AmRest Holdings SE

Consolidated

Directors' Report

For the year 2013

14 March 2014

Contents

Letter to the shareholders

Dear Shareholders,

It was a very special year for AmRest. In November we celebrated the 20th anniversary of our company. The founding spirit of "Wszystko Jest Możliwe" coined during the construction of our first restaurant, along with our core values, have been the foundation of AmRest culture and driving force of our dynamic growth over the past 20 years. This unique culture, embodied by nearly 20,000 our highly motivated employees, has helped us develop a leading restaurants operator in Central and Eastern Europe (CEE) and Spain, with ever growing global network of 740 stores in 12 countries.

I am also really proud looking at the progress we made last year. In order to meet the expectations of our customers we opened 91 new stores and, despite signs of economic slowdown, our sales grew by almost 15%.

In CEE most of our brands saw visible improvement of results in 2013, despite unfavorable macro conditions and restaurant industry stagnation. I am very pleased to see Burger King achieving breakthrough results driven by double digit growth in sales and Pizza Hut restaurants being in a stable growing trend for another year. We managed to increase the customers base of all brands by adjusting our menu to customers' needs and providing a very attractive "value" offer. Positive sales trends observed in the second half of 2013 in each market give us hope in significant improvement of results in the future .

We also continued our expansion outside CEE. Improving sales trends in Spain, alongside the new units openings, allowed us to achieve 6,5% sales growth there. I am truly convinced that the unique proposition of La Tagliatella brand will be one of the growth platforms for AmRest in the future. This has already been proven in Spain and France, where the latest openings exceeded our expectations. The situation in the Chinese market, where we took over a highly successful local business called Blue Horizon with two proprietary brands, is also promising. Dynamic sales growth of those brands, i.e. Blue Frog and Kabb, together with outstanding margins will be the source of value accretion to shareholders.

The 2013 financial results were greatly impacted by one off events. The funds raised through the issue of corporate bonds let us acquire minority stake in Restauravia, which resulted in AmRest being the sole owner of the business generating over 40% return on invested capital (ROIC). The transaction yielded PLN 63m of profit. On the other hand, the international expansion of La Tagliatella brand turned out to be more expensive than previously expected. The operational loss of almost PLN 130m in New Markets was the effect of PLN 55m impairment of assets, mostly in USA, Germany and India. I am fully aware of the large extent of loss. Unfortunately this was the price of fully understanding the characteristics of each market we entered. Having this experience, we will reduce these costs significantly in 2014 and focus on bringing our restaurants up to the point where they become profitable.

Looking ahead, we will keep our development pace and further expand our business by opening similar number of restaurants as in 2013. We will revise, however, our capital allocation strategy by focusing more on improving ROIC. Since 2014 we will invest about 80% of our capex into restaurants delivering over 20% return on capital hence strengthening our core business particularly in Poland, Russia and Spain. We will allocate the remaining 20% of the capex to other brands.

As for New Markets, our investment will be very limited. La Tagliatella restaurants have been well received in France. We are also pleased to see positive signs from the German market. Meanwhile we decided to divest of the business in India having proven that the development of a scalable and profitable brand there is not feasible at this stage. In the remaining markets we are adapting our offer to the expectations of local communities. We expect a decision on further development of La Tagliatella in New Markets to be taken around mid of 2014. We have a lot of faith in the development of our Chinese brand, Blue Frog. Heavy interest in our offer demonstrated by customers has driven double digit growth in sales and continued, promising margins improvement.

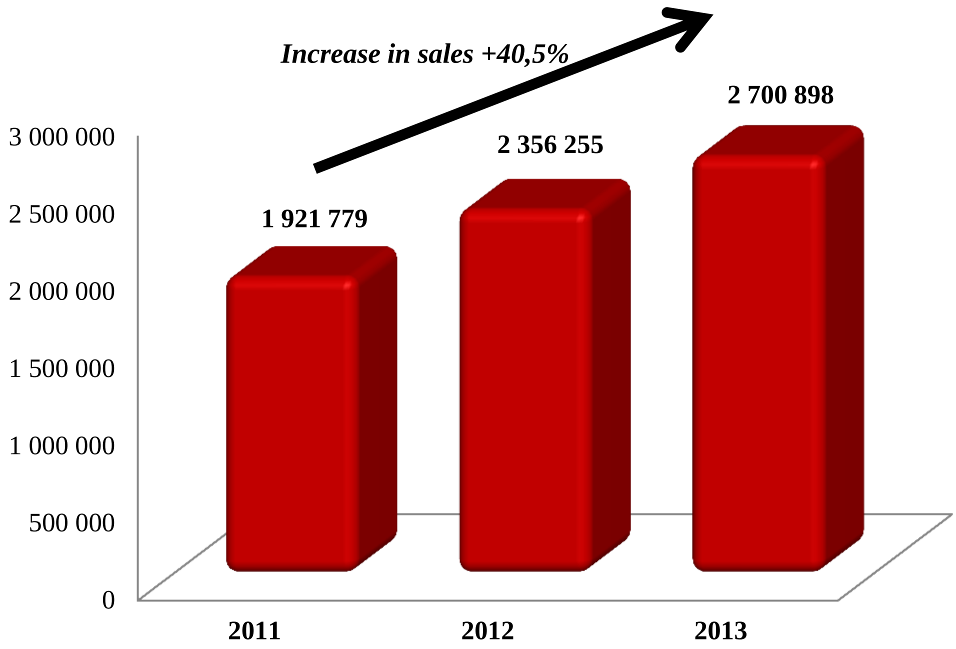
In a conclusion, despite a number of challenges resulting from unfavorable market conditions and significant costs of testing La Tagliatella brand in New Markets, we have managed to grow our business in a steady pace and improve margins in several markets. I truly believe it wouldn’t be possible without the huge engagement of our employees supported by diversified portfolio of our great brands. I am convinced that the attributes mentioned above will be a driving force behind our future success getting us closer to becoming the largest restaurant operator in the world.

Thank you

Henry McGovern

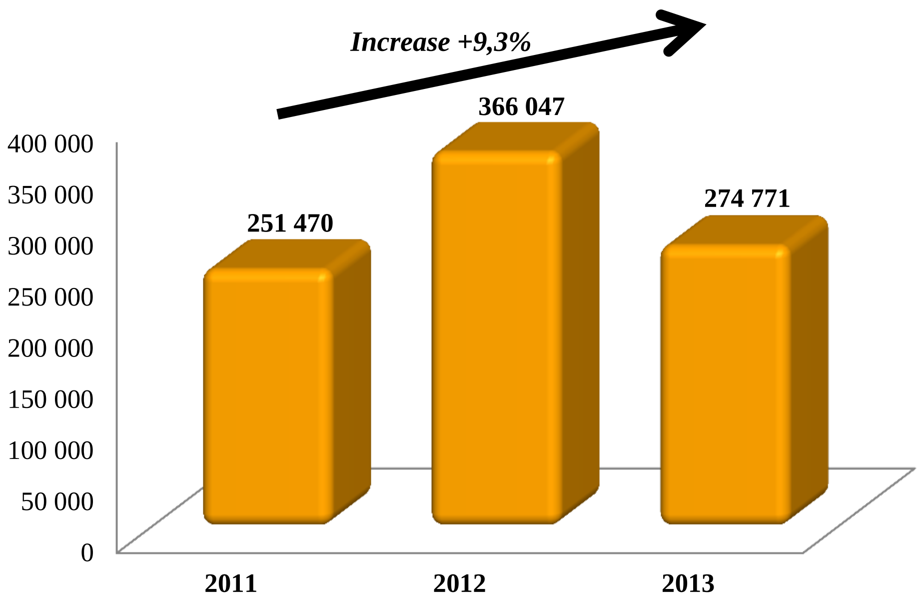
1. Selected financial data

DIAGRAM 1: REVENUES (IN PLN'000)



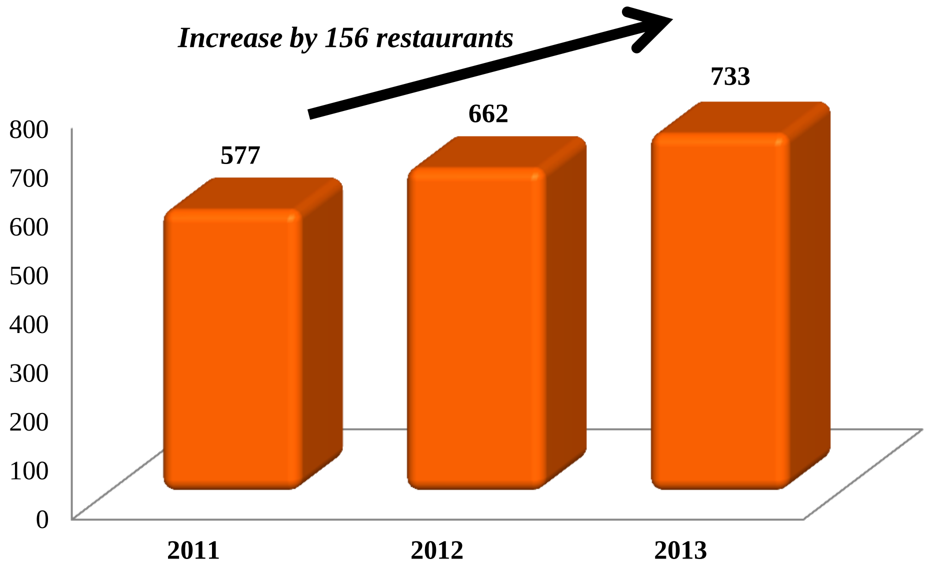
* In connection with the sale of Applebee's assets to Apple American Group II, LLC, the data does not account for the revenues generated by Applebee's restaurants

DIAGRAM 2: EBITDA (IN PLN '000)



* In connection with the sale of Applebee's assets to Apple American Group II, LLC, the data does not account for the EBITDA generated by Applebee's restaurants

DIAGRAM 3: NUMBER OF AMREST RESTAURANTS IN 2011-2013, BALANCE AS AT 31 DECEMBER 2013



* In connection with the sale of Applebee's assets to Apple American Group II, LLC, the data for 2011 does not account for 103 Applebee's restaurants

DIAGRAM 4: NUMBER OF AMREST RESTAURANTS BY BRAND, BALANCE AS AT 31 DECEMBER 2013

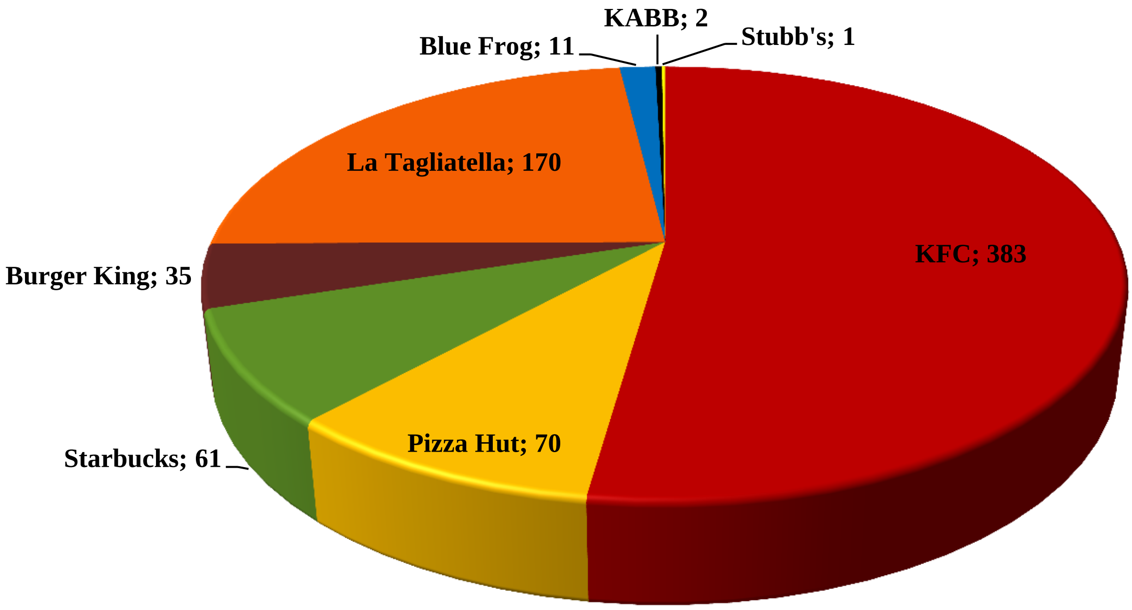
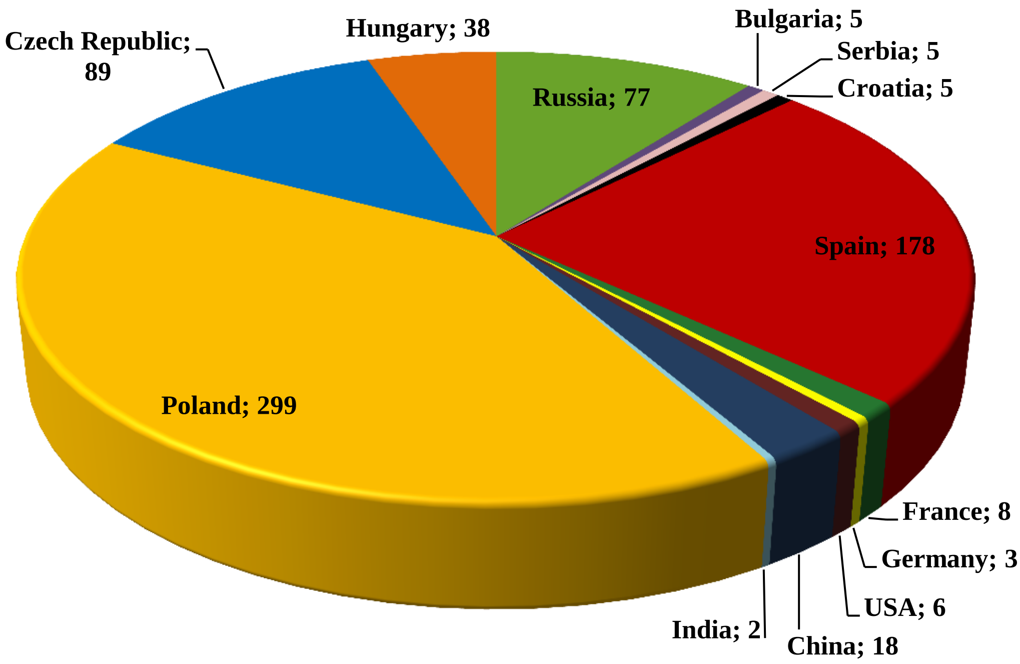


DIAGRAM 5: NUMBER OF AMREST RESTAURANTS BY COUNTRY, BALANCE AS AT 31 DECEMBER 2013



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 8 restaurant brands in 12 countries of Europe, Asia and North America. Every day over 19 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, KABB and Stubb's.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points ("Drive Thru"), and deliveries for orders placed by telephone. The 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, KABB and Stubb's 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 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 in Poland, Czech Republic and Hungary. The La Tagliatella brand is AmRest own brand, which became a part of the portfolio in May 2011. La Tagliatella restaurants are operated both by AmRest and by entities who operate restaurants on a franchise basis leased from the Company. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase agreement of a majority stake in Blue Horizon Hospitality Group LTD. The Stubb's restaurant has operated since 28 January 2013 under a joint venture agreement with AmRest HK Limited (82% AmRest, 18% Stubb's Asia Ltd.).

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

The KFC brand which was established in 1952 is currently the largest, fastest developing and most popular quick service brand specializing in chicken dishes. Worldwide, more than 18 500 of the brand are currently in operation in approx. 115 countries.

In 2013 KFC strengthened its position in the quick service restaurant segment in the CEE region. Despite the demanding economic conditions for the segment, more guests visited KFC restaurants in 2013 than in the prior year.

In 2013, 43 new restaurants were opened by the AmRest Group, and part of the already existing ones underwent refurbishing in accordance with the highest standards binding in the KFC chain. Most of the new restaurants use an innovative system for accepting and collecting orders, which was very favourably accepted by our guests and employees. Additionally, in Wrocław an outlet was opened with special décor, emphasizing the brand's values, such as the manual, traditional preparation of meals directly in the restaurant. The current strategy for opening new restaurants takes into consideration restaurants located in commercial malls and free-standing Drive Thru type restaurants, which will constitute the majority of new outlets. The restaurants will be located in large and medium-size cities (approx. 50,000 inhabitants), and by expressways and motorways.

Despite the increase observed in food prices in 2013, in Poland KFC reduced its prices for some of the key products (including one of the most recognizable offers in the sector, "B-smart"). The brand also increased the share of low-priced products in its offer, while maintaining their high quality. In this category, novelties, such as "Rocker" or the whole range of "i twists" were extremely popular. The above actions, aimed at ensuring customer loyalty and increasing the number of transactions, caused a short-term drop in the margin; however, this trend was reversed in the second half of the year. Product innovations, such as expanding the "wrap" and sandwich offers, played a major role in the prior year. At the same time, other product categories are also promoted by KFC, such as "boxes" – one-person sets, or buckets, which are very popular among families and groups of friends.

The "Lean" program deserves special mention among the operating initiatives of KFC, as it systematically contributes to improving the operation of the restaurants by increasing the involvement of all employees in improving customer satisfaction. This program contributed to improving the speed of service in reducing operating expenses. At the beginning of 2013 each of the KFC restaurants in Central Europe implemented a system for monthly collection of feedback from customers, aimed at constant improvement in operating efficiency. In 2013 the KFC chain also significantly improved the results related to employee commitment, obtaining results which place the brand among one of the best employers in the retail sector.

In 2013 KFC restaurants in Poland continued the initiative "efficient in AmRest" related to employing handicapped persons. Szczecin boasts of the first KFC restaurant in the CEE region where most of the serving staff are people that are hard of hearing. The brand also continues to support the Corporate Social Responsibility Foundation, thanks to which over 5 million hot meals were funded for the most underprivileged children in north-western Poland.

As at the date of this report the Company manages 386 KFC restaurants – 181 in Poland, 66 in the Czech Republic, 68 in Russia, 30 in Spain, 27 in Hungary, 5 in Serbia, 4 in Bulgaria and 5 in Croatia. In 2014 the main development direction for the brand will be Russia, where AmRest plans to open as many as 22 new restaurants.

The beginnings of the Burger King brand date back to 1954. Burger King ("Home of the Whopper") manages over 12 600 restaurants which service approx. 11 million customers daily in more than 80 countries worldwide. 95% of Burger King restaurants are managed by independent franchisees, many of which are family businesses that have been operating for decades.

2013 was an extremely good year for Burger King. Since the beginning of the campaign "Taste rules" the chain has been observing a constant increase in sales. At the end of the year the increase was two-digit.

In accordance with the previous announcements, in the prior year the Burger King menu was enhanced by new products, both from the "value" and "premium" segments. For example, the regularly sold product "Kurak", which costs PLN 2.95 is the cheapest product in the first, price-attractive group. The highest quality Irish Angus beef burger is part of the "premium" segment offer. The most expensive offered product is Angus XT, which costs PLN 19.95 and is made with 175 grams of the said beef. Expanding the offer in terms of prices and products led to an increase in the brand's value and customer satisfaction, which translated into an increase in sales and transactions.

In 2014 the brand will continue the “Better Burger” strategy and the “Taste rules” campaign. The brand will also continue to use television campaigns to build brand awareness and increase sales.

There are no plans for changing the rate of development of Burger King. Annually AmRest will open 3–4 restaurants of the brand. Maintaining the improvement trend in the chain’s financial results of the chain is a priority, and at a later stage, its development in Poland.

As at the publication date, AmRest owns 36 Burger King restaurants in total – 28 in Poland, 7 in the Czech Republic and 1 in Bulgaria.

Starbucks is the world leader in the coffee sector with more than 20,000 stores in over 60 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh snacks and desserts. The store designs and their atmosphere refer to the coffee heritage and reflect the culture of the neighbourhood. AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Holdings) currently operates Starbucks stores in Poland, Czech Republic and Hungary.

Brand growth strategy assumes increasing the market share in a disciplined manner, by improving sales in existing restaurants and by opening new stores.

Sales revenues generated by Starbucks in the 2013 were higher than in the previous year. The main contributor to the improvement in the results were an increase in sales in the Czech Republic and Hungary and new openings. Results on the Polish market were stable despite VAT increases.

In 2013, Starbucks expanded its offer with some innovative products. With VIA and Refresha, the brand lovers will be able to enjoy their favourite coffee at home and while travelling. Starbucks VIA is very finely ground instant coffee, which allows guests of the store to take their delicious coffee in a convenient sachet while on a journey. Refresha drinks is a new platform of products, which, thanks to a dose of caffeine from green coffee extract give our customers excellent refreshment and “battery recharge”. In 2014 we will add more flavours to our range and launch a totally new refreshing blended drink for the summer season.

Starbucks Loyalty Card was introduced in Poland and the Czech Republic and welcomed by the brand lovers with great enthusiasm. Loyalty programme is designed to increase customer loyalty and frequency of their visits to Starbucks by offering them various benefits. The cards are widely accepted in all stores in each country. Customers who register their cards can enjoy a variety of benefits. Customers in Czech Republic have really embraced this program and have one of the highest rates of participation in Europe, during 2014 we will continue to develop this program and offer more benefits for our regular customers.

The brand plans to expand while maintaining its competitiveness and focusing on long-term development.

As at the day of publication of this report, AmRest Coffee operates 62 stores (36 in Poland, 17 in the Czech Republic and 9 in Hungary). Among the newly opened locations one is especially worth mentioning: a unique small format store in Wroclaw. The new, small format will enable to open more stores in smaller locations.

The brand development will be focused on the existing markets: Polish, Czech and Hungarian.

At Starbucks, we have always believed in the importance of building a great, enduring company that strikes a balance between profitability and a social conscience. During 2014 we will communicate more about our coffee expertise and CSR practices.

Starbucks takes a holistic approach to ethically sourcing the highest quality coffee. This includes responsible purchasing practices, supporting farmer loans and forest conservation programs. When we buy coffee this way, it helps foster a better future for farmers and a more stable climate for the planet. It also helps create a long-term supply of the high-quality beans we've been carefully blending, roasting and packing fresh for more than 40 years.

Starbucks believes in the importance of caring for our planet and encouraging others to do the same. We are working to significantly reduce our environmental footprint through energy and water conservation, recycling and "green" construction.

Also, from the neighbourhoods where our stores are located to the ones where our coffee is grown – Starbucks believes in fostering thriving communities. By 2015, we hope to contribute one million volunteer hours each year to our communities.

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

In 2013 results improved significantly in Spain. In the second half of 2013 the economic conditions on the Spanish market stabilized and despite continued weak business conditions, signs of the recession backing off were visible. Forecasts for 2014 show that this invigorating trend should be maintained, accompanied by an expected increase in GDP. The improvement in consumer moods at the end of the prior year had an impact on the positive sales results in comparable restaurants, observed for the first time in several years. This positive trend was maintained at the beginning of 2014.

In the Spanish Division, 6 new own restaurants were opened in 2013. The returns on own restaurants opened in the last 2 years exceeded 40%. The brand franchisees opened an additional 7 new restaurants. Development plans for 2014 stipulate a similar number of openings as in the prior year.

To conclude, the results of the concept on the Spanish market exceeded the prior year's assumptions of the Company's operating plan. The Management Board of AmRest believes that the results will continue to improve with the forecast economic revival and opening of new restaurants.

In 2013, in accordance with the communicated strategy, the La Tagliatella brand was developed on the test markets at a moderate speed. The decision to increase the pace in selected countries will be taken once the concept achieves the expected improvement in results.

In the prior year, in the New Markets Division, 5 new La Tagliatella restaurants (including 4 own) were opened in the USA, 3 own restaurants were opened in France, and the same number in Germany and China.

In 2013 much attention was paid to improving the operations of the restaurants and adapting the concept to local tastes. Based on guests' opinions, several adaptations were made in La Tagliatella restaurants, such as:

- increasing the number of dishes based on fish, chicken and other meat on the American market and limiting the content of salt in dishes for the Chinese market;
- introducing a lunch menu, chef's recommendations and price promotions;
- adapting the size of the meals;
- introducing new items to the menu, such as: drinks, a special coffee and tea offer, including "Café Gourmand", or a cheese plate;
- changes in the manner of presentation of the menu;
- introducing a place booking system;
- modifying the service staff's uniforms and table covers;
- introducing a bar in American restaurants and changing the décor/design of new restaurants.

In France, where La Tagliatella restaurants are already achieving financial results comparable to the restaurants on the Spanish market, the Company plans to increase the pace of new openings. By the end of Q1 2014, 10 restaurants of this brand will be operating in France. In three restaurants operating on the German market an improvement in financial results was also noted.

As the Management Board of AmRest does not see potential for building its scale in India, it has decided to withdraw from that market and close the 2 restaurants opened in the first half of 2013.

Introducing a new brand to a market is always a huge challenge and is related to a large input of work connected with adapting the concept to the tastes of the local guests. The Management Board of AmRest looks into the future with optimism and believes that La Tagliatella will be also recognized by a large number of customers on the new markets.

The Company’s results in 2014 will continue to be charged with the operating expenses of La Tagliatella on the test markets. The program pursued by AmRest, based among other things on the adaptations referred to above, is aimed at minimizing losses. According to forecasts, EBITDA loss should not exceed 50% of the loss generated in 2013.

As at the publication date, AmRest owns 170 La Tagliatella restaurants in total – 148 in Spain, 8 in France, 3 in Germany, 7 in the USA and 4 in China.

Pizza Hut is one of the largest chains of casual dining restaurants in Europe. It is inspired by Mediterranean cuisine, and promotes the idea of sharing food with friends and relatives in a carefree atmosphere. It is also the largest brand in Poland in terms of sales and the number of transactions in the casual dining segment. The strong position of Pizza Hut is the effect of the consistently pursued policy “Pizza and much more!”, consisting of building an offer in such categories as: hors d’oeuvres, pasta, salads, desserts and drinks, while maintaining the lead and expert “pizza” position.

2013 was a very good year for Pizza Hut. The strategy for building the unquestioned lead position and pizza expert was continued during the period, and at the same time, the restaurants offered a wide range of affordable meals for any occasion.

Traditionally, the year began with a Pizza Festival, which was held in the Pizza Hut restaurants for the fourth time. This offer, much awaited by guests, enabled various pizza flavours to be enjoyed on 4 different types of base for only PLN 24. During the prior year’s edition of the Festival, customers could, for the first time, select an offer including a Large Refill (for PLN 29), which increased the average bill and thus improved sales results. The offer was promoted by TV spots and an Internet campaign under the slogan “The Pizza Festival is Back”. Two-digit sales increases were noted despite unfavourable macroeconomic conditions in the first quarter of 2013.

The PAN dough is the flagship base of Pizza Hut. In the prior year, celebrating the 20-year presence of the brand on the Polish market, a campaign was developed emphasizing its uniqueness and the fact that it is freshly prepared on site every day, in each restaurant. Television spots were prepared with utmost diligence, increasing the rank of making the dough to an almost value. The spot was considered to be the best film promoting PAN pizza globally and was awarded at the global Yum! meeting. It is currently used in communications on other European markets.

Research showed that, apart from excellent pizza, current and potential Pizza Hut consumers also expect other dishes, in particular, “lighter” ones. Therefore, for the second year in a row, Pizza Hut is promoting an offer focused around pizza on very Tuscani-type thin dough, excellent salads and flavoured lemonades. This offer has drawn new guests, in particular women, and caused current customers to visit Pizza Hut more often.

In the summer, the second flagship proposal of Pizza Hut, the Salad Bar, was refreshed through the “Pay once, eat as much as you want” slogan. By installing new lighting, and placing the components in the order the salads are composed, the visual attributes of the salad Bars were also improved. Additionally, the offer was enriched by new “premium” components, such as olives and cheeses.

Pizza Hut once again began autumn with an offer of sets for PLN 9.90 dedicated to young people looking for cheap dishes. Apart from the PLN 9.90 sets, the menu also included more elaborate sets for a larger number of people – the Feast and Big Feast, which were very popular. The promotional action was supported by television and Internet advertising and a theatre campaign run in cooperation with Pepsi.

In November and December 2013 a new seasonal product was introduced – the unique Crown pizza with edges in the form of pockets filled with two types of cheese – hot mozzarella and creamy spread cheese. This real cheese feast was the number one choice of Pizza Hut consumers in the period before Christmas and – by extremely appetizing communication – drew new customers to the restaurant.

In 2013 the brand also concentrated on increasing takeaway sales. For this purpose, very attractive offers were introduced for particular weekdays. On Mondays any takeaway pizza cost as little as PLN 19.90, on Wednesdays, another, smaller pizza could be bought for PLN 1 in addition to one already purchased, on Thursdays and Fridays, there is a special "doubles" offer – two pizzas for a bargain price. Introducing an offer enabled sales through this channel to be increased by more than 30%.

The prolific marketing calendar had an impact on improving the brand's margins and profitability in 2013. This is the effect of long-term consistent initiatives focused on three pillars: an excellent product, hospitability and operating excellence.

Under the "Product Excellence" Program Pizza Hut continued work on improving the quality and repeatability, and on simplifying the meals served, which improved the sales results and the results of the Guest Opinion Poll. In cooperation with key local suppliers, the quality of basic input materials was improved. The flour and freshly prepared dough received the highest notations under the YUM EFBU! assessment. The speed of preparing and serving dishes increased by around 10% which enables guests to be served more efficiently. In terms of operations, the brand continued to develop an independent internal audit system, which enables evaluating the operation of restaurants in the basic categories – cleanliness, hospitality, accuracy, speed, product and equipment. Great importance is also attached to obtaining feedback from guests under the Guest Feedback Program – an innovative system used to improve the functionality and hospitality of our restaurants.

In 2014 Pizza Hut will continue work on reinforcing hospitality through a new training and recruitment program. The marketing calendar for this year concentrates on further strengthening the image of Pizza Hut as an unchallenged leader and expert on the topic of pizza with the simultaneous pursuit of the "Pizza and much more" strategy. We plan further large pizza-related innovations, introducing the new, expanded menu with new products in key categories, and a promotional campaign on the new look of the Salad Bar.

As at the date of publication of this report Pizza Hut is running 70 restaurants, 58 in Poland, 10 in Russia and 2 in Hungary. In 2014 AmRest is planning two new openings of Pizza Hut restaurants and a reopening of the Wrocław opening Pizza Hut Magnolia after renovation of the commercial mall. The brand will continue to pursue its selective growth and in-depth renovation strategy (7 planned for 2014).

The 2013 addition of Blue Horizon Hospitality Group expanded the CDR segment brand portfolio with two new brands operating in the Chinese market:

- KABB Bistro Bar – high-end Western comfort food with an extensive wine and cocktail menu,
- blue frog Bar & Grill – casual bar and grill offering high-quality American favorites in a relaxed atmosphere.

Both KABB and blue frog appeal to customers searching for a friendly "local" bar and grill. These customers include a high proportion of repeat guests who return time after time to enjoy the combination of friendly service, sophisticated décor and excellent food that both KABB and blue frog provide.

The past year saw strong double-digit growth in in the base business with volume increases driven by growing guest counts. This growth was partly attributable to our strong social media presence and effective cross-channel campaigns. One example of this being blue frog's innovative "constellation cocktails" campaign which ran for three months starting Aug. 1 and strongly impacted sales and resulted in a 39% increase in cocktail sales year-over–year. In addition, Blue Horizon brands are now well established on Dianping (Chinese daily deals and local reviews site) with approximately 30,000 page views per week across our brands.

Of specific note, since its launch in late 2012, blue frog's Nanjing restaurant, its first restaurant in a second tier city, has comfortably exceeded its growth projections. It is now firmly established in the Nanjing market and, despite increased competition in the area, the Nanjing restaurant in its first full year of operation generated the second highest revenue among all blue frogs. This successful entry into a second tier city supports Blue Horizon's strategy of expanding beyond its core business in the first tier cities, Shanghai and Beijing.

In the second half of the year, the team continued to leverage its relationships with key developers and growing brand recognition to build a strong pipeline for 2014-2016. This includes signing agreements that will enable our expansion into Wuxi, Dalian, Tianjin and Chengdu in the coming 18 months with a total of 14 projected store openings in this time period.

Over the course of 2013, in addition to building restaurants, the Blue Horizon team have also build the infrastructure needed to achieve sustainable growth without compromising brand quality. This has included the opening of new Central Kitchen, implementation of restaurant inventory management system and roll out of AmRest proprietary operating systems including DOS+. Lastly, Blue Horizon brands were certified as a Top Employer China for second year running by CRF Institute.

As at the publication date, AmRest owns 12 blue frog and 3 Kabb restaurants in China.

3. Structure of revenues

In 2013 the AmRest Group's revenues increased by PLN 344 643 thousand. The dynamic growth (14.6%) resulted mainly from:

- continuing the pace of new restaurant openings in the CEE region (45 restaurants) – the revenue of this division increased by 7%;
- full annual consolidation of the results of Blue Horizon restaurants, acquired in December 2012, and development of La Tagliatella restaurants on international markets – revenue generated on the New Markets increased by PLN 131 212 thousand;
- very good results on the Russian market, as an effect of an increased number of openings (13 restaurants), and constantly growing sales in comparable restaurants – revenues in this division increased by 23.2%;
- an increase in sales in the Spanish division as a result of openings of new restaurants (14, including 7 franchised) – sales in this division increased by 6.5%.

As a result total sales of the Spanish division and sales on the New Markets in the structure of the AmRest Group increased by 3.2 pp, and the share of the Russian market increased by 1pp. The CEE Division remained the largest AmRest division, representing 59.6% of the Group's revenues.

TABLE 1. AMREST GROUP'S SALES BY DIVISION

Divisions	**2013**		**2012**	
	PLN'000	Share (%)	PLN'000	Share (%)
Central and Eastern Europe (CEE)	1 609 939	59,6%	1 504 510	63,9%
Russia	388 205	14,4%	315 143	13,4%
Spain	569 147	21,1%	534 207	22,7%
New Markets	133 607	4,9%	2 395	0,1%
Total	**2 700 898**	**100,0%**	**2 356 255**	**100,0%**

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

4. Supply chain

The first half of 2013 was rather turbulent on the materials markets. The situation significantly improved in the second half of 2013, which resulted in a decrease in the food basket prices and packaging for the KFC, Burger King and Starbucks brands. On the other half of the market, milk prices increased significantly also causing an increase in cheese prices. However, this increase was significantly lower than on the open market due to the proper structure of cheese purchases in Poland. In mid 2013, thanks to good cereal and oil crops AmRest closed its long-term positions for several key materials which should contribute to stabilizing the costs of food and packaging over the next dozen or so months. Moreover:

- Our key poultry suppliers made further improvements in the production process in Poland, which contributed to increasing effectiveness in this respect;
- We approved the plan for building a test kitchen which should contribute to the further development of new products and respective innovations;
- We used synergies with the Spanish market, mainly in respect of packaging purchases.

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

- Further consolidation of distribution in the region to optimize transport costs;
- Building of the test kitchen;
- Introducing a new technology for chicken suppliers in the Czech Republic;
- Increasing the production capacity for chicken parts in accordance with the requirements of KFC Russia;
- Consolidating purchases in CEE and Spain.

The list of largest AmRest suppliers:

- Eurocash S.A. – distributor in Poland;
- Quick Service Logistics Czech s.r.o.– distributor in the Czech Republic;
- Drobimex Sp. z o.o. – supplier of chicken products in Poland;
- Roldrob S.A. – supplier of chicken products in Poland;
- OOO RBD Distribution – distributor in Russia;
- LDS Disztribútor Szolgáltató Kft.– distributor in Hungary;
- Vodnanská drůbež, a.s.– supplier of chicken products in the Czech Republic;
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. – supplier of chicken products in Poland;
- PPHU Konspol-Bis Sp. z o.o. – supplier of chicken products in Poland;
- OOO Alligator – distributor in Russia.

5. Employment in AmRest

The table below shows employment in the Group in the years 2011–2013.

*TABLE 2. NUMBER OF EMPLOYEES IN AMREST (BALANCE AS AT 31 DECEMBER 2013, 2012, 2011)**

Year	**2013**	**2012**	**2011**
Employment in restaurants	18 759	15 645	20 060
Employment in administration	771	634	459
Total	**19 530**	**16 279**	**20 519**

* The data includes employees employed on short-term service contracts and employees related to the operations of the Applebee's restaurant.

6. Changes in the manner of management

6.1. Changes in the Parent Company's Management Board

On 27 June 2013, the Management Board of AmRest Holdings SE ("the Company") informed that in connection with the lapse of the 3-year period of office, the mandates of two Members of the Management Board: Mr Mark Chandler and Mr Drew O'Malley expired on the date of the Ordinary General Shareholders' Meeting, i.e. on 27 June 2013. The legal basis for the expiry of the mandates were: art. 369 §4 of the Act of 15 September 2000, the Commercial Companies Code (Journal of Laws 2000.94.1037, as amended).

Due to the above, since 27 June 2013 the Management Board consisted exclusively of Mr Wojciech Mroczyński.

The composition of the Management Board was to be supplemented by new members at the next Supervisory Board meeting.

On 1 August 2013, AmRest informed that on 31 July 2013 the Supervisory Board of AmRest passed a resolution to once again appoint Mr Mark Chandler and Mr Drew O'Malley to the position of Members of the Management Board of AmRest. The resolutions came into force on the date of their being passed.

6.2. Changes in the Parent Company's Supervisory Board

On 26 June 2013, the Management Board of AmRest informed that on 25 June 2013 it obtained information on the resignation of Mr Jan Sykora from the position of Member of the Supervisory Board of AmRest with immediate effect.

On 27 June 2013, the Management Board of AmRest informed that on 27 June 2013 it obtained information on the resignation of Mr Jacek Kseń from the position of Member of the Supervisory Board of AmRest as of 27 June 2013.

On 27 June 2013, the Ordinary General Shareholders' Meeting of AmRest, acting on the basis of art. 385 § 1 of the Commercial Companies Code, in connection with art. 9 and art. 53 of the Regulation of the Council (EC) no. 2157/2001 dated 8 October 2001 on the status of a European Company, §9. 3 of the Company's Memorandum of Association and Resolution of the Company's Ordinary General Shareholders' Meeting No. 12 dated 30 June 2010 on determining the number of Members of the Supervisory Board, appointed Peter A. Bassi and Bradley D. Blum Members of the Company's Supervisory Board: The resolutions came into force on the date of their passing. Both the candidature of Mr Peter A. Bassi, and of Mr Bradley D. Blum, were announced by one of the Company's shareholders, Warburg Pincus Holdings VII B.V., with its registered office in Amsterdam.

On 31 July 2013, the Supervisory Board of AmRest passed a resolution on appointing Peter A. Bassi Deputy Chairman of the Supervisory Board. The resolution came into force on the date of its being passed.

6.3. Composition of the Management Board and the Supervisory Board

Management Board

In 2013, the Management Board of AmRest comprised:

- Wojciech Mroczyński;
- Mark Chandler (with the exception of the period from 27 June to 31 July 2013);

- Drew O'Malley (with the exception of the period from 27 June to 31 July 2013).

Supervisory Board

In 2013, the Supervisory Board of AmRest comprised:

- Henry McGovern – Chairman
- Per Steen Breimyr
- Raimondo Eggink
- Robert Feuer
- Joseph P. Landy
- Jacek Kseń (to 27 June 2013)
- Jan Sykora (to 25 June 2013)
- Peter A. Bassi (from 27 June 2013)
- Bradley D. Blum (from 27 June 2013)

As at the date of publication of this report, the above lists reflect the current composition of the Company's Supervisory Board and Management Board.

6.4. Functional description of the management and supervisory bodies

The Management Board shall manage the Company's affairs and represent it. Each member of the Management Board shall be authorised to represent the Company on his/her own.

The obligations of the Supervisory Board shall comprise inter alia:

a) assessment of the report of the Management Board on the Company's activity 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;

b) assessment of the motions of the Management Board concerning distribution of profit or coverage of losses;

c) submitting, to the General Shareholders' Meeting, of an annual written report on the results of the assessment, referred to in point a and b above;

d) choosing of a chartered accountant in order to audit the financial statements;

e) 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 Company's results and the structure of its balance sheet

TABLE 3. BASIC FINANCIAL DATA OF AMREST (2013–2012)

in PLN'000, unless stated otherwise	**2013**	**2012**
Sales revenue	2 700 898	2 356 255
Operating profit before amortization and depreciation (EBITDA)	274 770	366 047
Operating margin before amortization and depreciation (EBITDA margin)	10.17%	15.54%
Operating profit before amortization and depreciation (EBITDA)*	301 429	315 350
Operating margin before amortization and depreciation (EBITDA margin)*	11.16%	13.38%
Operating profit	17 417	175 663
Operating margin (EBIT margin)	0.64%	7.46%
Profit before tax	29 859	113 762
Gross margin	1.11%	4.83%
Net profit	5 831	97 893
Net margin	0.22%	4.15%
Net profit**	-57 651	48 714
Net profitability**	-2.13%	2.07%
Equity	1 044 524	1 069 766
Return on equity (ROE)	0.56%	9.15%
Return on equity (ROE)**	-5.52%	4.55%
Total assets	2 631 449	2 546 463
Return on assets (ROA)	0.22%	3.84%
Return on assets (ROA)**	-2.19%	1.91%

* The amounts net of one-off costs of new openings (start-up), costs of mergers and acquisitions, and corrections in indirect taxes. Additionally, the amounts for 2012 net of one-off impact of settlement of gains on the sale of Applebee's assets of PLN 67 621 thousand.

** Amounts net of the impact of the settlement of gains on the sale of Applebee's assets of PLN 67 621 thousand less tax of PLN 9 870 thousand in 2012 and costs related to the PUT option of PLN 8 572 thousand in 2012 and respective revenues of PLN 63 482 thousand in 2013.

Definitions:

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

Operating margin – operating profit to sales;

Gross margin – profit before tax to sales;

Net profitability – net profit to sales;

Return on equity (ROE) – net profit to average equity;

Return on assets (ROA) – net profit to average assets.

TABLE 4. LIQUIDITY ANALYSIS (IN THE YEARS 2013-2012)

in PLN'000, unless stated otherwise	2013	2012
Current assets	415 824	370 469
Inventories	47 197	42 036
Short-term liabilities	500 503	519 265
Quick ratio	0.74	0.63
Current ratio	0.83	0.71
Cash and cash equivalents	259 510	207 079
Cash ratio	0.52	0.40
Inventory turnover (in days)	6.09	5.97
Trade and other receivables	83 115	90 983
Trade receivables turnover (in days)	9.78	10.22
Operating ratio (cycle) (in days)	15.88	16.19
Trade and other short-term payables	335 979	320 485
Trade payables turnover (in days)	42.76	40.39
Cash conversion ratio (in days)	-26.89	-24.20

Definitions:

Quick ratio – current assets net of inventories to current liabilities;

Current ratio – current assets to current liabilities;

Cash ratio – cash and cash equivalents to current liabilities at the end of the period;

Inventories turnover ratio (in days) – average inventories to sales multiplied by the number of days in the period;

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 2013–2012)

in PLN'000, unless stated otherwise	2013	2012
Non-current assets	2 215 625	2 175 994
Liabilities	1 586 925	1 476 697
Long-term liabilities	1 086 422	957 432
Debt	1 075 697	793 082
Share of inventories in current assets (%)	11.35%	11.35%
Share of trade receivables in current assets (%)	19.99%	24.56%
Share of cash and cash equivalents in current assets (%)	62.41%	55.90%
Fixed assets to equity ratio	0.47	0.49
Long-term gearing ratio	1.04	0.89
Liabilities to equity ratio	1.52	1.38
Debt/equity	1.03	0.74

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 fixed assets ratio –- equity to fixed assets;

Long-term gearing – long-term liabilities to 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 the AmRest Group increased by 14.6% in 2013 compared with the prior year (from PLN 2 356 255 thousand to PLN 2 700 898 thousand).

This growth is largely the effect of an increasing scale of business in the CEE region, consolidation and development of the Blue Horizon Group restaurants acquired in 2012 and dynamic growth of the business on the Russian market.

The increase in sales in the CEE region was mainly the result of growing revenues from restaurants opened in 2012 and added sales from openings in 2013, which contributed to an increase in revenues of PLN 105 429 thousand (+7%).

As a result of acquiring the Blue Horizon Group in December 2012, the consolidated revenues of the AmRest Group increased by PLN 99 469 thousand, which along with the expansion of La Tagliatella restaurants on international markets resulted in the increase in sales revenues generated on the New Markets of PLN 131 212 thousand (sales in 2012 at PLN 2 395 thousand).

A significant increase in sales was also observed on the Russian market – both as a result of growing revenues in comparable restaurants and as a result of 13 new restaurants opened in 2013. The revenues of the division increased by PLN 73 062 thousand, which was equivalent to 23.2% of 2012 revenues.

Sales revenue on the Spanish market increased to PLN 569 147 thousand in 2013 compared with PLN 534 207 thousand in 2012. The main driver for the 6.5% sales increase was the opening of new restaurants.

In Q4 2013 AmRest Group sales increased by 14% and amounted to PLN 730 197 thousand. Apart from the New Markets Division, where revenues in Q4 2013 increased to PLN 36 544 thousand (PLN 1 793 thousand in the same period of 2012), revenues on the Russian market were the most dynamic (+17.3%). The CEE Division restaurants noted a 6.9% increase in sales in the period, and sales of the Spanish Division increased by 7.8%.

The operating profit (EBIT) of the AmRest Group for 2013 amounted to PLN 17 417 thousand and was PLN 158 246 thousand lower than in 2012. Therefore, the EBIT margin dropped to 0.6% compared with 7.5% in the prior year. The drop in operating profit resulted mainly from the PLN 67 621 thousand positive impact of the settlement of Applebee's assets sale in 2012 and the assets impairment of PLN 67 526 thousand recognized in 2013. Increased cost of assets impairment related mainly to the New Markets Division, and specifically to the operations of the central kitchen in the USA and the restaurants in the USA, Germany and India.

The increased general administrative expenses (a PLN 59 925 thousand increase compared with 2012, as a percentage of sales from 6.7% to 8%) also had a significant impact on the deterioration in the operating profit margin, which was mainly the result of the development of the New Markets segment and the related one-off costs of entry to new countries. In 2014 the Group expects a significant cut down onthese expenses. On the Russian and Spanish market these costs were already reduced in 2013.

In 2013 the EBIT margin generated on the Polish market increased to 4.1% compared with 4.0% in the prior year, which was mostly the effect of lower impairment costs incurred in 2013.

In the Czech Republic a significant increase in EBIT was noted (PLN 17 629 thousand in 2013 compared with PLN 13 214 thousand in 2012). The 1.0pp increase in EBIT resulted mainly from decreased one-off costs of new openings and lower costs of sales supported by growing sales.

The Russian segment noted an increase in EBIT of 0.7 pp (to 6.1% in 2013), mainly as a result of growing sales in comparable restaurants, decreased one-off costs of new openings and adjustments of indirect taxes (VAT) of PLN 4 813 thousand in 2013.

The EBIT margin in the Spanish division dropped to 12.8% in 2013 compared with 13.5% in the prior year, despite the improving results in Q4 2013 and good results of newly-opened restaurants. This was caused mainly by a drop in annual sales in comparable restaurants.

In 2013 the New Markets Division noted a PLN 128 644 thousand operating loss, which was largely the effect of PLN 54 870 thousand of fixed assets impairment cost related to selected La Tagliatella restaurants in the New Markets and the central kitchen in the USA.

In Q4 2013 the operating loss of the AmRest Group amounted to PLN 20 799 thousand compared with the profit of PLN 87 489 thousand in the same period of 2012. This result was mainly the effect of the mentioned settlement of sales of Applebee's fixed assets in 2012 and assets impairment in 2013.

EBITDA of the AmRest Group dropped to PLN 274 771 thousand in 2013 compared with PLN 366 047 thousand in the prior year, which resulted in a drop of EBITDA margin to 10.2% (from 15.5% in 2012). EBITDA adjusted by one-off costs of new openings, costs of mergers and acquisitions, indirect taxes corrections and positive impact of settling the Applebee's assets sales in 2012 amounted to PLN 301 429 thousand in 2013 and was lower by PLN 13 921 thousand compared to 2012. Thereby adjusted EBITDA margin dropped by 2.2pp and amounted to 11,2% in 2013.

TABLE 6. BASIC FINANCIAL DATA OF AMREST BY DIVISION (2013–2012)

	2013			**2012**		
		% share in sales	*Margin*		*% share in sales*	*Margin*
Sales	**2 700 898**			**2 356 255**		
Poland	*1 106 752*	*41.0%*		*1 043 025*	*44.3%*	
Czech Republic	*350 393*	*13.0%*		*333 552*	*14.2%*	
Other CEE	*152 794*	*5.7%*		*127 933*	*5.4%*	
Total CEE	1 609 939	59.6%		1 504 510	63.9%	
Russia	388 205	14.4%		315 143	13.4%	
Spain	569 147	21.1%		534 207	22.7%	
New Markets	133 607	4.9%		2 395	0.1%	
EBITDA	**274 771**		**10.2%**	**366 047**		***15.5%***
Poland	*126 158*		*11.4%*	*125 963*		*12.1%*
Czech Republic	*44 545*		*12.7%*	*43 538*		*13.1%*
Other CEE	*5 303*		*3.5%*	*5 679*		*4.4%*
Total CEE	176 006		10.9%	175 180		11.6%
Russia	47 815		12.3%	36 972		11.7%
Spain	115 170		20.2%	115 568		21.6%
New Markets	-56 760		-	-24 803		-
USA	-		-	68 124		-
Not allocated	-7 460		-	-4 994		-
Adjusted EBITDA [1]	**301 429**		**11.2%**	**315 350**		**13.4%**
Poland	*131 847*		*11.9%*	*127 939*		*12.3%*
Czech Republic	*48 216*		*13.8%*	*44 894*		*13.5%*
Other CEE	*7 220*		*4.7%*	*8 426*		*6.6%*
Total CEE	187 283		11.6%	181 259		12.0%
Russia	48 009		12.4%	42 522		13.5%
Spain	117 310		20.6%	115 568		21.6%
New Markets	-44 719		-	-20 118		-
USA	-		-	503		-
Not allocated	-6 454		-	-4 384		-
EBIT	**17 417**		***0.6%***	**175 663**		***7.5%***
Poland	45 892		*4.1%*	42 100		*4.0%*
Czech Republic	*17 629*		*5.0%*	*13 214*		*4.0%*
Other CEE	*-6 652*		-	*-6 813*		-
Total CEE	56 869		3.5%	48 501		3.2%
Russia	23 693		6.1%	17 005		5.4%
Spain	72 959		12.8%	72 134		13.5%
New Markets	-128 644		-	-25 107		-
USA	-		-	68 124		-
Not allocated	-7 460		-	-4 994		-

[1] 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) and corrections in indirect taxes. Additionally, the amounts for 2012 net of one-off impact of settlement of gains on the sale of Applebee's assets of PLN 67 621 thousand.

In 2013, the net profit amounted to PLN 5 831 thousand compared with PLN 97 893 in the prior year. Apart from the impairment cost referred to above, net profit was significantly impacted by the gains on settlement of the put option related to the purchase of minority shares in Restauravia (income of PLN 63 482 thousand compared with cost of PLN 8 572 thousand in 2012).

As at the end of 2013 the liquidity ratios of the AmRest Group improved compared with the prior year (the current ratio increased to 0.83 as at the end of 2013 compared with 0.71 in the prior year) mainly as a result of an increase in cash and cash equivalents to PLN 259 510 thousand (an increase of 25% compared with the prior year). The surplus in cash and cash equivalents allow uninterrupted servicing of debt and financing most of the capital expenditure.

The long-term debt ratio of the AmRest Group increased to 1.04 as at the end of 2013 compared with 0.89 as at the end of 2012. This was mainly due to issuing AmRest Group bonds amounting to PLN 140 000 thousand on 18 June 2013. At the same time, with the acquisition of minority shares in Restauravia in June 2013 the put option liability at the end of the year was nil compared with PLN 195 420 thousand as at the end of 2012.

Net debt for the purpose of calculating contractual covenants as at the end of 2013 amounted to PLN 824 934 thousand, and the coverage of net debt with EBITDA was 2.92.

7.2. Assessment of future ability to settle incurred liabilities

The consolidated financial statements for the period of 12 months ending 31 December 2013 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 and SWAP transactions.

At 31 December 2013 the AmRest Group held the following credit lines available for use (in respect of foreign currency loans, their amounts are given in PLN, translated at the NBP rate prevailing on 31.12.2013):

- RBS Bank (Czech) SA – PLN 6 220 thousand (bank overdraft);
- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Rabobank Polska S.A. (Poland) – PLN 200 000 thousand (revolving loan in PLN, tranche D).
- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Rabobank Polska S.A. (Poland) – PLN 33 178 thousand (loan in EUR, tranche A).

Detailed information on loans, borrowings and bonds as at 31 December 2013 are presented in Note 21 to the Consolidated Financial Statements and in Appendix No. 10 of the Supplement to the Directors' report.

Other financial instruments, such as forward and SWAP transactions, as at 31 December 2013, are described in Notes 19, 22 and 35 of the Consolidated Financial Statements.

7.4. Structure of key investments and capital expenditure projects

As at 31 December 2013, AmRest's capital expenditure projects amounted to PLN 320 thousand. They relate to SCM s.r.o. and BTW Sp. z o.o. shares.

7.5. Description of key domestic and foreign investments

Increases in non-current assets in the years 2013 and 2012 are shown in the table below.

TABLE 7. THE GROUP'S PURCHASES OF NON-CURRENT ASSETS (2013–2012)

In PLN'000	**2013**	**2012**
Intangible assets, including:		
Own brands	50	18 755
Non-onerous lease agreements	-	240
Licences for the use of Pizza Hut and KFC trademarks	6 778	8 920
Goodwill	-	77 330
Other intangible assets	11 293	9 566
Investment property	-	71
Fixed assets, including:		
Land	13 495	10
Buildings	143 019	155 826
Equipment	112 837	105 754
Vehicles	979	1 422
Other (in consideration of fixed assets under construction)	38 259	65 026
Total	**326 710**	**442 920**

Capital expenditure incurred by the AmRest Group in 2013 related mainly to the construction of new and the renovation of existing restaurants. Additionally, of the PLN 13 495 thousand expended in 2013, most related to land for the construction of new restaurants. Compared with 2012, capital expenditure was PLN 116 210 thousand lower in 2013, mainly as a result of the acquisition of the Blue Horizon Group assets in 2012.

In 2013 capital expenditure was financed mainly with cash flows generated on operating activities and with bank loans.

As at the end of 2013, AmRest was managing a total of 733 restaurants (662 as at the end of 2012). In 2013 the Group opened 91 new restaurants, 17 restaurants were closed, and 3 are being relocated.

TABLE 8 NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2013

	AmRest	**Franchisees**	**Total**
As at the end of 2012	569	93	**662**
Openings	83	8	**91**
Closings	-15	-2	**-17**
Lasting relocations	-3	0	**-3**
Acquisitions	0	0	**0**
Total	**634**	**99**	**733**

As at 14 March 2014, AmRest operates 740 restaurants.

TABLE 9 NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Country	Brand	03-31-2013	6-30-2013	9-30-2013	12-31-2013	03-14-2014
Poland		**283**	**286**	**287**	**299**	**303**
	KFC	166	170	171	179	181
	BK	27	26	25	27	28
	SBX	33	33	34	35	36
	PH	57	57	57	58	58
Czech Republic		**84**	**85**	**86**	**89**	**90**
	KFC	62	63	62	65	66
	BK	7	7	7	7	7
	SBX	15	15	17	17	17
Hungary		**35**	**36**	**37**	**38**	**38**
	KFC	26	26	26	27	27
	SBX	7	8	9	9	9
	PH	**2**	**2**	**2**	**2**	**2**
Russia		**67**	**71**	**70**	**77**	**78**
	KFC	57	61	60	67	68
	PH	10	10	10	10	10
Bulgaria		**5**	**5**	**5**	**5**	**5**
	KFC	4	4	4	4	4
	BK	1	1	1	1	1
Serbia		**4**	**5**	**4**	**5**	**5**
	KFC	4	5	4	5	5
Croatia		**3**	**3**	**3**	**5**	**5**
	KFC	3	3	3	5	5
USA		**2**	**3**	**5**	**6**	**7**
	TAG — own restaurants	2	3	4	5	6
	TAG — franchised units	0	0	1	1	1
Spain		**170**	**173**	**174**	**178**	**178**
	TAG — own restaurants	48	48	49	53	54
	TAG — franchised units	91	94	95	94	94
	KFC	31	31	30	31	30
France		**5**	**5**	**6**	**8**	**8**
	TAG — own restaurants	1	1	2	4	4
	TAG — franchised units	4	4	4	4	4
Germany		**3**	**2**	**4**	**3**	**3**
	TAG — own restaurants	3	2	4	3	3
China		**14**	**14**	**15**	**18**	**20**
	Blue Frog	10	10	10	11	12
	KABB	1	1	1	2	3
	Stubb's	1	1	1	1	1
	TAG — own restaurants	2	2	3	4	4
India		**1**	**2**	**2**	**2**	**0**
	TAG — own restaurants	1	2	2	2	0
Total Amrest		**676**	**690**	**698**	**733**	**740**

7.6. Insurance contracts

TABLE 10. INSURANCE CONTRACTS (AS AT THE END OF 2013)

The Insured	Type of insurance	The Insurer
A global property insurance policy for all companies outside the USA (in each country a local policy was underwritten by a company from the VIG GROUP or a cooperating company, with reference to the master policy)	All risks property insurance All risks insurance of loss of profit Electronic policy property insurance	TU COMPENSA S.A. Vienna Insurance Group [local policies underwritten by the VIG GROUP companies (excluding Russia) with reference to the master policy]
A global general liability insurance policy for all operations of all companies outside the USA (in RUSSIA and BULGARIA local policies were issued referring to the MASTER POLICY)	General liability insurance in respect of operations and property, with extensions	TU COMPENSA S.A. Vienna Insurance Group [local policy underwritten by a VIG GROUP company in Bulgaria and policy underwritten by ACE INSURANCE COMPANY RUSSIA]
A policy underwritten in Spain covering Spain, France and Germany China	All risks property insurance General liability cover	AIG
General liability policy for the authorities of the commercial companies for all Group companies including the USA	D&O insurance	ALLIANZ Polish Branch
Property insurance in the USA	Flood risk insurance	Hartford Fire Ins. Co.
General liability insurance for authorities of commercial companies in the USA	EPLI insurance	Carolina Casualty Insurance Company
Motor insurance in Poland	All risks, Third Party and Accident insurance	PZU S.A.
Property insurance in Serbia	Property insurance	Wiener Stadtische Vienna Insurance Group
General liability insurance in respect of operations in Serbia	General liability insurance in respect of operations and property, with extensions	TU COMPENSA S.A. Vienna Insurance Group
Fiduciary, Fidelity, K&R	All risks, Third Party and Accident insurance	Travelers

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

On 21 February 2013, with reference to RB 7/2011 dated 11 February 2011 and RB 47/2012 dated 17 November 2012, the Management Board of AmRest Holdings SE informed of signing, on 20 February 2013, an annex to the AmRest TAG S.L. shareholder agreement. The annex extended the period in which the minority shareholders of AmRest TAG S.L. ("Minority Shareholders") could exercise the share sale option in the event of AmRest share prices falling below PLN 65 from 9 to 11 months. A detailed description of the mechanism for vesting the Minority Shareholders with this option was described in the Company's Annual Consolidated Financial Statements for 2012.

On 24 April 2013 the Management Board of AmRest informed of signing another annex to the AmRest TAG S.L. shareholder agreement on 23 April 2013. The annex extended the period in which the Minority Shareholders could exercise the share sale option in the event of AmRest share prices falling below PLN 65 from 11 to 13 months.

The signing of the annexes was the result of negotiations conducted with Minority Shareholders, aimed at changing the mechanism for the operation of the put and call options for minority shares in AmRest TAG S.L.

On 26 March 2013, AmRest informed of passing a resolution on 25 March 2013 relating to the increase in the share capital of AmRest Sp. z o.o. ("AmRest Polska"). AmRest contributed 99.9586% shares in AmRest Finance Zrt with its registered office in Budapest, Hungary ("AmRest Finance") in kind to AmRest Polska, i.e. 11 683 shares in AmRest Finance amounting to PLN 525 735 000. The share capital of AmRest Polska was increased from PLN 124 015 000 to PLN 649 750 000. The capital increase was executed by issuing 525 735 new AmRest Polska shares with a nominal value of PLN 1 000 each, in the total nominal value of PLN 525 735 000, which were taken up by AmRest. The passing of this resolution was related to enhancing cash flow management within AmRest.

On 8 June 2013, the Management Board of AmRest informed of signing Share Purchase Agreements ("SPA") on 7 June 2013 by and between AmRest Sp. z o.o., a 100% subsidiary of AmRest ("the Purchaser"), and María Elena Pato-Castel Tadeo, David Gorgues Carnicé, Luis Miguel Burgaz Fernández, Angélica Rivera Campos, María José Michavila Escribano, Jesús Collado Rodríguez, José Roige Tamarit, Pablo Arredondo Braña, Juan Ramón Hernández López, Francisco-Javier Blasco Jiménez, and Juan José Castellvi Hermosilla and Kenvest Restoration S.L. and Ebitda Consulting S.L. (jointly referred to as "Minority Shareholders", or "Sellers").

The subject matter of the agreements was the purchase of 23.7% shares in AmRest TAG S.L. ("AmRest TAG") held by the Minority Shareholders by AmRest Polska, for a total purchase price of EUR 31.9 million. As a result of the transaction, AmRest Polska was to become a 100% shareholder in AmRest TAG.

The Purchasers and Sellers agreed that the transaction would be finalized by 26 June 2013 ("Finalization Date"). The finalization of the agreement was dependent on obtaining the financing necessary for the Purchaser to pay the selling price.

Ebitda Consulting S.L. ("Ebitda") committed itself to investing the net income obtained on the transaction to purchase shares in AmRest ("Amount of Investment in Shares"). The Purchaser and Ebitda agreed the adjustment mechanism such that both parties would divide between themselves equally each positive or negative difference between the Amount of Investment in Shares and the actual price paid by Ebitda for the purchase of AmRest shares. Ebitda committed itself to not selling AmRest shares to third parties within 2 years of the Finalization Date ("Lock-Up").

On 25 June 2013 the Management Board of AmRest informed of the partial finalization ("Partial Finalization") of the Share Purchase Agreements. The Partial Finalization took place on 24 June 2013.

As a result of the Partial Finalization AmRest Polska purchased 2 616 700 shares in AmRest TAG for a total of EUR 29 608 840 and became the holder of 98.4% of its shares.

The remaining shares were to be transferred by 28 June 2013.

On 29 June 2013, AmRest informed of the finalization of the Share Purchase agreements (“Finalization”). The Finalization took place on 28 June 2013.

As a result of the Finalization AmRest Polska purchased the remaining 183 300 shares in AmRest TAG for EUR 338 007 and became the holder of 100% of its shares.

According to terms of the agreement AmRest owned “Call Option” to purchase total or part of AmRest TAG shares from non-controlling interest shareholders. AmRest had the right to realize Call option after 3 and to 6 years from the date of finalizing the agreement on May 1 and December 1 each year within this period. Non-controlling shareholders had the right to “Put Option” to sell total or part of shares. Put option could have been realized after 3 and to 6 years from the date of finalizing the agreement. Additionally, the Put Option could have been exercised at any time in the following cases: death of Mr. Steven Kent Wineger, formal initiation of the listing process of AmRest TAG’s shares on a security exchange, AmRest’s stock market price per share falling below 65 PLN. The price of both options was equal 8.2 times of the EBITDA value for last 12 months, adjusted by net debt value on the day of option realization.

In the period from June 24th to 28th, 2013 settlement set by agreement of Put Option was confirmed,. According to this agreement non-controlling interests of AmRest TAG Group were acquired by AmRest. As a consequence of this transaction, Group has recognized income of PLN 65 388 thousand, which is equal to the difference between cash paid plus fair value of deferred payments and fair value of Put Option at the moment of the transaction. Additionally, Group recognized costs from Put Option valuation of PLN 1 906 thousand relating to change in the fair value of the liability in the second quarter of 2013. As of December 31, 2013 there is no liability related to Put Option reported in the annual consolidated financial statements of the Group. As at option settlement date (June 28th, 2013) the value of the Put Option was equal to PLN 202 521 thousand (EUR 46 780 thousand). According to hedge accounting policy the foreign exchange valuation effect of PLN 11 233 thousand was presented in statement of changes in equity and statement of comprehensive income. As at 31.12.2013 fair value of deferred payment liability equaled to PLN 0 thousand, this liability has been fully settled.

On 19 June 2013, the Management Board of AmRest (“the Issuer”) informed that on 18 June 2013 the Company issued bonds which were an element of the plan for diversifying the sources of AmRest’s debt financing. The funds from the issuance of the bonds will be used to develop the Company.

AmRest issued 14 000 dematerialized bearer bonds with a nominal value of PLN 10 000 each and an issue price equal to 100% of the nominal value – the total issue value amounted to PLN 140 000 000.

All bonds bear an interest rate based on a variable rate of 6M WIBOR increased by an appropriate margin and mature on 30 June 2018. Interest is payable semi-annually (30 June and 30 December) as of 30 December 2013. The issue of bonds was not additionally secured.

The value of liabilities drawn by AmRest as at the last day of the quarter preceding the purchase offer amounted to PLN 855 million. The level of net consolidated debt until the full redemption of the bonds is assessed at up to 3.5 times the value of EBITDA for the last 12 months.

Data enabling potential Bondholders orientation in the effects of the project which is to be financed with the issue of the Bonds, and in the Issuer’s ability to meet its obligations following from the Bonds – is included in the annual and interim financial statements of AmRest published on the Warsaw Stock Exchange (WSE) and on the Issuer’s website [www.amrest.eu].

On 10 September 2013 the Management Board of AmRest informed of obtaining information on 9 September 2013 about the passing of a resolution by the Management Board of BondSpot Spółka Akcyjna, pursuant to § 7 clause 1 of the Regulations of the Alternative Trading System, on introducing to the alternative trading system on the Catalyst market 14 000 AMRE03300618-series bearer bonds of AmRest Holdings SE with a nominal value of PLN 10 000 each and a total value of PLN 140 000 000.

On 11 September 2013 the Management Board of AmRest informed that in accordance with the Message of the Operating Department of the National Court Deposit (Krajowy Depozyt Papierów Wartościowych S.A. – "KDPW S.A.") dated 10 September 2013 and the resolution of KDPW S.A. No. 583/13 dated 25 July 2013 the 14,000 AMRE03300618-series bearer bonds were registered with the National Deposit on 11 September 2013. Pursuant to the resolution, the AMRE03300618-series bonds were assigned the code ISIN PLAMRST00017.

On 13 September 2013 the Management Board of AmRest informed of the passing of a resolution to set the date of the first quotation of the bonds on the alternative Catalyst market on 16 September by the Management Board of BondSpot Spółka Akcyjna.

On 19 July 2013, AmRest informed of passing a resolution by AmRest Sp. z o.o. (a 100% subsidiary of AmRest Holdings SE), the sole shareholder of AmRest Capital Zrt. with its registered office in Budapest, Hungary, a resolution on increasing the share capital of AmRest Capital Zrt. by EUR 1 300 000 and the reserves of AmRest Capital Zrt. by EUR 24 070 000 on 18 July 2013.

At the same time, AmRest informed of signing borrowing agreements by and between AmRest Capital Zrt. as the lender and the following members of the AmRest Group as the borrowers: Pastificio Service S.L., Restauravia Food S.L.U., Pastificio, S.L.U., on 19 July 2013. Pastificio Restaurantes, S.L.U., Tagligat, S.L.U., Restauravia Grupo Empresarial, S.L. The total value of the borrowings granted was EUR 24 070 000.

The conclusion of the above-mentioned agreements was related to improving the efficiency of managing cash flows between the companies which are members of the AmRest Group.

On 10 September 2013 the Management Board of AmRest informed of signing a Loan Agreement ("Agreement") on 10 September 2013 by and between AmRest, AmRest Polska and AmRest s.r.o. ("AmRest Czech") – jointly "the Borrowers" and Bank Polska Kasa Opieki S.A. ("PEKAO"), Bank Zachodni WBK S.A. ("WBK"), Rabobank Polska S.A. ("Rabobank") and ING Bank Śląski Polska S.A. ("ING Polska") – jointly "the Lenders". AmRest Polska and AmRest Czech are 100% subsidiaries of AmRest. On the basis of the Agreement the Lenders granted a loan amounting to approx. EUR 250 million to the Borrowers. The loan covers four tranches: tranche A in the maximum amount of EUR 150 million, tranche B in the maximum amount of PLN 140 million, tranche C in the maximum amount of CZK 400 million and tranche D granted in the form of a revolving loan in the maximum amount of PLN 200 million. The loan was earmarked for repayment of the liabilities following from the loan agreement concluded on 11 October 2010 and financing development and management of the AmRest Group working capital. The loan is repayable on 10 September 2018. All Borrowers are jointly and severally liable for repayment of the liabilities resulting from the Agreement. The loan bears a variable interest rate. Under the Agreement AmRest is obliged to maintain the liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest payable) at the agreed levels. Specifically, AmRest committed itself not to exceed the level of 3.5 in respect of the net debt to EBITDA ratio and not to pay out dividend if the ratio exceeds 3.0.

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 2.2 of this Report.

8. The AmRest Holdings SE Group in 2012

8.1. Planned investment activities and assessment of their feasibility

AmRest will continue its expansion through an organic growth in the Central and Eastern European market. Additionally, in accordance with its previous announcements, the Company will conduct tests of restaurants of its own brand, La Tagliatella, on 3 new markets — USA, China and Germany. Depending on the test results, a decision will be taken to accelerate the expansion on the aforementioned markets. In the opinion of the Management Board of AmRest, the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand, the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

Additionally, the Company monitors the mergers and acquisitions market for potential acquisition opportunities.

The objective of AmRest in the Central and Eastern Europe is to continue the development of the best brand of the AmRest Group, namely KFC, by opening new restaurants and increasing sales in the existing ones. The Burger King and Starbucks brands will also be developed. The Company is able to finance its development in 2014 using its internal cash flows and debt financing.

The plan for new launches, as in previous years, will be adapted on an on-going basis to the market conditions and to opportunities to obtain new attractive locations in individual countries AmRest is very restrictive and selective each time when making a decision on how to allocate its cash — the objective being to achieve a minimum of 20% IRR on each investment.

The cost of opening a new AmRest restaurant in Europe differs by location and the type of restaurant and amounts to PLN 2.7 million Moreover, the Company plans to continue the program of modernization of existing restaurants — throughout 2014 the AmRest Group plans to allocate approx. PLN 50 million to this objective. A considerable part of the renovations budget will be consumed by modernizations in Poland.

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

8.2. External and internal factors which are significant to the Company's development in 2012

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,
- 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, Spain, France, Germany, China and the United States,
- 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 as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisor or on their consent.

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

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.

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 will be the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusive rights to some institutional locations.

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, KABB and Stubb's, and as a result of revealing unfavourable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog, KABB and Stubb's, health-related issues and issues related to the functioning patterns of one or more restaurants run both by AmRest and the competition. The above-mentioned risk is limited by using the highest quality ingredients in AmRest restaurants, which come from reliable and reputable suppliers, compliance with strict quality control and hygiene standards and the use of top modern equipment and processes which ensure the absolute safety of the meals.

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.

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, KABB and Stubb’s brands for a relatively short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by customers.

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 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.

9.14. 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 2013, the Company has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

9.15. 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.

9.16. 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.

9.17. 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. The Company's development trends and strategy

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

In the next few years, the Company plans to maintain the organic rate of development because, in the Opinion of the Management Board, the potential of the market on which it operates is many times higher than the portfolio of restaurants it currently owns. The Issuer will implement its strategy in Europe by the development of the existing brands and new acquisitions in the region. The planned growth and the increase in the number of newly-opened restaurants will cause short-term pressure on the net profit margin related to increased financial costs (expenditure related to settlement of debt) and increased one-off costs related to opening of new restaurants.

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

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

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 Directors' 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 6 June 2012 and is valid until 31 December 2014.

TABLE 11. REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

	Za okres	
PLN '000	**od 01.01.2013 do 31.12.2013**	**od 01.01.2012 do 31.12.2012**
PricewaterhouseCoopers Sp. z o.o.	**620**	**465**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	354	309
- review of financial statements	156	156
Other contracts	110	-
Other companies from the PricewaterhouseCoopers group	**1 142**	**2 393**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	1 131	1 281
- tax advisory services	-	141
- other services	11	971

Wrocław, March 14th, 2014

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member