AmRest Holdings SE

Consolidated

Management Board's Report

for the year 2016

16 March 2017

Contents

Letter to the shareholders

Dear Shareholders,

We have just closed another very successful year. We are happy to have continued our EBITDA growth ambition of 20%+ and accelerating topline growth. This is very much in line with our ‘AmRest 2.0’ plans we announced two years ago.

Such a track record of growing performance is rare in general as well as in retail industry globally. While celebrating this success, we are very focused on making sure we can continue this trend in the future. AmRest strong position and reputation as the leading restaurant operator globally is opening-up new opportunities for us.

Last year we have opened 146 new restaurants. This shows a great momentum in our core business and markets. This also makes us already the top restaurant developer in Europe. It is worth noting that such an unprecedented organic growth was seen across our entire portfolio of businesses. This proves that our growth platform is well diversified and healthy. We are particularly happy about the successful development of a new fast casual format of Pizza Hut Express. This, along with our commitment to grow Pizza Hut Delivery business, has resulted in signing a Master Franchise Agreement with Yum! to develop those two formats in CE. Mentioned arrangement is a clear growth milestone for us and is likely to be extended to some other markets in Europe, e.g. France, through our recent acquisition of Pizza Hut Delivery business there.

Speaking about M&A, last year brought two important acquisitions in Germany, i.e. acquiring whole Starbucks business and part of KFC chain. Adding 159 restaurants in Germany made this one of our key markets. Looking at the growth opportunities in Germany as well as the turnaround potential we are very excited about those two additions.

Starbucks acquisition in Germany adds up to a great momentum of this brand in AmRest family. After initial successful launch of the brand in Czech Republic, Poland and Hungary we got a chance to buy a high growth business in Romania, Bulgaria as well as to enter Slovakia through a greenfield investment in 2016. We see similar roll-up potential for both KFC and Pizza Hut across Europe as already evidenced by our acquisitions of KFC Germany and Pizza Hut France.

Our leadership simply brings growth opportunities.

Another important driver of our future growth next to organic development and M&A will be our investment in Digital. Just like many other industries restaurant business is influenced by rapid technological progress enabling new ways of customer interaction. AmRest desires to be at the forefront of those changes by being the leading innovator in Digital. Through our strategic partnerships and new investments, we see enormous potential to make use of best practices in this area.

Last but least, we are committed to continue our efforts in developing our internal talents to make sure we can successfully realize exciting growth opportunities ahead of us. Our Employees have always been a core pillar of AmRest. It is their passion, devotion and positive energy in every day interactions with customers that allowed us grow rapidly. We would like to cordially thank all our Employees for making AmRest a great company.

Management Board of AmRest Holdings SE

1. Selected financial data

DIAGRAM 1: REVENUES IN 2014-2016 (IN PLN'000)

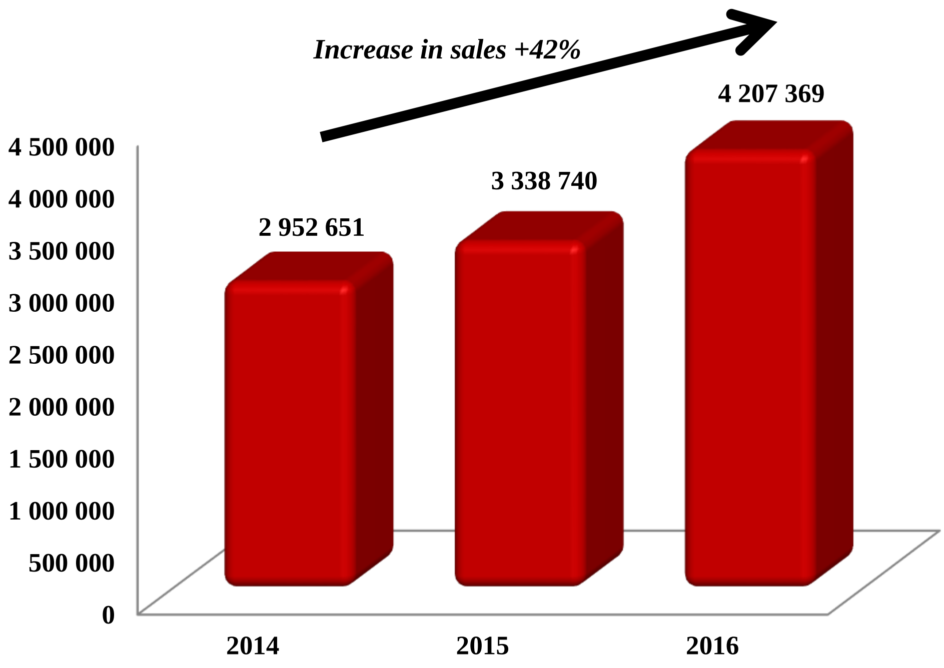


DIAGRAM 2: EBITDA IN 2014-2016 (IN PLN '000)

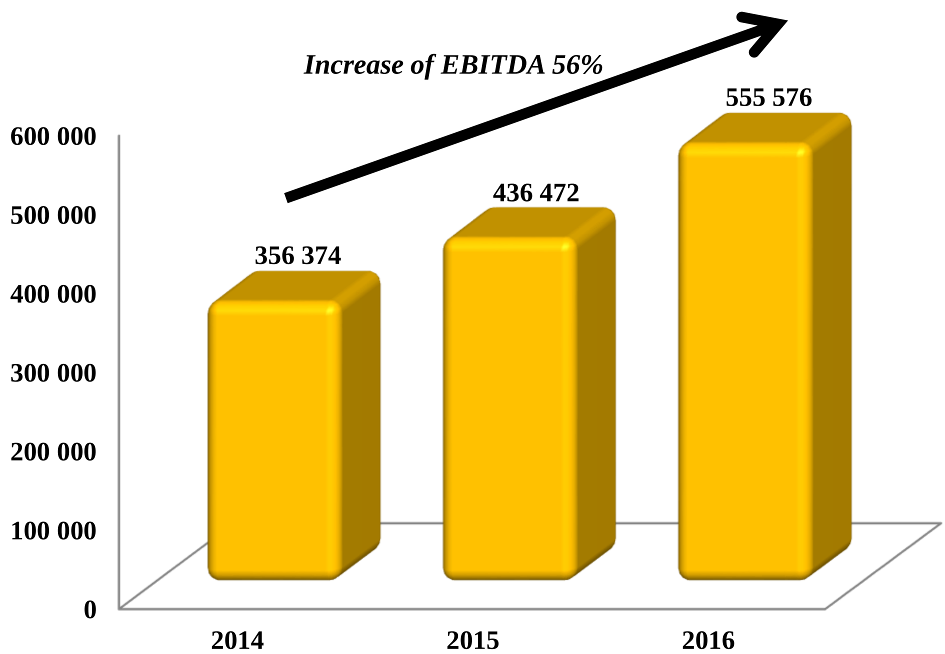
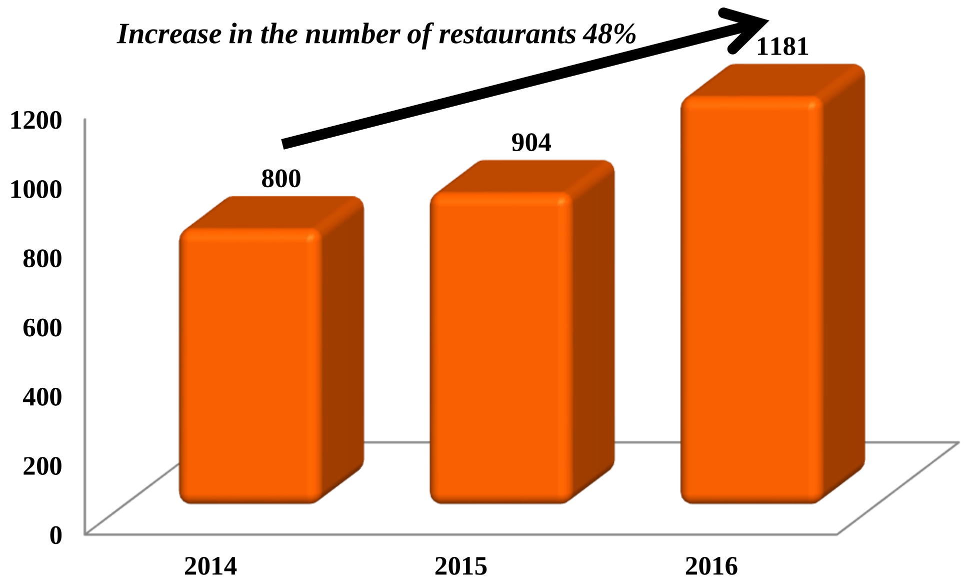
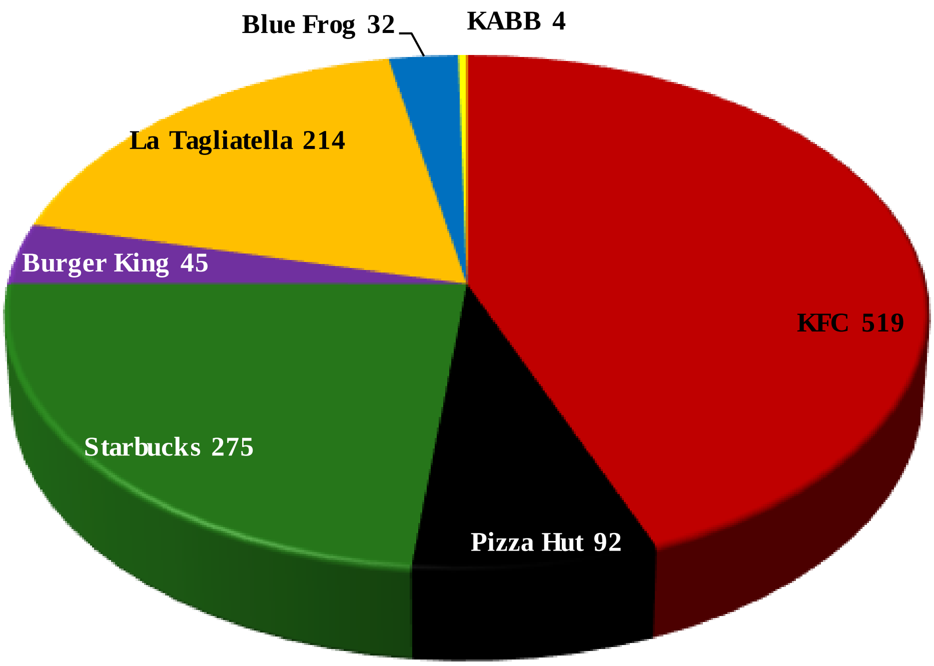


DIAGRAM 3: NUMBER OF AMREST RESTAURANTS IN 2014-2016, BALANCE AS AT 31 DECEMBER 2016



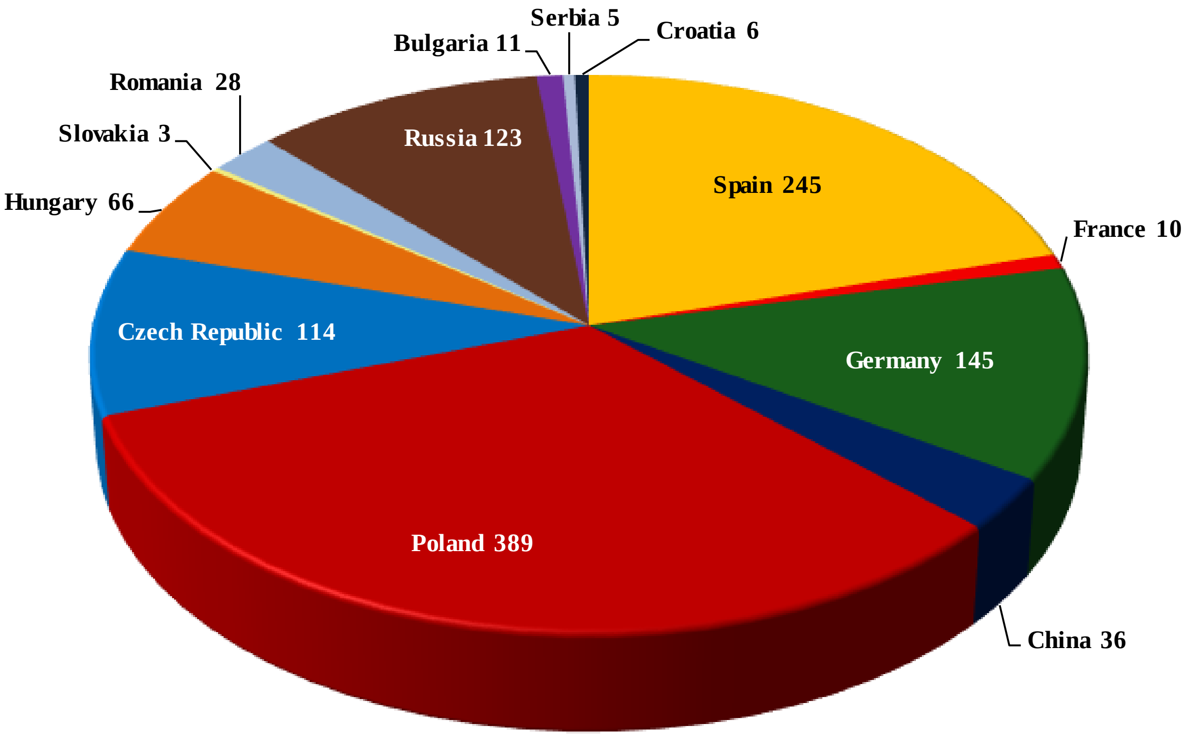
* Including restaurants operated by franchisees of La Tagliatella brand.

DIAGRAM 4: NUMBER OF AMREST RESTAURANTS BY BRAND, BALANCE AS AT 31 DECEMBER 2016



* Including restaurants operated by franchisees of La Tagliatella brand

DIAGRAM 5: NUMBER OF AMREST RESTAURANTS BY COUNTRY, BALANCE AS AT 31 DECEMBER 2016



* W tym restauracje zarządzane przez franczyzobiorców marki La Tagliatella

2. Description of the Company

2.1. Basic services provided by the Group

As at the date of publication of the report, AmRest Holdings SE ("AmRest") manages 7 restaurant brands in 13 countries of Europe and Asia. Every day over 28.5 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our "Wszystko Jest Możliwe!" ("Everything is possible!") culture.

AmRest manages its restaurants in two restaurant sectors:

- Quick Service Restaurants — KFC, Burger King, Starbucks
- Casual Dining Restaurants — La Tagliatella, Pizza Hut, Blue Frog and KABB.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points ("Drive Thru"), and deliveries for orders placed online or by telephone. AmRest restaurant menus include brand dishes prepared from fresh products in accordance with original recipes and with KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog and KABB chain standards.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants in Poland, Czech Republic and Hungary are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants. Starbucks stores in Romania and Bulgaria (acquired from Marinopoulos Coffee SEE B.V. in June 2015), Germany (acquired from Starbucks Coffee EMEA B.V. in May 2016) and in Slovakia are operated by the Company on a franchise basis. The La Tagliatella is the own brand of AmRest which became part of the portfolio in April 2011. La Tagliatella restaurants are operated both by AmRest and by entities which operate restaurants on a franchise basis. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase of a majority stake in Blue Horizon Hospitality Group LTD.

2.2. Restaurants in the Quick Service Restaurants (QSR) segment

Established in 1952, KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are almost 19 400 KFC restaurants in 115 countries in the world.

In 2016 KFC restaurants run by AmRest noted a significant increase of sales and profit.

The strong dynamics of growth in Central Europe was maintained for all the year. This growth was a result of a consistent realization of the strategy related to the improvement of a general image of the restaurants, numerous innovations concerning the products and strengthening the position in a home delivery channel. KFC introduced new offers in the "value" segment maintaining attractive prices in this category. A wide offer of promotional products in the „premium" category (burgers) and buckets (a bucket for one person) which are traditional for KFC introduced for a limited period was worth noticing. Additionally an offer of ice-cream desserts – Shake De Lux was introduced on a few markets what was very positively received by the guests of the restaurants. The costs of labour increased on majority of markets in Central Europe and according to the experts' opinions this trend can be maintained in the nearest years. At the same time a visible improvement in the remaining cost areas was observed what allowed to improve the margin significantly so it exceeded the initial assumptions.

The results on the Russian market were very good in 2016 despite the demanding macroeconomic situation in this country. Thanks to the consistently executed strategy of building the brand's strategy, product innovations

and the offer in the „value" segment, the income in comparable restaurants noted a strong one digit increase in 2016. Despite of inflation pressure and a negative influence of currency conversions on the results, the brand managed to achieve the margins which are close to the planned ones for 2016. In 2017 further works aiming at strengthening of the KFC in Russia, mainly thanks to active cooperation with the suppliers and operational improvements are planned. Openings of next restaurants in selectively chosen locations are also planned.

KFC restaurants operating in Spain starting the second quarter of 2016 noted a positive trend in the number of customers' visits. Introducing the "value segment" contributed to it as it was very positively received by the market. Strengthening this offer and introducing product innovations aiming at further increase of the frequency of the visits in the restaurants is planned in 2017. In following years the Company will be continuing the development of KFC chain in Spain mainly based on free standing restaurants.

In 2016 "home delivery" channel gained more importance. At the end of the year almost half of the restaurants in Poland provided this service. The customers besides the traditional way of ordering on the phone very willingly use both a modern website and a phone application. It is worth noticing that ordering via electronic way is related to a special opportunity of customization of one of the KFC flag ship products – a Bucket. Last year also some KFC restaurants in Czech, Serbia and Bulgaria introduced the service of home delivery.

Last year AmRest opened a record number of 56 new KFC restaurants (in total in Central Europe, Russia and Spain) at the same time it renovated almost 70 already existing ones. Especially in Spain and Hungary a dynamic increase of new openings was observed. Newly opened and renovated restaurants in Central Europe are characterized by new design which is deeply rooted in the values and the history of the brand. "Open kitchen", thanks to which the guests can see in what way the delicious KFC chicken is prepared, became a special element of the design of KFC restaurants. In each restaurant there is also information about local origin of the chicken meat and about the name of the person who plays the role of the chef. In increasing number of KFC in Central Europe the point of ordering is separated from the point of receiving the order what improves the quality and the speed of service and also facilitates more personalized contact with guests. Also in Spain and Russia the design of KFC restaurants is successively changed based on local needs and conditions.

Last year was another one when KFC brand was in the group of the best employers in a retail sector in Central Europe. Among others the „Able in AmRest" initiative related to employment of the disabled and the wide opportunity of career development in AmRest contributed to this fact. KFC brand is still involved in actions related to social responsibility on all the markets.

On the day of the report the Company runs 519 KFC restaurants - 222 in Poland, 78 in Czech, 115 in Russia, 45 in Hungary, 43 in Spain, 15 in Germany, 6 in Croatia, 5 in Serbia and 5 in Bulgaria.

Founded in 1954, the Burger King brand is the world's second largest fast food burger restaurant chain measured by the total number of restaurants. The Burger King brand is present in over than 100 countries operating over 15 700 restaurants and serving over 11 million guests on a daily basis. Burger King restaurants are quick service restaurants that feature flame-grilled burgers, chicken and other specialty sandwiches, French fries, soft drinks, and other affordably priced food items.

2016 was another record breaking year for Burger King at AmRest. The brand managed to increase the same store traffic (SST) as well as the value of average guest check (AGC). This confirmed the positive market trend set in the two previous years. The main highlight of the financial results was the profitability reached in all the countries that the Burger King brand is operated by AmRest. The major breakthrough was reached on the Czech market sending a clear signal to further focus on the development in that market.

A strong emphasis was put on operational excellence. In Poland, the Czech Republic, and Bulgaria Burger King managed to increase its guest satisfaction thanks to a new service vision training program. This was equally highlighted by an external audit result confirming rising operational capability of the brand in all of three markets. AmRest team is particularly proud of the Brno (Czech city) restaurant receiving the best result in any Burger King restaurant in Central Europe.

A noticeable improvement in the guest experience was brought by implementing the Prime design concept – a fusion of handcrafted feeling, cheerful graphics, bold color palette and American prints. All the new openings will already reflect the Prime design concept and existing restaurants will be gradually refurbished as well. Burger King portfolio was joined by a new restaurant at Polish A1 motorway followed by the Kielce Echo shopping mall and Warsaw Wola Park shopping center. An important milestone was reached on the Czech market with the opening of the Burger King Kladno restaurant, being the first expansion on the market since 2012.

These positive results were also reached thanks to the increased brand awareness on the Polish, Czech, and Bulgarian market. Burger King is an increasingly attractive brand for restaurant guests in the QSR segment. According to the latest Brand Observer report the spontaneous brand recognition went up.

The year commenced with a successful introduction of a TV commercial on the Polish market. It was very well received by guest community which was reflected in the financial results. On the Czech market, the brand pioneered paid YouTube commercials bringing over 1.000.000 views. In alignment with the other brands of AmRest, Burger King launched an intuitive mobile application in all three markets, offering its guests an overview of brand locations and offerings as well as access to attractive coupons, some of which were exclusively offered in the application.

During Q1 Burger King took part in a global marketing initiative launching the Angriest Whopper made of a uniquely hot red bun. The use of the colored bun made the brand a significant market innovator. The offer in the Czech market was enriched by introducing a breakfast menu that brought more guests during the morning hours.

The brand remains committed to the “better burger” strategy which considerably distinguishes it from the competition. Burger King offers flame grilled meat as well as the chance for its guests to taste a truly premium ingredient – angus meat. In addition to the permanent AngusXT burger offer, angus meat is a frequent addition to limited time offers. The one that was received the best was American Street Food menu - heritage American burgers adapted to the modern taste.

Burger King SST result rose thanks to the presence of value offers in all the markets. Kurak’s (burger with chicken) return was the most successful product on the Polish market – bringing back three kinds of Kurak for PLN 3.50. On the Czech and Bulgarian markets the brand initiated two strategic discount promotions – making the BigKing or 9 Nuggets available for a particularly affordable price. All these promotions were massively communicated on TV, outdoor, indoor, and through digital campaigns.

Having delivered convincing financial results in 2016, the brand shows growing importance of Burger King in the AmRest portfolio and its readiness to further growth. Furthermore, the restaurants will enhance the customer experience by redesign according to the Prime design model, continuing guest care and commitment to premium products living up to the “Have it your way” spirit of the brand.

At the date of publication of this report AmRest operates 45 Burger King restaurants – 36 in Poland, 8 in the Czech Republic, and 1 in Bulgaria.

Starbucks is the world leader in the coffee sector with more than 24 000 stores in over 70 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh food, snacks and desserts. AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Sp. z o.o.) currently operates Starbucks stores in Poland, Czech Republic and Hungary. The restaurants in Romania, Bulgaria, Slovakia and Germany are 100% owned and operated by AmRest.

2016 was a historical year for Starbucks business under AmRest operation. In late May, the Company acquired master rights to the German market alongside with 144 stores. Approximately at the same time, AmRest opened its first store in Bratislava, Slovakia adding another country to its operations. At the end of the year, there were 3 stores in Bratislava and the market was positive in cash after 6 months of operations.

The German market is a great investment into the future. With 144 stores, the country is far from saturated. Starbucks has brand recognition and a good position to expand its operations. In the next 3-5 years, AmRest plans to double the number of stores in the market. Having said that, the first years focus is on business consolidation, transition and integration to AmRest operating systems. So far, the management team has been strengthened with key positions, Partners (employees) are being trained in new operating systems and a significant investment is being done to the IT infrastructure. All of this is being done with the intention of increasing efficiency of operations, quality of work environment of the Partners and of course better and faster service for the Customers.

The Romanian and Bulgarian markets are in the final stages of integration. All systems have been changed. Both markets performed very well in 2016, with special focus on Romania. The country expanded with 9 new stores, ending the year with 28 units.

Czech Republic and Hungary have had also a very strong year that saw growth in LFL sales driven by transactions and average guest check. Great flow through on both markets significantly increased the EBITDA margin.

Poland observed a stable growth driven by transactions. The average check was flat, but that was in part caused by growth in sales generated by the loyalty program My Starbucks Rewards users. The program will see new countries this year with Romania and Hungary joining into the scheme. Building loyalty and affinity with the customers will continue to be one of the brands goals in the coming years.

2016 also brought a great development on the beverage side. In the summer the brand launched "Teavana Shaken Iced teas" which were an immediate success. The brand continues to have great success with the cold beverage platform. Frappuccino's continue to be the main driver of income during the summer season. "Cold Brew" was another innovation launched this summer in all countries. In the autumn "Teavana" hot teas were introduced and the success of Pumpkin Spice Latte and Ginger Bread Latte was continued. The brand continues to be the leading innovator in beverages in the world.

Looking into brand strategy the main areas of focus in the coming year will be strengthening the Loyalty program in all countries, focus on supply chain to deliver efficiencies and benefits from synergies for the markets as well as development and recruitment of top talent to support the growing business.

The brand will continue expanding its presence within the operating countries increasing the amount of new openings between 40-60 units in 2017. 20 of those are planned in Germany.

At the date of publication of this report AmRest operates 272 Starbucks cafes (140 stores in Germany, 52 in Poland, 28 in the Czech Republic, 16 in Hungary, 28 in Romania, 5 in Bulgaria and 3 in Slovakia).

2.3. Restaurants in the Casual Dining Restaurants (CDR) segment

La Tagliatella®

The first La Tagliatella restaurant was opened in 2003 in the small Spanish town of Reus. Since then, through opening of both equity and franchised restaurants, the brand has developed into a recognized, rapidly growing chain with well-established leadership position in the Italian Casual Dining segment in Spain.

2016 has been of special relevance for La Tagliatella as on 1st of December the brand saw the opening of restaurant number 200 in Spain. This has been a key milestone for the business and a big celebration for all the employees, that actively participated in a Mannequin Challenge under the claim “We are 200 but we don’t stay still”. The challenge was recorded across the system in restaurants, central kitchen in Lleida and headquarters in Madrid with huge involvement and excitement of whole La Tagliatella team.

2015 was already a record year in number of openings, but during 2016 La Tagliatella managed to repeat this achievement with a total number of 24 new restaurants across the Spanish geography, strengthening its leadership position in regions such as Levante or Andalucia. Likewise, with these openings La Tagliatella has incorporated several changes in the design and decoration of its restaurants, offering an updated image, and yet coherent with the heritage of the brand.

La Tagliatella continues to outperform its competitors not only in Italian segment but also in the Casual Dining category. With the milestone achievement of 600,000 fans on Facebook the brand earned its leadership also in the digital field.

The success and dynamism of La Tagliatella digital campaigns are a referent within the market achieving the highest engagement and interaction rate of the segment.

Latest success in this area has been “Fan Pizza”, signature social media campaign that year after year grows in participation and that after 4 years has managed to repeat success with almost 20,000 different recipes proposed by the brand fans.

At the beginning of 2017 La Tagliatella has implemented across equity and franchised restaurants the “Amici Program”. This is a signature loyalty program build to emphasize the brand foundations by offering Italian gourmet products to customers. Up to date the scheme gained almost 100,000 “Amici” members.

Continuous product innovation is also a key differentiator of our brand and during 2016 it was reinforced with the introduction of salad “Cremoso di Rulo di Capra” with goat cheese mousse and pasta "Vongole Veraci" with clams and Prosecco based sauce. As an additional milestone, the manufacturing area of the Central Kitchen was renovated, what allowed to increase its production capacity by 33%. This increase was well balanced over all the main product lines and therefore ensures the vertical integration model and satisfies the needs of supplying the rapidly growing business.

In international markets, it is worth to mention the good performance of Germany that continues its steady growth.

As at the publication date the portfolio of La Tagliatella consisted of 214 restaurants – 203 in Spain, 9 in France and 2 in Germany.

Pizza Hut is one of the biggest restaurant chain in the world. The brand is rooted in the United States. Inspired by Mediterranean cuisine it promotes the idea of a pleasant way of spending time among family and friends. It is also the biggest brand in Poland in the aspect of the sales level and the number of Guests in the casual dining segment. The strong position of Pizza Hut is maintained thanks to the „One Brand Three Channels" strategy and strengthening the position of an expert in pizza in all consumer occasions. Year 2016 was another very successful period for Pizza Hut operation. Besides the development of the brand in „casual dining segment" it also brought the rise of the two remaining channels of sales - Pizza Hut Delivery and Pizza Hut Express.

Traditionally the year commenced with a Pizza Festival which took place in the Pizza Hut restaurants already the seventh time. This offer, so expected by customers, allowed them to unlimitedly devour various flavors and formats of pizza served on four kinds of dough at an attractive price. The seventh edition of the Festival enjoyed a record popularity and attracted many new guests to the restaurants. The offer was promoted on TV and the Internet. An additional mechanism was used in the promotional campaign the aim of which was to attract bigger groups of customers to the restaurant – the guests who came in the group of at least four persons and ordered the Festival offer got the beverages for free. This solution had a big influence on the increase of the average check and made the Guests spend their time in larger groups of friends and acquaintances.

Spring and summer in Pizza Hut is, as every year, is a period of introducing „lighter" propositions of dishes, attractive value offer and refreshing beverages. In 2016 new products in the categories of pizza, soup and lemonade and the bestsellers in the price of 19,95 PLN appeared. All the propositions were prepared from fresh seasonal components. This offer, especially appreciated by women, influenced positively the number of transactions registered in the restaurants of the brand.

At the end of July a new version of a „My Pizza Hut" loyalty program - an innovative tool building the involvement of customers in the operations of the brand and supporting the increase of the number of their visits in the restaurants in long perspective was introduced. From the very beginning the program enjoyed a great interest of the guests who registering the visits in Pizza Hut on their account get invitations to unique events such as pre-premiere dinners (tasting the novelties form the menu) or rewards. The guests collecting the points enjoy additional benefits in the menu card and have the opportunity of taking the offers which are adjusted to their individual needs. Already over 100 thousand customers joined the program taking advantage of its benefits.

In autumn and winter a new season menu which combined new interesting flavor combinations and at the same time being a value offer appeared. For example the combination of goat cheese and a beetroot, warming up cheeses, spicy combinations of paprika and peperoni or seasonal freshly prepared soups can be given as examples.

Pizza Hut after 20 years of building the brand in Poland in Casual Dining segment in 2016 started to develop intensively 2 new channels of sales: Express (pizza prepared during 5 minutes in front of the customers eyes) and Delivery (pizza home delivery), responding to the changing trends on the market and one of the presently most important needs of consumers – „convenience".

Pizza Hut Express is the concept enabling the customers eating their favorite pizza on the way home, to work or during shopping. The restaurants aren't large, easily accessible in shopping malls, is city centers and the locations convenient for business lunch. In 2016 10 further Express restaurants were opened in Poland among others in Warsaw, Wrocław and Three-City and 2 restaurants in Hungary in Budapest. In this concept the process of pizza preparation from fresh ingredients takes less than five minutes and can be observed by the customers. It is possible thanks to limiting the menu and applying a special kind of stove adjusted to fast baking. The unique technology related to the product and operational discipline allows to promote the concept with the slogan: "We make fresh pizza during 5 minutes". In the offer there are 5 the most popular pizza flavors from Pizza Hut restaurant menu served on a traditional dough also with the option of cheese in the crust. More and more often the customers use the option of composing their pizza from the ingredients they choose.

The development of Pizza Hut Delivery is a response of the brand to the growing trend of ordering meals to home by the customers who don't like cooking or don't have time to do this. Pizza delivery earlier took place in parts of Warsaw, Wrocław, Szczecin and Leszno. In 2016 the delivery became possible in new areas of the listed cities and was introduced among others to Kraków and Poznań. Building sales of this concept is supported by actions of the dedicated marketing calendar (taking into account product innovations) and the events favoring pizza consumption at home, the biggest of which was Euro 2016. Especially for football fans supporter's sets were introduced which were especially adjusted for the character of the event – group of friends watching matches.

Additionally to guarantee an easy access to ordering Pizza Hut introduced in March a new version of the online ordering platform and in June a modern mobile application. The success of this tool is proved by its week by week growing popularity - at the end of the year the application generated already 25% of all the transactions in the Delivery channel.

At the date of publication of this report Pizza Hut runs 92 restaurants - 79 in Poland, 8 in Russia and 5 in Hungary. In 2017 further dynamic growth of the brand on European markets both within the „casual dining" concept and a new Express format and home delivery channel is planned pursuant to the agreement of August 2016 regarding the expansion of the brand in the countries of Central and Eastern Europe: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia..

Acquisition of the Blue Horizon Hospitality Group in 2012 enriched AmRest's casual dining portfolio with two brands operating in China:

- Blue Frog Bar & Grill — restaurants serving classic American bar and grill cuisine along with Asian inspired favorites in a modern, inviting atmosphere.
- KABB Bistro Bar — premium segment restaurant, serving the favorites of "western cuisine" along with a wide selection of wine and drinks.

2016 was the 4th year of AmRest presence in China - a year of further scale and operating systems development as well as leadership changes and first signs of planned Blue Frog European expansion.

Chinese economy continued to create number of challenges like varying guests sentiments, stock market fluctuations but - from the positive side - the restaurant segment was supported with favorable regulatory adjustments concerning the VAT changes which had influenced significantly China division 2016 results. Outlook for the future is even more optimistic as China plans in coming years to open across the country about 1200 new shopping malls, upgrade of 7 airports to international hubs and population of cities is expected to grow 9% annually. Potential for further AmRest expansion is continuously getting its scale.

There were 3 main strategic directions of China division development in 2016 – further integration with European business of AmRest, strengthening customer offer, brand position, geographical reach and penetration and finally establishing solid processes and systems' based platform for even faster and profitable expansion. In all three AmRest noted significant improvements.

Cross country know-how transfer and people exchange in 2016 reinforced the spirit of unity and allowed for bolder steps and plans - like new central kitchen project kick-off, IT systems improvement or people development programs and tools launching. Q4 brought changes on the country management level, which already show positive impact on the speed and flexibility of the business development.

Restaurants' portfolio was enriched by 8 new venues - strengthening Blue Frog's position mainly in Shanghai but also entering one new city, Hangzhou, which is famous for its sightseeing attractions. In June AmRest opened flagship Blue Frog restaurant at Shanghai Disney Resort. 7 million of tourists have visited this entertainment park in first 6 months of operations. With new parts of park planned to be open in next 3 years the Company expect even stronger performance from this restaurant. AmRest China continued to focus on first tier (largest) cities but is also ready to speed up test with less populous cities (1-8 million inhabitants).

Moving from middle size operator to large restaurant chain requires developing and launching of top class processes – products sourcing, logistics, training, technical infrastructure or efficient and flexible central kitchen. In all of them AmRest noted great improvements giving excellent prospects for further, faster expansion.

Blue Frog Chinese expansion and improving performance supported by new design and décor, innovative menu and excellent service standards provoked Company to consider transfer of this unique concept to Europe. Central kitchen model is already well known to the Company and developed by AmRest in the Spanish La Tagliatella, which is among the top performing restaurant chains in Europe. This, in combination with increasing demand across Europe for more "slower" dining experience and more sophisticated menu choice with reasonable price levels, allows for conscious planning of Blue Frog expansion also in Europe. The first European Blue Frog restaurant is going to be opened in the middle of 2017 in Madrid. The next step will be to launch the concept later this year in Poland.

As at the publication date, AmRest owned 33 Blue Frog Bar & Grill and 4 Kabb Bistro Bar restaurants in China.

3. Structure of revenues

Revenues of AmRest Group amounted to PLN 4 207m in 2016, growing by 26% over the year (PLN +869m). Dynamic growth was mainly supported by:

- maintained strong sales trends in comparable restaurants (LFL) on key markets of Central Europe (CE) and Spain. In particular brands, double-digit growth was observed,
- significantly increased pace of organic growth. In 2016 AmRest opened 146 new restaurants (vs 99 in 2015),
- stable growth of revenues in Russia (positive LFL trends and new openings),
- consolidation of revenues of acquired Starbucks chains (Romania and Bulgaria since mid-2015, Germany mid-2016).

TABLE 1. AMREST GROUP'S SALES BY DIVISION

Divisions	2016		2015	
	PLN '000	share %	PLN '000	share %
Central and Eastern Europe (CE)	2 254 327	53.6%	1 951 413	58.4%
Weestern Europe	1 212 674	28.8%	739 677	22.2%
Russia	465 223	11.1%	402 838	12.1%
China	229 028	5.4%	208 435	6.2%
Unallocated*	46 117	1.1%	36 377	1.1%
Total	**4 207 369**	**100.0%**	**3 338 740**	**100.0%**

*Revenues of SCM Group

The seasonality of sales and inventories of AmRest Group is not significant which is typical for the whole restaurant industry. In the CE region restaurants achieve lower revenues in the first half of the year, which is the result of lower number of days of sales in February as well as relatively less frequent visits of customers in restaurants.

4.

4. Supply chain

The situation on cereal market was stable. The cereal harvest was satisfying but due to numerous rainfalls in the harvest period the supply of consumption cereal on the local market was much lower and the grain of good quality was desired.

Due to the downturn on the world milk market which lasted till the mid 2016 the prices of dairy products and in consequence the prices of milk purchase showed falling tendencies. Only in the second half of the year together with the increase of demand for dairy products (especially in China) the rise of prices was noted. In 2016 national producers increased the production of cheeses, butter and milk. The milk market stabilized at the end of 2016. The demand was relatively big and the prices much higher than a year ago. Polish milk market is still dependent on the world market to a large extent. Initial prognoses say that 2017 should be relatively stable.

The prices of oilseeds were stable in 2016 and favored maintaining low prices of the products produces based on these products.

Also the situation on chicken market was stable due to the low prices of fodder. The investments in the branch and increasing the production capacity increased export capacity from CEE countries. Similar investments took place also on Russian market and allowed to increase the efficiency of production and its quality.

The situation which originated in the previous year was maintained on the meat market. Attractiveness of export caused by an unfavorable exchange rate of EUR vs USD and a low value of Polish currency maintained high prices in the local market.

Main elements of purchase strategy which were realized last year and will be continued in the following period are as follows:

- Long term cooperation only with the suppliers who guarantee the highest standards of service, quality and the product safety.
- Implementation of innovative solutions by following trends and cooperation with experts by „Innovation Center”,
- Consolidation of the purchases in the region,
- Following the situation on the world raw materials market and the events which can have the influence on their prices what facilitates taking appropriate decisions in appropriate time,
- Strengthening the actions and procedures on quality and food safety.
- Continuation of the distribution strategy taking new markets into account in order to optimize the costs.

The list of the largest suppliers of AmRest in 2016:

- Quick Service Logistics Polska Sp. z o.o. Sp. K. – distributor in Poland,
- Quick Service Logistics Czech s.r.o. – distributor in the Czech Republic,
- Lekkerland Deutschland GmbH & Co KG – distributor in Germany
- Conway S.A. – distributor in Spain,
- OOO RBD Distribution – distributor in Russia,
- LDS Disztribútor Szolgáltató Kft. – distributor in Hungary,
- Roldrob S.A. – supplier of chicken products in Poland,
- OOO East-West Logistic – distributor in Russia,
- Drobimex Sp. z o.o. – supplier of chicken products in Poland,
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. – supplier of chicken products in Poland,

5. Employment in AmRest

The table below shows employment in the Group in the years 2014–2016.

*TABLE 2. NUMBER OF EMPLOYEES IN AMREST (BALANCE AS AT 31 DECEMBER 2016, 2015, 2014)**

Year	**2016**	**2015**	**2014**
Employment in restaurants	27 612	22 679	22 198
Employment in administration	1 159	944	841
Total	**28 771**	**23 623**	**23 039**

* The data includes employees employed on short-term service contracts

6. Changes in the manner of management

6.1. Changes in the Parent Company's Management Board

On June 8th, 2016 the Management Board of AmRest informed, that due to the expiration in this calendar year of a three-year term of office, the mandates of two Board Members: Mr. Mark Chandler and Mr. Drew O'Malley have expired as at the date of the Annual General Meeting of the Company, i.e. June 7th, 2016. The legal basis of the expiry of the mandates was Article 369 § 4 of the Code of Commercial Companies of September 15th, 2000 (Journal of Laws no. 2000.94.1037 as amended).

On June 11th, 2016 the Management Board of AmRest informed, that on June 10th, 2016 the Supervisory Board of the Company adopted resolutions on reappointing Mr. Mark Chandler and Mr. Drew O'Malley to hold the positions of AmRest's Management Board Members. The resolutions became effective upon their adoption.

Information on reappointed Management Board Members:

Mark Chandler

Mr. Mark Chandler holds a Bachelor of Arts degree in Mathematics and Economics from Whitman College as well as an MBA in Finance and Marketing from Columbia University Graduate School of Business.

Mr. Chandler joined AmRest in November 2008 as Global Chief Financial Officer.

He previously was working as Chief Operating Officer and Chief Financial Officer for Waytronix, Inc. (LED technology) and for 23 years for Sara Lee Corporation, holding numerous positions in finance, management and operations, including roles as Group CFO EMEA and CEO Business Development Europe.

Mr. Chandler informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. Chandler is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Drew O'Malley

Mr. Drew O'Malley graduated with a Bachelor of Arts degree in Government from Georgetown University in Washington D.C. and holds an MBA from the University of Michigan Business School.

Mr. O'Malley was one of the first employees of AmRest. He previously has held multiple positions within the company, including Marketing Director, Czech Operations Director, KFC Brand President, Managing Director of Starbucks, Chief Operating Officer and Central Europe Division President. Currently he holds the position of Chief Digital Officer.

Before joining AmRest, Mr. O'Malley worked for McKinsey & Company, American Express Company and Citibank.

Mr. O'Malley informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. O'Malley is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

In the period since the publication of last report there were no changes in the composition of the Supervisory Board.

On January 31st, 2017 the Management Board of AmRest informed that it received on the same day from Mr. Jacek Trybuchowski the resignation from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation was due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

6.2. Changes in the Parent Company's Supervisory Board

On December 12th, 2016 the Extraordinary General Meeting of AmRest adopted following resolutions concerning the composition of the Supervisory Board of AmRest:

- resolution determining the number of the Supervisory Board members to be from 5 to 7 persons (Resolution No. 4),
- resolutions revoking the following persons from the Supervisory Board of the Company:
  - Zofia Dzik (Resolution no. 5),
  - Raimondo Eggink (Resolution no. 6),
  - Łukasz Rozdeiczer-Kryszkowski (Resolution no. 7),
  - Krzysztof A. Rozen (Resolution no. 8).

  The resolutions came into force upon their adoption.
- resolutions appointing the following persons as a members of the Company's Supervisory Board:
  - Carlos Fernández González (Resolution no. 9, came into force upon its adoption),
  - Pablo Castilla Reparaz (Resolution no. 10, effective from January 1st, 2017),
  - Mustafa Ogretici (Resolution no. 11, effective from January 1st, 2017).

Information on appointed members of the Supervisory Board:

Carlos Fernández González

Over the last 30 years, Mr. Carlos Fernández González has held management positions in various business sectors. These positions were highly complex and required Mr. Fernández to have a high level of skill and responsibility.

He was the CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Modelo Group. From the time he was named CEO, up to 2013, this group consolidated its position as the leading brewing company in Mexico, the seventh biggest worldwide and the world's biggest beer exporter.

He has also served on the boards of national and international companies, including Anheuser Busch (US), Emerson Electric Co. (US), Seeger Industrial (Spain), Grupo Televisa (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and Mexican Stock Exchange (Bolsa Mexicana de Valores). He has served on the advisory board of the Modelo Group and has also been a member of the international advisory board at Banco Santander, S.A. and a director of Grupo Financiero Santander México S.A.B de C.V.

Mr. Fernández is currently Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. – a company of which he was founder – which is active in Mexico, Spain and the US. He is also an independent director of Banco Santander, S.A. and a non-executive director of Inmobiliaria Colonial, S.A.

Mr. Fernández is an industrial engineer and has also studied on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa).

Pablo Castilla Reparaz

Mr. Pablo Castilla Reparaz is a Spanish citizen. He has been involved in the banking sector working for the Spanish bank Banco Santander, S.A. for the last 30 years and has broad experience in M&A transactions. He currently holds position of Managing Director of Corporate Legal Advice / Legal Manager of corporate transactions of Grupo Santander. His scope of responsibilities includes M&A transactions in many jurisdictions both EU and non–EU. Mr. Pablo Castilla Reparaz held functions of Director of Santander Direkt Bank

(Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones S.A. and Member Secretary of Open Bank S.A.

Mr. Castilla holds a Bachelor's Degree of Laws (Universidad de San Pablo) as well as a Master's Degrees in Tax Legal Advice and EU Law (ICAI – ICADE) and finished Advanced Management Program for Overseas Bankers (the Wharton School of the University of Pennsylvania). He is also a member of the Madrid Bar Association.

Mr. Castilla declared, that he meets all the criteria required for the independent member of the Supervisory Board.

Mustafa Ogretici

Mr. Mustafa Ogretici is a British citizen. He specializes in gastronomy and real estate sectors. His experience includes managing restaurants and franchising. He has owned and run restaurants in the United Kingdom since 1997. Since 2005 he has been real estate investor.

Mr. Ogretici graduated with a distinction from Cassio Campus College, Watford, where he studied Business Management and Law.

Mr. Ogretici declared, that he meets all the criteria required for the independent member of the Supervisory Board.

6.3. Composition of the Management and the Supervisory Boards

Management Board

In 2016, the Management Board of AmRest comprised:

- Drew O'Malley (excluding a period from June 7th till June 10th, 2016)
- Jacek Trybuchowski
- Mark Chandler (excluding a period from June 7th till June 10th, 2016)
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

At the date of publication of this report the composition of the Management Board of AmRest is as follows:

- Drew O'Malley
- Mark Chandler
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

Supervisory Board

In 2016, the Supervisory Board of AmRest comprised:

- Henry McGovern,
- Raimondo Eggink (until December 12th, 2016),
- Zofia Dzik (until December 12th, 2016),
- Łukasz Rozdeiczer-Kryszkowski (until December 12th, 2016),
- Krzysztof A. Rozen (until December 12th, 2016),
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,

- Carlos Fernández González,

As at the date of publication of this report the composition of the Company's Supervisory Board is as follows:

- Henry McGovern,
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,
- Carlos Fernández González,
- Pablo Castilla Reparaz (from January 1st, 2017),
- Mustafa Ogretici (from January 1st, 2017).

6.4. Functional description of the management and supervisory bodies

Principles concerning appointment and dismissal of managers and their entitlements are regulated in the Company's Statute.

The Management Board shall manage the Company's affairs and represent it. Joint action of two members of the Management Board shall be required to represent the Company.

The members of the Management Board shall be appointed and revoked by the Supervisory Board. The members of the Management Board shall be appointed for a period of three years. The Management Board shall consist of at least two members. The Supervisory Board shall specify the number of members of the Management Board.

The entitlements of the Management Board to take the decision on issue of shares are also described in §4 of the Statute of the Company:

- *The Management Board may issue shares in exchange for cash or in-kind contributions.*
- *The increase of share capital within the boundaries of authorized capital shall be carried only for the purposes of the exercise of stock options granted under any incentive management stock option plan to employees, including members of the Management Board of the Company or its subsidiaries, previously approved by the General Meeting or the Supervisory Board before June 1, 2010. Resolutions of the Management Board on the setting of issue price, or issuing the shares in exchange for contribution in kind do not require the consent of the Supervisory Board.*
- *Within the boundaries of the authorised share capital, the Management Board shall be authorised to deprive, whether in full or in part, of the pre-emptive right to shares upon the consent of the Supervisory Board. The consent referred to in the first sentence shall be given in a resolution adopted by a majority of four fifths of the votes of the Supervisory Board members.*

The Supervisory Board oversees the affairs of the Company conducted by the Management Board.

The obligations of the Supervisory Board shall comprise inter alia:

- assessment of the report of the Management Board on the Company's operation (Management Board's Report) and the financial statements for a given financial year as to their compliance with the books of account and documents as well as the facts;
- assessment of the motions of the Management Board concerning distribution of profit or coverage of losses;
- submitting to the General Shareholders' Meeting of an annual written report on the results of the assessments listed above;
- choosing of a statutory auditor in order to audit the financial statements;
- approval of the annual and long term business plans of the Company.

There are the following Supervisory Board committees in the Company: the Audit Committee and the Remuneration Committee.

7. Financial and asset position of the Group

7.1. Assessment of the Group's results and the structure of its balance sheet

TABLE 3. KEY FINANCIAL CONSOLIDATED DATA OF AMREST (2015–2016)

PLN '000, unless stated otherwise	**2016**	**2015**
Sales revenue	4 207 369	3 338 740
Operating profit before depreciation and amortization (EBITDA)	555 576	436 472
Operating margin before depreciation and amortization (EBITDA margin)	*13.2%*	*13.1%*
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)*	588 438	466 895
*Adjusted operating margin before depreciation and amortization (adjusted EBITDA margin)**	*14.0%*	*14.0%*
Operating profit (EBIT)	268 174	195 743
Operating margin (EBIT margin)	*6.4%*	*5.9%*
Net profit (attributable to AmRest shareholders)	190 564	160 036
Net margin	*4.5%*	*4.8%*
Equity	1 376 610	1 104 074
Return on equity (ROE)	*13.8%*	*14.5%*
Total assets	3 440 963	2 849 802
Return on assets (ROA)	*5.5%*	*5.6%*

* Amounts net of costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

Definitions:

Operating margin before depreciation and amortization – operating profit before amortization and depreciation (EBITDA) to sales;

Operating margin – operating profit to sales;

Net margin – 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 2015-2016)

PLN '000, unless stated otherwise	2016	2015
Current assets	588 806	522 163
Inventory	82 086	63 550
Short-term liabilities	847 626	565 546
Current ratio	*0.69*	*0.92*
Quick ratio	*0.60*	*0.81*
Cash and cash equivalents	291 641	317 871
Cash ratio	*0.34*	*0.56*
Inventory turnover (in days)	*6.20*	*6.18*
Trade and other receivables	99 384	91 929
Trade receivables turnover (in days)	*6.79*	*7.38*
Operating ratio (cycle) (in days)	*12.99*	*13.55*
Trade and other short-term payables	614 929	461 774
Trade payables turnover (in days)	*41.02*	*39.64*
Cash conversion ratio (in days)	*-28.03*	*-26.08*

Definitions:

Current ratio – current assets to current liabilities;

Quick ratio – current assets net of inventories 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;

Trade and other 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;

Trade and other 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 trade payables turnover ratio.

TABLE 5. DEBT ANALYSIS (IN THE YEARS 2015–2016)

PLN ’000, unless stated otherwise	**2016**	**2015**
Non-current assets	2 852 157	2 327 639
Liabilities	2 064 353	1 745 728
Long-term liabilities	1 216 727	1 180 182
Debt	1 262 288	1 125 364
Share of inventories in current assets (%)	*13.9%*	*12.2%*
Share of trade receivables in current assets (%)	*16.9%*	*17.6%*
Share of cash and cash equivalents in current assets (%)	*49.5%*	*60.9%*
Equity to non-current assets ratio	0.48	0.47
Gearing ratio	0.60	0.61
Long-term liabilities to equity ratio	0.88	1.07
Liabilities to equity ratio	1.50	1.58
Debt/equity	0.92	1.02

Definitions:

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 non-current assets ratio – equity to non-current assets;

Gearing – liabilities and provisions as at the end of a given period to the balance sheet total;

Long-term liabilities to equity – long-term liabilities as at the end of a given period to the value of equity;

Liabilities to equity – liabilities and provisions as at the end of a given period to the value of equity;

Debt – total long-term and short-term loans and borrowings.

Consolidated sales of AmRest Group grew by 26% in 2016 compared to the prior year (from PLN 3 339m to PLN 4 207m).

Strong top line growth resulted mainly from stable LFL trends in most of brands and markets of AmRest’s operations, accelerated pace of organic expansion as well as revenues added from acquired Starbucks chains in Romania and Bulgaria (mid-2015) and Germany (mid-2016).

The largest portion of sales growth came from Western Europe (+64%). This was achieved through mentioned addition of Starbucks Germany to Group’s portfolio and well as stable upward LFL trends in La Tagliatella Spain. As a result, by end of 2016 Western Europe accounted for 29% of total sales of AmRest. In Central Europe, revenues grew by 15.5% compared to 2015, which was driven by positive LFL trends across the markets (in some brands double-digit growth) and increased build rate (88 restaurants opened in CE in 2016). Similar growth rate was achieved in Russia (+15.5% vs 2015) thanks to positive LFL trends and additional sales from new restaurants. In China, LFL sales noted a single-digit decline through the year. However, negative trends reversed in December 2016. In 2016 The Group continued expansion of Blue Frog brand in China, leading to 10% increase in revenues of the market.

*TABLE 6. KEY FINANCIALS OF AMREST GROUP BY DIVISION (Q4 2015 AND Q4 2016)**

PLN '000	Q4 2016			Q4 2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**1 214 524**			**917 874**		
Poland	*382 129*	*31.5%*		*348 301*	*37.9%*	
Czech Republic	*136 987*	*11.3%*		*120 255*	*13.1%*	
Hungary	*67 622*	*5.6%*		*48 946*	*5.3%*	
Other CE	*41 128*	*3.4%*		*30 470*	*3.3%*	
Total CE	650 631	*53.6%*		547 972	*59.7%*	
Russia	134 958	*11.1%*		101 099	*11.0%*	
Spain	227 788	*18.8%*		197 390	*21.5%*	
Germany	146 231	*12.0%*		2 749	*0.3%*	
Other Western Europe	4 639	*0.4%*		5 911	*0.6%*	
Western Europe	378 658	*31.2%*		206 050	*22.4%*	
China	59 959	*4.9%*		52 471	*5.7%*	
Unallocated	13 083	*1.1%*		10 282	*1.1%*	
EBITDA	**151 844**		12.5%	**115 351**		12.6%
Poland	*46 094*		*12.1%*	*49 563*		*14.2%*
Czech Republic	*25 820*		*18.8%*	*22 423*		*18.6%*
Hungary	*8 437*		*12.5%*	*7 040*		*14.4%*
Other CE	*8 024*		*19.5%*	*6 050*		*19.9%*
Total CE	88 375		*13.6%*	85 076		*15.5%*
Russia	12 200		*9.0%*	6 517		*6.4%*
Spain	53 777		*23.6%*	40 646		*20.6%*
Germany	9 573		*6.5%*	-1 989		-
Other Western Europe	-1 665		-	-180		-
Western Europe	61 685		*16.3%*	38 477		*18.7%*
China	4 224		*7.0%*	351		*0.7%*
Unallocated	-14 640		-	-15 070		-
Adjusted EBITDA*	**168 547**		13.9%	**121 122**		13.2%
Poland	*49 883*		*13.1%*	*43 770*		*12.6%*
Czech Republic	*27 220*		*19.9%*	*22 798*		*19.0%*
Hungary	*10 508*		*15.5%*	*7 607*		*15.5%*
Other CE	*8 561*		*20.8%*	*6 096*		*20.0%*
Total CE	96 172		*14.8%*	80 271		*14.6%*
Russia	13 065		*9.7%*	11 317		*11.2%*
Spain	55 604		*24.4%*	42 022		*21.3%*
Germany	10 447		*7.1%*	-1 989		-
Other Western Europe	-1 664		-	-175		-
Western Europe	64 387		*17.0%*	39 858		*19.3%*
China	5 176		*8.6%*	801		*1.5%*
Unallocated	-10 253		-	-11 125		-
EBIT	**67 309**		5.5%	**38 896**		4.2%
Poland	*19 385*		*5.1%*	*24 043*		*6.9%*
Czech Republic	*16 835*		*12.3%*	*15 726*		*13.1%*
Hungary	*3 611*		*5.3%*	*4 667*		*9.5%*
Other CE	*5 434*		*13.2%*	*398*		*1.3%*
Total CE	45 265		*7.0%*	44 834		*8.2%*
Russia	2 832		*2.1%*	-708		*-0.7%*
Spain	38 282		*16.8%*	26 506		*13.4%*
Germany	2 585		-	-2 241		-
Other Western Europe	-1 740		-	-5 827		-
Western Europe	39 127		*10.3%*	18 438		*8.9%*
China	-4 986		*-8.3%*	-8 553		-
Unallocated	-14 929		-	-15 115		-

* Data have not been audited

** EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

TABLE 7. KEY FINANCIALS OF AMREST GROUP BY DIVISION (2015 – 2016)

PLN '000	2016			2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**4 207 369**			**3 338 740**		
Poland	*1 413 526*	*33.6%*		*1 294 779*	*38.8%*	
Czech Republic	*487 444*	*11.6%*		*415 848*	*12.5%*	
Hungary	*219 694*	*5.2%*		*163 096*	*4.9%*	
Other CE	*133 663*	*3.2%*		*77 690*	*2.3%*	
Total CE	2 254 327	*53.6%*		1 951 413	*58.4%*	
Russia	465 223	*11.1%*		402 838	*12.1%*	
Spain	836 531	*19.9%*		704 412	*21.1%*	
Germany	356 998	*8.5%*		11 857	*0.4%*	
Other Western Europe	19 145	*0.5%*		23 408	*0.7%*	
Western Europe	1 212 674	*28.8%*		739 677	*22.2%*	
China	229 028	*5.4%*		208 435	*6.2%*	
Unallocated	46 117	*1.1%*		36 377	*1.1%*	
EBITDA	**555 576**		13.2%	**436 472**		13.1%
Poland	*184 747*		*13.1%*	*177 527*		*13.7%*
Czech Republic	*93 190*		*19.1%*	*71 610*		*17.2%*
Hungary	*31 312*		*14.3%*	*22 998*		*14.1%*
Other CE	*23 662*		*17.7%*	*11 798*		*15.2%*
Total CE	332 911		*14.8%*	283 933		*14.6%*
Russia	50 631		*10.9%*	40 457		*10.0%*
Spain	179 505		*21.5%*	146 363		*20.8%*
Germany	13 003		*3.6%*	-4 656		-
Other Western Europe	-4 056		-	-4 819		-
Western Europe	188 452		*15.5%*	136 888		*18.5%*
China	15 103		*6.6%*	7 837		*3.8%*
Unallocated	-31 521		-	-32 643		-
Adjusted EBITDA*	**588 438**		14.0%	**466 895**		14.0%
Poland	*186 585*		*13.2%*	*175 579*		*13.6%*
Czech Republic	*95 595*		*19.6%*	*72 842*		*17.5%*
Hungary	*34 693*		*15.8%*	*24 451*		*15.0%*
Other CE	*25 155*		*18.8%*	*12 074*		*15.5%*
Total CE	342 028		*15.2%*	284 946		*14.6%*
Russia	54 414		*11.7%*	49 653		*12.3%*
Spain	184 708		*22.1%*	148 935		*21.1%*
Germany	16 047		*4.5%*	-4 656		-
Other Western Europe	-4 055		-	-4 814		-
Western Europe	196 700		*16.2%*	139 465		*18.9%*
China	17 833		*7.8%*	11 231		*5.4%*
Unallocated	-22 537		-	-18 400		-
EBIT	**268 174**		6.4%	**195 743**		5.9%
Poland	*86 994*		*6.2%*	*88 053*		*6.8%*
Czech Republic	*62 942*		*12.9%*	*47 154*		*11.3%*
Hungary	*15 922*		*7.2%*	*13 294*		*8.2%*
Other CE	*11 327*		*8.5%*	*2 683*		*3.5%*
Total CE	177 185		*7.9%*	151 184		*7.7%*
Russia	17 812		*3.8%*	14 001		*3.5%*
Spain	124 031		*14.8%*	94 386		*13.4%*
Germany	-4 328		-	-5 506		-
Other Western Europe	-5 778		-	-12 290		-
Western Europe	113 925		*9.4%*	76 590		*10.4%*
China	-8 547		-	-12 392		-
Unallocated	-32 201		-	-33 640		-

* EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

In 2016 AmRest Group delivered record high financial results for the year. Operating profit (EBIT) amounted to PLN 268m and was 37% higher than year ago. EBIT margin grew by 0.5pp and reached 6.4% in 2016. Along with significant growth of revenues, the Company achieved further economies of scale and improved its cost effectiveness. Thanks to favorable trends in food prices and savings on the side of supply chain management, gross margin of the Group increased to 71.9% (+1pp). In 2016 AmRest reported relatively lower G&A expenses (-0.6pp) and depreciation cost (resulting from decreased average cost of new openings). Abovementioned savings offset the impact of growing payroll costs. In 2016 cost of labor increased by 1pp, to large extent driven by consolidation of Starbucks Germany (0.6pp impact on Group's margin) as well as pressure on labor cost in CE and Russia.

2016 EBITDA of the Group increased by 27% over the year and amounted to record high level of PLN 556m. EBITDA margin grew by 0.1pp to 13.2%. Excluding the impact of Starbucks Germany, EBITDA of the Group grew by 24% with EBITDA margin growing to 14% (+0.9pp vs 2015).

In 2016 the business strategy of AmRest was focused on strengthening its leadership position in CE and Spain. As a result, EBITDA profit grew respectively by 17% and 23% over the year. Profits in Central Europe increased by PLN 49m on EBITDA level, mostly on the back of relatively lower cost of food, maintenance expenses and successful rent negotiations. Achieved savings were enough to offset rising labor cost, thus EBITDA margin in CE grew by 0.2pp and reached 14.8% in 2016. Outstanding business performance in Czech Republic and Romania, driven by double-digit LFL trends and further improvement of stores' effectiveness, resulted in further expansion of EBITDA margins in these countries (19% and 25% respectively in 2016). Observed EBITDA margin deterioration in Poland (-0.6pp in 2016) came mostly from lower other operating income as compared to 2015. The impact of growing pressure on labor cost was to full extent offset by savings in food cost, rent and semi-variable cost.

In Spain EBITDA margin increased to 21.5% in 2016 (+0.7pp). Stable LFL trends continued and thanks to economies of scale Spanish division reported relatively lower G&A and labor cost.

Situation in Russian market showed signs of stabilization, which was reflected in 2016 results. EBITDA profit in Russia grew over the year by 25% amounting to PLN 51m in 2016. The margin improved by 0.9pp and reached 10.9%. Successful rent negotiations and G&A savings compensated for higher labor and maintenance cost.

In 2016 AmRest continued expansion of Blue Frog chain in China. Growing scale of operations (8 restaurants added in 2016) and significant improvement of store-level effectiveness were the key drivers of doubled profitability (EBITDA increased form PLN 8m to PLN 15m for the year). EBITDA margin strengthened by 2.8pp to 6.6% in 2016, which was possible thanks to relatively lower cost of food, payroll and pre-opening expenses.

Net profit of the Group, attributable to AmRest shareholders, amounted to PLN 191m (compared to PLN 160m in 2015). This represented a 19% growth over the year.

At the end of 2016 the liquidity ratios reflected solid balance sheet structure of the Group. The long-term debt ratio decreased to 0.88 at the end of the year (vs 1.07 year ago). Net debt calculated for contractual covenants as at the end of 2016 amounted to PLN 980m. Net debt/EBITDA ratio amounted to 1.81.

7.2. Assessment of future ability to settle incurred liabilities

The Consolidated Financial Statements for the period of 12 months ending 31 December 2016 were prepared in accordance with going concern assumption by the Group in foreseeable future what assumes realization of assets and liabilities throughout the normal terms of Group business operations. The Annual Consolidated Financial Statements do not contain any adjustments that would be necessary in such circumstances. In the opinion of the Management Board, as at the date on which the Consolidated Financial Statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

7.3. Financial instruments in AmRest

AmRest uses the following financial instruments: loans, borrowings, bonds and forward transactions.

At 31 December 2016 the AmRest Group held the following committed credit lines available for use (in respect of foreign currency loans, their amounts are given in PLN, translated at the NBP rate prevailing on 31.12.2016):

- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Bank BGŻ BNP Paribas S.A. (Poland) – PLN 300 000 thousand (revolving loan in PLN, tranche D),

Detailed information on loans, borrowings and bonds as at 31 December 2016 are presented in Note 18 to the Consolidated Financial Statements and in Appendix No. 10 of the Supplement to the Management Board's Report.

Other financial instruments as at 31 December 2016, are described in Note 31 of the Consolidated Financial Statements.

7.4. Structure of key investments and capital expenditure projects

As at 31 December 2016, AmRest's investments in associates amounted to PLN 888 thousand. They were related to SCM s.r.o. shares.

7.5. Description of key domestic and foreign investments

Increases in non-current assets in the years 2015 and 2016 are shown in the table below.

TABLE 8. THE GROUP'S PURCHASES OF NON-CURRENT ASSETS (2015–2016)

PLN '000	**2016**	**2015**
Intangible assets, including:	**191 271**	**84 238**
Licences for use of Pizza Hut, KFC, Stabucks and Burger King trademarks	22 574	9 314
Goodwill	146 360	11 637
Other intangible assets	22 337	63 287
Fixed assets, including:	**483 523**	**268 995**
Buildings	244 579	159 102
Equipment	141 871	87 540
Vehicles	2 515	2 872
Other (including fixed assets under construction)	94 558	19 481
Total	**674 794**	**353 233**

Capital expenditure incurred by AmRest Group in 2016 related mainly to construction of new restaurants, renovation of existing stores and acquisition of 144 Starbucks coffee shops in Germany in May 2016. The goodwill increased in 2016 by PLN 146m, driven by mentioned M&A in Germany. The PLN 215m increase in capital spending on fixed assets resulted mainly from accelerated pace of organic expansion and acquisition of Starbucks in Germany (PLN 74m allocated on fixed assets). In 2016 capital expenditure was financed mainly with operating cash flows and bank loans.

As at the end of 2016, AmRest was operating 1 181 restaurants (904 as at the end of 2015). In 2016 the Group opened 146 new restaurants, acquired 144 restaurants, 13 restaurants were closed.

TABLE 9. NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2016

	AmRest	**Franchisees**	**Total**
As at the end of 2015	782	122	**904**
Openings	132*	14	**146**
Acquisitions	144	0	**144**
Closings	-10	-3*	**-13**
Total	**1048**	**133**	**1181**

* Data include 1 conversion of La Tagliatella franchised restaurant into equity restaurant.

As at March 16th, 2017 AmRest operates 1 194 restaurants.

TABLE 10. NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Countries	Brands	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016	16.03.2017
Poland	**TOTAL**	**346**	**345**	**355**	**361**	**389**	**389**
	KFC	206	206	208	212	222	222
	BK	33	33	34	35	36	36
	SBX	40	40	43	44	52	52
	PH	67	66	70	70	79	79
Czech	**TOTAL**	**102**	**103**	**104**	**106**	**114**	**114**
	KFC	71	71	71	73	78	78
	BK	7	7	7	7	8	8
	SBX	24	25	26	26	28	28
Hungary	**TOTAL**	**49**	**49**	**50**	**55**	**66**	**66**
	KFC	35	35	35	39	45	45
	SBX	12	12	13	14	16	16
	PH	**2**	**2**	**2**	**2**	**5**	**5**
Russia	**TOTAL**	**109**	**111**	**119**	**120**	**123**	**123**
	KFC	101	103	111	112	115	115
	PH	8	8	8	8	8	8
Bulgaria	**TOTAL**	**11**	**11**	**11**	**11**	**11**	**11**
	KFC	5	5	5	5	5	5
	BK	1	1	1	1	1	1
	SBX	5	5	5	5	5	5
Serbia	**TOTAL**	**5**	**5**	**5**	**5**	**5**	**5**
	KFC	5	5	5	5	5	5
Croatia	**TOTAL**	**5**	**5**	**5**	**6**	**6**	**6**
	KFC	5	5	5	6	6	6
Romania	**TOTAL**	**19**	**19**	**19**	**22**	**28**	**28**
	SBX	19	19	19	22	28	28
Slovakia	**RAZEM**	**0**	**0**	**1**	**2**	**3**	**3**
	SBX	0	0	1	2	3	3
Spain	**TOTAL**	**216**	**219**	**227**	**232**	**245**	**246**
	TAG - own restaurants	65	66	67	68	77	74
	TAG - franchised units	115	116	123	124	125	129
	KFC	36	37	37	40	43	43
France	**TOTAL**	**10**	**10**	**10**	**10**	**10**	**9**
	TAG - own restaurants	4	4	5	5	5	4
	TAG - franchised units	6	6	5	5	5	5
Germany	**TOTAL**	**2**	**2**	**145**	**145**	**145**	**157**
	SBX	**0**	**0**	**143**	**143**	**143**	**140**
	TAG - own restaurants	2	2	2	2	2	2
	KFC	0	0	0	0	0	15
China	**TOTAL**	**29**	**30**	**32**	**34**	**36**	**37**
	Blue Frog	25	26	28	30	32	33
	KABB	4	4	4	4	4	4
	TAG - own restaurants	0	0	0	0	0	0
USA	**TOTAL**	**1**	**0**	**0**	**0**	**0**	**0**
	TAG - own restaurants	1	0	0	0	0	0
	TAG - franchised units	0	0	0	0	0	0
TOTAL AmRest		**904**	**909**	**1083**	**1109**	**1181**	**1194**

7.6. Insurance contracts

TABLE 11. INSURANCE CONTRACTS (AS AT THE END OF 2016)

The Insured	Type of insurance	The Insurer
A master property insurance agreement for all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	All risks property insurance All risks insurance of loss of profit Electronic property policy insurance	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A master general liability insurance policy for all operations of all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	General liability insurance in respect of operations and property with extensions	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A policy underwritten in Spain covering Spain, France and Germany	All risks property insurance All risks insurance of loss of profit General liability cover	AIG
A policy underwritten in Spain covering Spain, France and Germany	Cargo transport Construction All Risk	AIG HDI
Policy for companies in USA	General liability cover	Essex Insurance Company
Policy for companies in China	All risks property insurance General liability cover Cash insurance	AIG CHUBB AXA
Policy for companies in China	Employer liability insurance Group Health Insurance for Employee	PICC Met Life
General liability policy for the authorities of the commercial companies for all Group companies including the USA	D&O insurance	ACE European Group Limited [local policy in China underwritten by Lloyd’s and in Serbia underwritten by Wiener Śtaedtische VIG]
Motor insurance in Poland	All risks, Third party and Accident insurance	Ergo Hestia

7.7. Major events with a significant impact on the Company's operations and results

On January 22nd, 2016 AmRest informed about signing on the same day the termination of the Distribution Agreement concluded on April 17th, 2008 between AmRest Kft (formerly American Restaurants Kft) and AmRest Kávézó Kft (together called "AmRest Hungary") and LDS Disztibútor Szolgáltató Kft (formerly Lekkerland Export-Import Kft, hereinafter "Distributor 1") ("Agreement 1"). The Agreement was announced in the current report RB 23/2008 dated April 18th, 2008.

The subject of the Agreement 1 were distribution services provided by Distributor 1 to the restaurants operated by AmRest Hungary.

Dissolution of the Agreement 1 shall be effective on June 1st, 2016.

The Agreement 1 was terminated by AmRest Hungary due to the Company's strategy of consolidating the distribution in Central and Eastern Europe. Termination of the Agreement 1 will not have financial consequences for the Company, as well as its subsidiaries (including AmRest Hungary).

On January 22nd, 2016 AmRest informed also that AmRest Coffee SK s.r.o. and Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on January 22nd, 2016 the Area Development and Operation Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in the Slovak Republic (collectively: the "Agreements"). AmRest Coffee SK s.r.o. is the company created by AmRest s.r.o. and AmRest Sp. z o.o., 100% subsidiaries of AmRest. Agreements came into force upon their signing.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for an additional 5 years upon the fulfillment of certain conditions. AmRest Coffee SK s.r.o. will be the only entity with the right to develop and operate Starbucks stores in the Slovak Republic during the term of the Agreements with non-exclusive rights to certain institutional locations and sale channels.

The key fees and costs to be borne by the AmRest Coffee SK s.r.o. will be:

- the services fee for initial operation support in an amount equal to the costs incurred by Starbucks in this regard,
- the initial franchise fee of USD 25 thousand for each Starbucks store,
- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,
- the fee creative services equal to 1% of sales revenues of each Starbucks store.
- a local marketing spend obligation is to be mutually agreed annually.

AmRest Coffee SK s.r.o. agreed to open and operate Starbucks stores in strict accordance with the development schedule which includes the minimum numbers of openings in each year within the Agreements' period. If AmRest Coffee SK s.r.o. fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the Agreements. The Agreements include the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

On April 20th, 2016 Management Board of AmRest announced signing of a Sale and Purchase Agreement (the "SPA"), dated April 19th, 2016, between AmRest Capital ZRT ("Buyer 1"), AmRest Kaffee Sp. z o.o. („Buyer 2") (collectively „Buyers"), AmRest Work Sp. z o.o. ("New General Partner") and AmRest Holdings SE ("Guarantor"), Starbucks Coffee EMEA B.V. ("Seller") and Starbucks EMEA Ltd ("Hitherto General Partner"). Under the terms of the SPA Buyers acquired 100% partnership interest in Starbucks Coffee Deutschland Ltd & Co. KG ("Starbucks Deutschland") and the hitherto General Partner of Starbucks Deutschland was replaced with New General Partner. Estimated purchase price was expected at ca. EUR 41 million (ca. PLN 178 million). Final purchase price was to be determined as at the day of the transaction closing.

Starbucks Deutschland was an operator of Starbucks stores in Germany (which were the subject of SPA) and a subsidiary of Starbucks Corporation - the owner of the Starbucks brand. At the date of the SPA signing Starbucks Deutschland managed 144 equity restaurants in dozens cities across the country. Estimated revenues of Starbucks Deutschland in the financial year 2015 amounted to approx. EUR 131 million (ca. PLN 564 million) and EBITDA profit calculated for the purpose of purchase price estimation stood at approx. EUR 6 million (ca. PLN 25 million).

The parties of SPA intended to close the transaction by the end of May 22nd, 2016 ("Completion"). The SPA did not provide for additional conditions the Completion is contingent upon, beyond the standard material adverse change clause ("MAC"). SPA should enter into force on May 23rd, 2016. On or before that day, Starbucks Deutschland should be renamed to AmRest Coffee Deutschland Sp. z o.o. & Co. KG ("AmRest Coffee Deutschland").

Simultaneously, Management Board of AmRest informed that StarbucksCoffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on April 19th, 2016 the Area Development and Operation Agreement ("ADOA") and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Germany (collectively: the "Agreements"). Agreements were conditional and were to come into force after the Completion of the SPA.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for additional 5 years upon the fulfillment of certain conditions.

The key fees and costs to be borne by the AmRest Coffee Deutschland would be:

- the initial franchise fee of USD 25 thousand (ca. PLN 95 thousand) for each new location opened,

- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,

- a local marketing spend obligation is to be mutually agreed annually (for the first year of the Agreements, the amount shall be 4 percent of sales).

AmRest Coffee Deutschland agreed to open and operate Starbucks stores in strict accordance with the development schedule specified in the Agreements. If AmRest Coffee Deutschland fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the ADOA and Supply Agreement. The Agreements included the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

In the opinion of the Management Board of AmRest there is a great potential for development of Starbucks brand in the German market. The Company's intention is to triple the scale of that business within the coming years.

Announced acquisition is another milestone in building the leading position of AmRest in European restaurant market. Management Board of the Company believes that the addition of well positioned Starbucks business in Germany will contribute to value creation for AmRest's shareholders.

On May 23rd, 2016 the Management Board of AmRest informed about the Completion on the same day of the SPA. As a result of the Completion Buyers acquired 100% partnership interest in Starbucks Deutschland at total price of EUR ca. 40 million (PLN ca. 177 million) and the General Partner of Starbucks Deutschland was replaced with New General Partner.

Under the terms of the SPA Starbucks Deutschland was renamed to AmRest Coffee Deutschland. As a result of the Completion AmRest became an operator of 144 Starbucks stores in dozens cities across the German market.

Simultaneously, Management Board of AmRest informed that the Area Development and Operation Agreement and Supply Agreement between AmRest Coffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. concerning the rights and license to develop, own and operate Starbucks stores in Germany came into force.

On May 6th, 2016 the Management Board of AmRest informed in regards to the Credit Agreement ("the Agreement") referred to in RB 61/2013 dated September 10th, 2013, about signing on May 6th, 2016 an Annex to the Agreement introducing amended and restated version of the credit agreement („the Amended Agreement") between AmRest, AmRest Sp. z o.o. („AmRest Poland") and AmRest s.r.o. („AmRest Czech") – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank BGŻ BNP Paribas S.A. and ING Bank Śląski S.A. – jointly „the Lenders". AmRest Poland and AmRest Czech are 100% subsidiaries of AmRest.

Based on the Amended Agreement the Lenders granted to the Borrowers an additional credit tranche ("Tranche E") in the amount of EUR 50 million and increased revolving credit tranche ("Tranche D") by PLN 100 million. The amount granted within Tranche E was dedicated to finance or refinance costs of M&A activities, while increased revolving credit was to finance working capital and capital expenditures.

The tranches were provided at the variable interest rates and other terms of the traches were consistent with the market conditions. All Borrowers bear joint liability for any obligations resulting from the Agreement.

Both tranches are to be repaid in full by September 10th, 2018.

The Amended Agreement was defined as significant agreement because its value exceeded the level of 10% of AmRest equity.

On May 20th, 2016 the Management Board of AmRest informed about signing on the same day the distribution agreement ("the Agreement 2") between AmRest's subsidiaries – AmRest Kft and AmRest Kávézó Kft (jointly "AmRest's subsidiaries") and Quick Service Logistics Hungaria Bt ("Distributor 2").

On the basis of the Agreement 2 the Distributor 2 deals with purchasing, warehousing and sale of products for the restaurants operated by AmRest's subsidiaries in Hungary.

Estimated value of the contract was PLN 167 million (HUF 12 billion). The Agreement 2 has been signed for a period from May 30th, 2016 to May 31st, 2019with an option to extend the term for an additional two years.

Signing of the Agreement 2 was a result of the Company's strategy aimed at consolidating the distribution in Central and Eastern Europe.

The Agreement has been considered as significant because of its value, which exceeded 10% of AmRest equity as of March 31st, 2016.

On May 24th, 2016 the Management Board of AmRest informed about signing on May 23rd, 2016 the Binding Head of Terms ("HoT") determining the key terms and conditions on, and subject to which, Pizza Hut Europe ("PH Europe") would be willing to proceed with a potential transaction with AmRest whereby AmRest and PH Europe would enter into a Definitive Agreement, Master Franchise Agreement ("MFA"), Development Agreement ("DA") and related International Franchise Agreements and Shareholder Deed(s) (collectively: the "Agreements"). The Agreements determined the rights and license to develop, own and operate Pizza Hut restaurants in countries of Central and Eastern Europe: Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia.

According to the HoT AmRest, as a master-franchisee, would have the right to granting the license to the third parties to operate Pizza Hut restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

On July 1st, 2016 the Management Board of AmRest informed about signing on June 30th, 2016 the Amendment to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On July 15th, 2016 the Management Board of AmRest informed about signing on July 15th, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 31st, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 1st, 2016 the Management Board of AmRest informed about signing on July 31st, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to August 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 16th, 2016 AmRest informed about signing on August 15th, 2016 the MFA and DA with PH Europe.

The provisions of the Agreements entered into force on October 1st, 2016.

According to the MFA AmRest, as a master-franchisee, obtained the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions.

The DA was concluded for a period of 5 years and will be prolonged for another 5 years on terms and conditions to be determined by the parties.

In order to facilitate the growth of scale of Pizza Hut business, PH Europe introduced an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the DA.

Upon entry into force of the Agreements AmRest is required to open and operate Pizza Hut Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the Agreements' term. If AmRest fails to meet the development obligations, PH Europe will have the right to increase the Reduced Fees and change the terms or terminate the MFA and/or DA. The Company's intention is to open about 300 Pizza Hut restaurants within 5 years.

In the opinion of the Management Board of AmRest there is a great potential for growing Pizza Hut brand in Central and Eastern Europe. Master-franchisee right will contribute to strengthening AmRest's leadership position of restaurant operator in the region and drive the value creation for AmRest's shareholders.

On November 30th, 2016 the Management Board of AmRest announced the signing of an assets sale and transfer agreement (the "APA"), dated November 30th, 2016, between AmRest Holdings SE ("Buyer 3") and Kentucky Fried Chicken (Great Britain) Ltd., German Branch ("Seller"). Under the terms of APA Buyer acquired 15 KFC restaurants operating in the German market. Estimated purchase price was expected at ca. EUR 10.3 million (ca. PLN 45.6 million). Final purchase price was to be determined as at the day of the transaction closing.

Estimated revenues of the restaurants in the twelve months period ended on August 31st, 2016 amounted to EUR 27.4 million (ca. PLN 121.5 million).

The parties of APA intended to close the transaction within a couple of months ("Completion 3"). The Completion 2 was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change ("MAC").

The transaction was to be financed with AmRest's available cash.

In the opinion of the Management Board of AmRest, great potential for development of KFC brand in the German market, combined with the Company's over 20 years' experience in running KFC restaurants will allow AmRest to substantially increase the scale of that business within the coming years.

On March 1st, 2017 the Management Board of AmRest announced the Completion 3 on March 1st, 2017 of the APA.

As a result of the Completion 3 AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million).

All the approvals and conditions the Completion was contingent upon in accordance with the APA had been obtained and fulfilled.

On December 20th, 2016, in regards to RB 21/2014 dated April 4th, 2014, the Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement PL") between AmRest's subsidiaries – AmRest Sp. z o.o., AmRest Coffee Sp. z o.o.("Polish Subsidiaries") and Quick Service Logistics Polska Sp. z o.o. sp.k. („QSL Poland").

On the basis of the Agreement PL QSL Poland deals with purchasing, warehousing and sale of products for the restaurants operated by Polish Subsidiaries in Poland.

The Annex extended the term of the Agreement PL by 3 years, i.e. to October 6th, 2023. Other conditions of the Agreement PL remain unchanged.

Extension of Agreement PL caused increase of its estimated value of about 1 billion PLN, which exceeded 10% of AmRest equity as of September 30th, 2016.

Simultaneously, in regards to RB 37/2012 dated September 18th, 2012, Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement CZ") between AmRest's subsidiaries – AmRest s.r.o., AmRest Coffee s.r.o. ("the Czech Subsidiaries") and Quick Service Logistics Czech s.r.o. ("QSL Czech").

On the basis of the Agreement CZ QSL Czech deals with purchasing, warehousing and sale of products for the restaurants operated by Czech Subsidiaries in the Czech Republic.

The Annex extended the term of the Agreement CZ by 5 years, i.e. to October 31st, 2022. Other conditions of the Agreement CZ remain unchanged.

Extension of Agreement CZ resulted in increase of its estimated value of CZK 2.25 billion, being about PLN 370 million, which exceeded 10% of AmRest equity as of September 30th, 2016.

On January 25th, 2017 the Management Board of AmRest announced the signing of a Share Purchase Agreement ("SPA 2"), dated January 24th, 2017, between AmRest and Top Brands NV ("Seller"). Pursuant to SPA 2 AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction.

Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. At the date of the SPA 2 signing Pizza Topco operated 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. In 2016 fiscal year the network generated the system sales of approx. EUR 67.6m (PLN 295.6m). The consolidated revenues of Pizza Topco amounted to ca. EUR 14.5m (approx.. PLN 63.4m).

Both parties intended to close the transaction within couple of months. The completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner), etc.

The acquisition of Pizza Topco fits perfectly the plans of accelerated development of the Pizza Hut brand initiated by signing in August 2016 the master franchise agreement for Central and Eastern Europe countries. AmRest intends to develop in France both the Pizza Hut Delivery and Express concepts.

The Management Board is confident that the addition of Pizza Hut Delivery business in France is a great strategic move that will be accretive to AmRest shareholders.

On January 25th, 2017 the Management Board of AmRest announced signing on March 15th, 2017 the Binding Head of Terms 1 ("HoT 1") determining the key terms and conditions on, and subject to which, KFC France SAS ("KFC France") would be willing to proceed with a potential transaction with AmRest whereby (i) KFC would sell and AmRest would buy 42 equity restaurants run by KFC France ("KFC Business") in the French market, and (ii) KFC and the Company would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant (collectively called the "Contemplated Transaction").

The purchase price for the KFC Business is subject to the results of a due diligence to be carried out by AmRest.

It is the intention of AmRest and KFC France that the final agreements (the agreements required for closing of the Contemplated Transaction) shall be signed no later than April 30th, 2017, and closing of the Contemplated Transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30th, 2017. If the parties fail to sign the final agreements by August 1st, 2017 the HoT 1 shall terminate immediately, unless otherwise agreed in writing by both parties.

In the opinion of the Management Board of AmRest there is a great potential for growing KFC brand in Western Europe. Acquisition of a number of KFC French restaurants will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Europe as well as drive the value creation for AmRest's shareholders.

7.8. Information on significant transactions with related parties concluded by the Issuer or its subsidiaries on terms other than market's conditions

In the reporting period there were no transactions with related parties concluded within the AmRest Group on terms other than market's conditions.

7.9. Major achievements of the Company in the field of research and development

The Company does not conduct research and development activities. Innovative products introduced to the menu of restaurants operated by AmRest are described in sections 2.2 and 2.3 of this Report.

8. The AmRest Holdings SE Group in 2016

8.1. Planned investment activities and assessment of their feasibility

Investment activities of AmRest Group are focused on strengthening its leadership position and further expansion of scale in Europe through dynamic organic development and M&A activities. Additionally, continued improvement of operating efficiency and increased effectiveness in capital allocation positively impact long-term value creation for shareholders. The ’80/20 investment strategy’, focused on development of proven and mature brands of AmRest‘s portfolio, assumes further expansion of KFC and Starbucks brands in Europe, as well as continued roll-out of La Tagliatella restaurants in Spain.

Favorable macro trends in CE and Spain, increased traffic in restaurants of the Group and growing average spending on dining-out indicate continuation of upward trends in restaurant industry. In the light of the above, AmRest plans to increase investment activity within mentioned brands.

In 2016 AmRest opened 146 new restaurants, significantly increasing development pace vs previous years. Management of the Company recognized substantial white space for expansion within existing portfolio in current markets of operations. Improved process of site selection, decreased average cost of new openings and strengthened margins across the board translated into higher returns on invested capital. Successful roll-out of ‘lighter’ formats of KFC Kiosk, Pizza Hut Express and Pizza Hut Delivery allows to enter new segments and increase the penetration of restaurant market. All the above, combined with a solid pipeline of new openings should lead to increased pace of organic expansion in 2017.

The plan of new openings will be adjusted on an on-going basis to the current market conditions and access to attractive locations in each country. Management of the Group is very restrictive and selective in allocation of available capital to ensure minimum 20% IRR on each investment.

AmRest monitors recent developments in the M&A market for the potential acquisition that fit in the strategy of the Group. Current portfolio of the Company as well as existing markets of operation are the two filters of potential M&A activity.

AmRest Management assumes the long-term growth to be financed mainly with own funds and debt financing.

8.2. External and internal factors which are significant to the Company’s development

Listed below are the factors that, in the opinion of the Management Board, had a significant effect on the Company’s future development and results.

8.2.1. External factors

The external factors include:

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- consumer habits and trends as to the number of people using the restaurants,
- number and location of the competitors’ restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Croatia, Romania, Slovakia, Spain, France, Germany and China.

- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets.

8.2.2. Internal factors

The internal factors include:

- gaining and training the human resources necessary for the development of the existing and new restaurant networks,
- obtaining attractive locations,
- effective launching of new brands and products,
- building an integrated information system.

9. 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 on-going basis.

9.1. 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.

9.2. Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania, Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

The duration of the franchising agreements related to the KFC, Pizza Hut and Burger King brands is 10 years. AmRest has the option of extending this period for the next 10 years provided that it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuation fee.

Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period. In the case of KFC and Pizza Hut restaurants, the first period commenced in 2000, in the case of Burger King, the first period commenced in 2007 with the opening of the first restaurant of this brand.

Franchise agreements for Starbucks stores in Romania are valid till 2023, in Bulgaria until 2027 and in Germany until 2031.

9.3. Dependency on joint venture partners

AmRest opens Starbucks restaurants through joint venture Companies in Poland, the Czech Republic and Hungary, based on a 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 joint venture agreements with Starbucks were concluded for a period of 15 years with a possibility of their extension for the next 5 years upon meeting the specified conditions. 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.

9.4. No exclusive rights

The franchising agreements concerning the running of KFC, Pizza Hut and Burger King 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 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 are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusive rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

9.5. Rental agreements and continuation options

Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental (assuming that all continuation options are exercised, on specified terms, and not including contracts which are subject to periodic renewal, unless they are terminated, and contracts concluded for an indefinite period). A number of rental contracts grant AmRest the right to prolong the contract provided that the Company complies with the terms of rental. Regardless of whether the terms are complied with or not, there is no guarantee that AmRest will be able to prolong a rental contract on terms satisfactory from the 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 and Chinese restaurants acquired by AmRest accordingly in July 2007 and December 2012, 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.

9.6. 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 damages to health as a result of eating in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog and KABB, 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, La Tagliatella, Blue Frog and KABB, 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.

9.7. 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.

9.8. Risk related to labour costs of restaurant employees and employing and keeping professional staff

Running catering activities on such a large scale as the Issuer does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Due to the fact that salaries in 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 Company being able to ensure the appropriate staff necessary for providing the highest quality catering services. In order to avoid the risk of losing qualified staff it may be necessary to gradually increase the salary rates, which may have an adverse effect on the financial standing of the Issuer. Additional risk in employment area may be caused by fluctuations in unemployment rate.

9.9. 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 by the Company or to price increases for those products. Both the deficits and product price increases may have an adverse effect on the Group‘s results, operations and financial standing. In order to mitigate this risk (among others) AmRest Sp. z o.o. concluded a contract with SCM Sp. z o.o. for the provisions of services comprising intermediation and negotiating terms of delivery to restaurants, including negotiating terms of distribution agreements.

9.10. Risk related to developing new brands

AmRest has operated the Burger King, Starbucks, La Tagliatella, Blue Frog and KABB 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.

9.11. 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.

9.12. Currency risk

The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in the individual Capital Group companies. The Company adjusts its currency portfolio of debt to the geographical structure of its profile of activities. Additionally, AmRest uses forward contracts to secure transaction risks on a short term basis.

9.13. Risk related to the current geopolitical situation in the Ukraine and Russia

Russia is one of the largest markets for AmRest. The recent geopolitical and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Ruble, higher interest rates, reduced liquidity and consumer confidence. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the supply chain, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations however it is being monitored in order to adjusts strategic intentions and operational decisions, which will minimize business risks.

9.14. 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.

9.15. Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2016, the Company has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

9.16. Risk of economic slowdowns

Economic slowdown in the countries where AmRest runs its restaurants may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

9.17. Risk related to seasonality of sales

The seasonality of sales and inventories of AmRest is not significant, which is typical for the restaurant industry. On the European market restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants.

9.18. 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.

10. Company’s strategic development directions

AmRest’s strategy is to leverage its unique “Anything Is Possible” culture, international capability and superior brand portfolio to grow scalable (min. USD 50m annual sales) and highly profitable (min. 20% IRR) restaurants globally.

In the upcoming years, the Group plans to strengthen its leadership position of restaurant sector in Europe. The growth will be mainly driven by increased pace of new openings as well as potential M&A activities within existing portfolio of the Group.

Encouraged by favourable macro trends, solid operational performance, strong margins and improved returns on invested capital, the Company will focus on further expansion of KFC, Starbucks and La Tagliatella brands. In addition, the master-franchise agreement for development of Pizza Hut Express and Delivery formats in CE creates new white space for future growth of scale.

In a long-term perspective, the Company will continue its efforts aimed at building attractive growth platform in new markets of Europe. Strengthening the portfolio of proprietary brand will play an important role in this area.

Company’s strategic development directions will be also determined by current trends in restaurant industry as well as changing patterns in consumers’ behaviours. Growing share of delivery segment and development of new technologies are important factors shaping the future investment plans of the Group.

11. Management Representations

11.1. Correctness and fairness of the presented financial statements

To the best knowledge of the Management Board of AmRest Holdings SE, the Annual Financial Statements and the comparative figures presented in the Annual Financial Statements of AmRest Holdings SE have been prepared in accordance with the binding accounting policies and they give a true, fair and clear view of the financial position of AmRest Holdings SE and its results. The Annual Management Board's Report included in this document provides a true image of the development and achievements and the situation of AmRest Holdings SE, including a description of the key risks and threats.

11.2. Selection of the registered audit company

The entity authorized to audit the financial statements, PricewaterhouseCoopers Sp. z o.o., which carried out the annual audit of the Annual Financial Statements of the AmRest Group has been selected in compliance with the provisions of the law. Both the entity and auditors conducting the audit met the requirements necessary to enable them to issue an unbiased and independent audit opinion, in accordance with the relevant laws.

The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on June 18th, 2015 and is valid until December 31st, 2017 year.

TABLE 12. REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

PLN '000	For the period: from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
PricewaterhouseCoopers Sp. z o.o.	**398**	**418**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	238	258
- review of financial statements	160	160
Other contracts	-	-
Other companies from the PricewaterhouseCoopers group	**2 703**	**2 117**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	1 780	1 215
- tax advisory services	913	901*
- other services	10	-

* Including PLN 747 thousand. concerning non-invoiced expenses for the year 2015 and resulting from the existing agreement

Wrocław, March 16th, 2017

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member