10% of the Company's equity.

8. Information on issues, redemption and repayment of debt securities

Since the publication of the report for 1Q 2011, AmRest has not issued, repaid or redeemed any debt securities.

9. Transactions with related entities concluded by the Company or its subsidiaries on terms other than on an arm's length basis

9.1. Contracts with related entities

On 25 March 2011, AmRest decided to increase the share capital of its subsidiary AmRest Kavezo Kft ("AmRest Coffee Hungary"). The share capital of AmRest Coffee Hungary was increased by a total of HUF 450,000,000 through a monetary contribution made by AmRest Sp. z o.o. and Starbucks Coffee International Inc. The Court in Budapest registered the change in the amount of share capital on 12 April 2011. After registering the change, the share capital of AmRest Kavezo Kft amounted to HUF 1,210,211,000. The shareholding structure of the company after the change remains the same: AmRest Sp. z o.o. – 82%, Starbucks Coffee International Inc. 18%.

On 12 April 2011, AmRest announced a capital increase in its subsidiary AmRest KFT ("AmRest Hungary"). The share capital of AmRest Hungary was increased by a total of HUF 250,000,000 through a monetary contribution made by AmRest Sp. z o.o. After registering the change, the share capital of AmRest Hungary amounts to HUF 5,395,460.

10. Information on dividends paid

In the period covered by the report, a dividend was paid out by a subsidiary of AmRest, SCM. SCM paid out PLN 699 thousand to a non-controlling shareholder Zbigniew Cylny.

11. Results of the AmRest Group for Q2 2011

The consolidated interim income statement should be analysed in conjunction with the notes which constitute an integral part of the abridged consolidated financial statements for the first half of 2011.

Table 3 The consolidated income statement for the 3 months ended 30 June 2011

In PLN'000	3 months ended 30 June 2011	3 months ended 30 June 2010
Revenue from restaurant operations	590 863	500 916
Revenue from franchising activities and other	24 563	6 279
Total revenue	615 426	507 195
Direct costs of restaurant operations:		
Food product costs	-186 519	-158 423
Salaries and wages and related employee benefits	-148 009	-130 715
Costs of licence (franchise) fees	-30 792	-26 420
Rental costs and other operating expenses	-173 824	-147 242
Total costs of franchising activities and other	-13 698	-6 348
Administrative expenses	-38 890	-27 106
Gain/(loss) on sale of non-financial non-current assets and assets held for sale	-	-
Impairment of assets	-1 876	-1 129
Other operating income	2 604	3 448
Total operating costs and expenses	-591 004	-493 935
Operating profit	24 422	13 260
EBITDA	62 403	40 141
Financial costs	-10 291	-9 907
Financial income	605	11 144
Share in profits/(losses) of associates	-1	17
Profit before income tax	14 735	14 514
Corporate income tax	-495	-1 728
Net profit on continued operations	11 857	12 786
Loss on discontinued operations	-495	-617
Net profit	11 362	12 169

Operating segments

	CEE	*USA*	*Western Europe*	*Russia*	*Unlocated*	*Total*
Q2 2011						
Revenue from external customers	320 041	168 709	74 028	52 648	-	615 426
Inter-segment revenue	-	-	-	-	-	-
Profit from operations	7 871	2 372	11 558	5 950	(2 370)	24 422
Finance income	-	-	-	-	-	605
Finance costs	-	-	-	-	-	(10 291)
Share of profits of associates	(1)	-	-	-	-	(1)
Income tax	-	-	-	-	-	(2 878)
Profit/(loss) for the period from continuing operations	-	-	-	-	-	11 857
Profit/(loss) for the period from discontinuing operations	-	-	-	-	-	(495)
Profit/(loss) for the period	-	-	-	-	-	11 362
Segment assets	721 803	254 476	1 004 611	234 458	88 290	2 303 638
Investments in associates	116	-	-	-	-	116
Total assets	721 119	254 476	1 004 611	234 458	88 290	2 303 754
Goodwill	26 325	121 212	331 960	140 132	-	619 629
Segment liabilities	136 792	49 451	229 291	15 862	981 931	1 413 327
Depreciation	21 698	4 692	3 662	3 298	-	33 350
Amortization	2 051	262	407	72	-	2 792
Capital investment	52 764	7 780	596 472	9 983	-	666 999
Impairment of fixed assets	1 829	-	-	-	-	1 829

	CEE	USA	Spain	Russia	Not allocated	Total
Q2 2010						
Sales – external customers	275 259	187 349	-	44 587	-	507 195
Sales – inter-segmental	-	-	-	-	-	-
Operating profit, segment results	9 478	3 675	-	3 408	(3 301)	13 260
Financial income	-	-	-	-	-	11 144
Financial costs	-	-	-	-	-	(9 907)
Share in profits of associates	17	-	-	-	-	17
Corporate income tax	-	-	-	-	-	(1 728)
Net profit/(loss) on continued operations	-	-	-	-	-	12 786
Net profit/(loss) on discontinued operations	-	-	-	-	-	(617)
Total net profit/(loss) for the year	-	-	-	-	-	12 169
Segment assets	577 233	303 120	-	251 000	423 726	1 555 079
Investments in associates	190	-	-	-	-	190
Total assets	577 423	303 120	-	251 000	423 726	1 555 269
including goodwill	25 319	149 532	-	149 029	-	323 880
Segment liabilities	114 027	60 760	-	20 217	591 212	786 216
Depreciation	16 789	4 843	-	2 312	-	23 944
Amortization	1 513	211	-	84	-	1 808
Capital expenditure	34 046	3 838	-	1 816	-	39 700
Write-downs of non-current assets	1 210	-	-	-	-	1 210
Write-down of inventories	(81)	-	-	-	-	(81)
Write-down of other assets	-	-	-	-	-	-

	Poland	*Czech Republic*	*Other segments*	*Total (CEE)*
Q2 2011				
Sales – external customers	419 847	149 374	44 153	613 374
Operating profit, segment results	23 437	1 557	(5 282)	19 712
Q2 2010				
Sales – external customers	366 724	129 401	36 902	533 027
Operating profit, segment results	31 595	(37)	(4 691)	26 867

Section III
Selected financial data

Selected financial data including the main items of the abridged interim consolidated financial statements as at and for the 6 months ended 30 June 2010

in thousand	6 months ended 30 June 2011 in thousand	6 months ended 30 June 2010 in thousand	6 months ended 30 June 2011 in EUR'000	6 months ended 30 June 2010 in EUR'000
Revenue	1 140 333	993 762	288 400	248 403
Operating profit	43 923	38 137	11 108	9 533
Profit before tax	31 176	31 453	7 885	7 862
Net profit	24 818	23 902	6 277	5 975
Net profit/(loss) attributable to non-controlling interests	1 587	(43)	401	(11)
Net profit attributable to equity holders of the parent company	23 231	23 945	5 875	5 985
Net cash from operating activities	45 907	39 014	11 610	9 752
Net cash from investing activities	(625 027)	(57 103)	(158 075)	(14 274)
Net cash from financing activities	474 353	339 144	119 968	84 773
Net increase/(decrease) in cash and cash equivalents	(104 504)	325 115	(26 430)	81 267
Total assets	2 259 417	1 555 269	566 753	375 143
Total liabilities and provisions for liabilities	1 413 327	184 280	354 519	44 450
Long-term liabilities	1 145 757	455 489	287 402	101 908
Short-term liabilities	267 570	601 936	67 117	145 192
Equity attributable to equity holders of the parent company	803 761	758 693	201 616	183 003
Non-controlling interests	42 329	10 363	10 618	2 500
Total equity	846 090	769 056	212 233	185 502
Share capital	713	622	179	150

in thousand	6 months ended 30 June 2011 in thousand	6 months ended 30 June 2010 in thousand	6 months ended 30 June 2011 in EUR'000	6 months ended 30 June 2010 in EUR'000
Weighted average number of ordinary shares (not in thousands)	21 284 076	18 981 730	21 284 076	18 981 730
Basic earnings per one ordinary share (in PLN/EUR)	1.16	1.63	0.29	0.40
Diluted earnings per one ordinary share (in PLN/EUR)	1.09	1.26	0.28	0.31
Declared or paid dividend per one share *	-	-	-	-

* In the financial years 2011 and 2010 no payments were made out of profit and no dividend was paid out.

Assets and liabilities are translated using the National Bank rate binding as at the balance sheet date. Revenue and expenses are translated at a rate approximating the rate binding as at the transaction date.

The above selected financial data has been translated into the Euro based on the following principles:

* assets and liabilities at the average rates of the National Bank of Poland as at an appropriate balance sheet date;

* the individual income statement items at the rates constituting an arithmetic mean of the NBP rates binding as at the last day of each month of the individual quarters.