Annual Report 2008

Directors' Report

30 April 2009

Wszystko Jest Możliwe!

AmRest 2008 Annual Report

1. LETTER TO THE SHAREHOLDERS

Dear Shareholders,

It has been two years since we announced our stretch goal of tripling sales within three years (3x3) in Central and Eastern Europe. The year of 2008 was another step which took us closer to achieving this goal and I believe we are on track to realize our goal at the end of 2009. In fact, during the three years post our 2005 IPO we managed to triple the size of our company and we have the business model and management capability to continue to grow aggresively.

Our Core Values continue to be the cornerstone of our company. All over the world, whether it is Warsaw, Prague, Budapest, Belgrade, Sofia, Atlanta or Moscow, our people draw strength and inspiration from our belief that "Wszystko Jest Możliwe!". Every day our team of over 18 thousand employees bring fun to our customers' lives, delivering craveable taste and exceptional service at affordable prices in over 400 restaurants.

Our US team, that joined us in the middle of 2008, is certainly inspired with new growth opportunities and with our passion to drive operational excellence. They have easily adopted our values and are currently introducing proven AmRest's operational systems. At the same time our European managers are very excited by the opportunity to be included in in our exchange program where our top managers will have a chance to spend a few months working in US operations absorbing best casual dining practices and world class hospitality standards.

In the US, 2008 was an incredibly volatile year, with the second half experiencing the worst six months in the companies 25 year history – declining single-digit same-store-sales in our US business reflected the serious condition of the local macro-economy. In Q4 2008 we took some necessary steps to restructure the business to improve cost structure and begin alignment with AmRest best practices. The market is still tough, however we expect to see signs of improvement in Q2 and Q3 2009 and in general we are confident that in 2009 our US division will deliver the level of return on investment which we indicated to shareholders when making this investment.

We continue our momentum in Europe growing at a rate of over 30%. Our powerful brands drive the attention of customers, developers and local communities, and we have been enjoying continuously strong sales increases in our existing restaurants, especially at our core business – KFC in Poland and Czech Republic. In 2008 we celebrated our 200th KFC in Europe, we introduced Burger King to two new markets (Bulgaria and Czech Republic) and launched our first Starbucks stores (Czech Republic). By using our scale to strengthen the awareness of our brands among customers – we initiated the first TV campaign of KFC in Hungary and in Poland we are back on TV with Pizza Hut for the first time since 2005.

At the corporate level we accomplished the conversion AmRest into a European Company (SE) and we officially moved our registered office from Amsterdam, The

Netherlands to Wrocław, Poland. As a result we simplified the Group's structure and reduced administrative costs.

While 2008 was a year of continued growth for AmRest, we did experience some setbacks. In particular, our investment in Sfinks proved to be a a mistake. Although we still believe that strategically the investment was correct, issues with the financial viability of Sfinks and ownership alignment could not be overcome. During the first quarter of 2009 we fully divested our ownership position in Sfinks. Though the financial impact of it was painful, we believe our decision to sell off the investment was in the best interest of AmRest While we are not foolish enough to predict AmRest will avoid making mistakes we also don't believe our success is largely luck. Rather, we believe our adherence to a set of values, operating standards and talent development systems have built a capability to recover when failures occur.

Our 2008 stock performance was not acceptable. Despite one-off losses generated by our Sfinx investment, we performed in line with mWIG40 average, being one of the most frequently traded companies on the Warsaw Stock Exchange (Top 30 company among almost 400 companies quoted on the WSE in terms of volume). While we can't control market volatility, we have remained focused on our growth strategy including further development of our core business. We believe our continued growth and execution of our strategy to dominate the markets we operate in will deliver superior shareholder value. The significant efforts made in 2007 & 2008 to enter new markets and launch new brands will begin to deliver results in 2009.

People – Brand – Scale continue to be the three pillars of AmRest strength and growth. We have extraordinary, passionate people who applied their can-do spirit and must-do sense of responsibility to meet the economic and market challenges. which appeared in 2008 and continue today. We have a great brand portfolio and are committed to seeing 2009 improve profitability across all brands and countries. Our scale is a huge competitive advantage – from constantly increasing marketing budgets to increased leverage in all cost categories.

A crisis is a horrible thing to waste. In 2009 we will leverage our good financial and operational condition to end the year with even stronger balance sheet. We will work on our profitability – improving EBITDA in each country and brand. In 2009 we plan to open approximately 50 new restaurants, financing all our investments from our internal cash flow. We will also continue to explore potential opportunistic and strategic acquisitions. We are very selective and strict about our key investment criterion of minimum 20% IRR.

With a solid base business – passionate people, powerful brands and economy of scale –I have such confidence in AmRest's future. It is difficult to predict exactly how the global economic slowdown will affect specific markets in 2009, or how consumers will respond to the pressures they face, but we've shown we have the management strength, the right strategy and the tenacity to maintain our growth.. We're led by an experienced management team that has proven it can address currency devaluation and political turmoil as it keeps us growing.

We are very excited by the many opportunities that lie ahead. Being a diversified multinational, multi-brand and multi-segment company creates many opportunities for our people, shareholders and partners. These unique times create additional opportunities for strong companies and we will ensure we are positioned to benefit.

Thank you for your continued support.

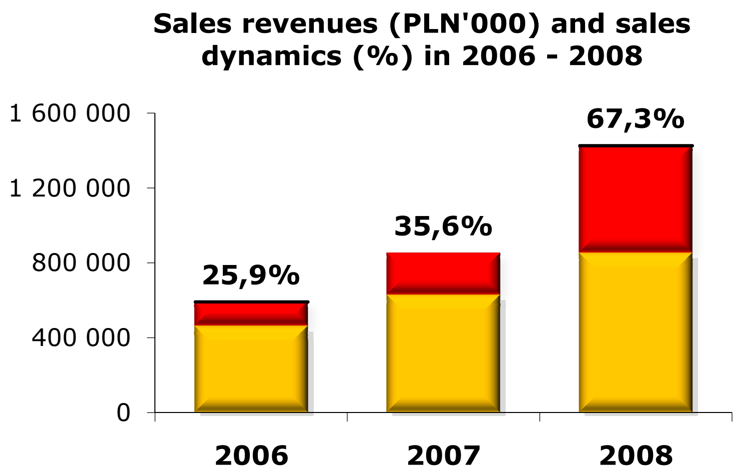
Sincerely,

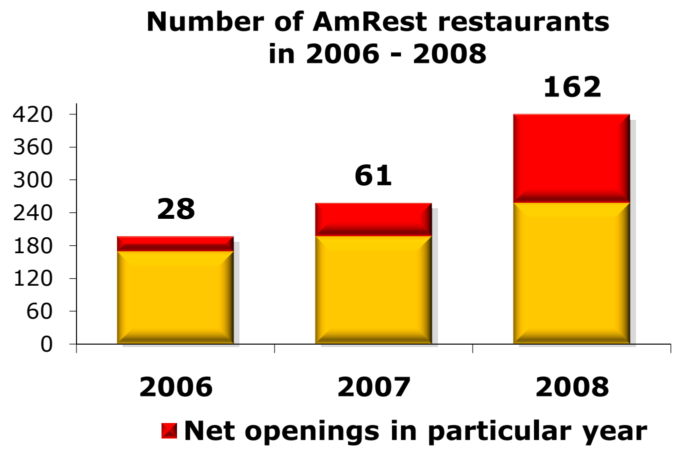
Henry McGovern

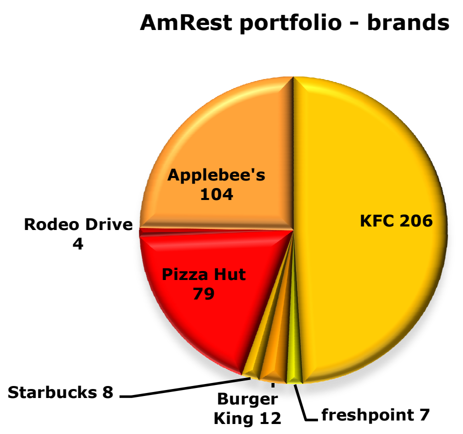
Chairman of Supervisory Board

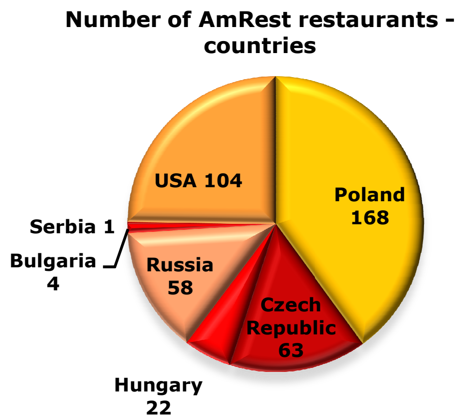
AmRest Holdings SE

Choosen financial and operational results of AmRest – summary:









2. Description of the Company

2.1. Basic services provided by the Group

AmRest Holdings SE ("AmRest") manages 7 restaurant brands in 7 countries of Central and Eastern Europe, and North America. Every day over 18 thousand AmRest employees deliver craveble taste and exceptional service at affordable prices, in accordance with our corporate culture - "Wszystko Jest Możliwe!".

AmRest manages its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King, Starbucks and freshpoint, and Casual Dining Restaurants (CDR) – Pizza Hut, Applebee's and Rodeo Drive. In the third quarter of 2008 the Company's portfolio was enlarged to include a new brand, Applebee's, and a new market – the United States of America, was added to Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points, and deliveries for order 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 and Applebee's chain standards, and dishes prepared based on proprietary ideas (freshpoint and Rodeo Drive).

AmRest has business partnership with several of the world's franchisors and, for the KFC and Pizza Hut brands, is the franchisee of Yum! Brands Inc. Burger King restaurants also operate on a franchise basis following from 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 licences to develop and manage Starbucks restaurants in Poland, the Czech Republic and Hungary. Applebee's restaurants also operate on a franchise basis, in accordance with the agreement with Applebee's International, Inc. Rodeo Drive and freshpoint are AmRest's proprietary brands, therefore sales in those restaurants are not encumbered with franchise fees.

a) Restaurants in the Quick Service Restaurants (QSR) segment

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

In terms of revenues and the number of restaurants, KFC AmRest is one of the largest network restaurant operators in Central and Eastern Europe. In 2008, KFC AmRest opened its two hundredth restaurant strengthening its position on the market. Restaurants built by AmRest in 2008 include restaurants located in shopping centres with common premises for customers, free standing Drive Thru restaurants, adapted to providing fast service to drivers, and restaurants located in city centres. In the prior year, KFC AmRest restaurants were also opened in many smaller towns where they had not been present before. KFC initiatives undertaken in 2008 and relating to its assets included redesigning the kitchen to enable increasing work effectiveness and introducing new product categories, and building a restaurant equipped with even more environmentally-friendly devices and solutions in the Czech Republic.

In 2008, the KFC menu was enhanced by a new product in the Premium category – the Grander sandwich characterized not only by its big size but also its unique taste. Other promotions are also worthy of notice and have been favorably received. These promotions include Big Box (a new set based on diversity) and Hot Shots which is an excellent snack in very special packaging. In the summer of 2008, KFC began an information campaign "free refill" which is the option of endless refills with fizzy drinks and ice tea. In the summer of 2008, the whole range of packaging was also changed and now they match the whole restaurant design much better.

2008 was also very successful in terms of increasing employment and certification both of restaurant/regional managers and employees in KFC AmRest restaurants. This allowed an even better operating level to be achieved and the improvement of customer satisfaction results, as confirmed by such awards as the "Service Quality" award, and better ranking in the CMS programme (Champs Management System), an international service quality control programme used by the franchiser, YUM!.

KFC is one of the largest partners of the Corporate Social Responsibility foundation. 1% of its profits each month is earmarked for charity purposes related to improving the lives of the most underprivileged children in North-West Poland.

2008 was a chain of successes for Burger King. As at the end of 2008 AmRest operated in three Central and Eastern European countries, in Poland, the Czech Republic and Bulgaria. Currently 9 Burger King restaurants operate in Poland. In June 2008, AmRest opened its two first restaurants in Bulgaria – in Sofia and Varna. Further expansion of the brand took place in November 2008, in the Czech Republic, where the opening of the first Burger King restaurant was accompanied by huge publicity. Additionally, in July 2008, Letters of Intent were signed with BK Europe GmbH relating to further markets – Slovakia and Slovenia.

The brand development agreement on these markets is a significant step towards AmRest's realizing its domination strategy in the area of Central and Eastern Europe. In the future, AmRest will also continue to develop Burger King in countries where the brand is already present on new markets.

AmRest is very effective at reaching the target group of purchasers from the quick service restaurant sector (men between 18 and 35) by offering larger and tastier burgers, which are flame grilled. In accordance with the slogan "Have It Your Way", Burger King customers may make up their own burgers according to their fancy and culinary tastes. The customers' reactions on the markets serviced by AmRest exceeded all expectations. Customers especially appreciate the wonderful taste of BURGER KING®, 100% beef and freshly prepared ingredients. BURGER KING® offers a rich menu – from the brand's flag product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, King Wings, pieces of chicken and desserts.

BURGER KING® comprise over 11 200 restaurants in all 50 states of the USA and in over 65 countries throughout the world. About 90 % of all BURGER KING® restaurants are owned by independent franchisees.

In January 2008, AmRest Coffee (a Joint Venture between Starbucks Coffee International and AmRest Holdings) opened its first Starbucks store in the Czech Republic. Starbucks is a global leader in the coffee sector and operates over 14 thousand stores. AmRest's experience in Central and Eastern Europe, the high quality of its operations, a developed network of suppliers and the global domination of Starbucks in the fast growing coffee segment constitute a unique synergy which AmRest Coffee uses introducing the Starbucks brand on Central and East European markets. AmRest Coffee companies were established on three markets taken into consideration in the development agreement – Czech, Polish and Hungarian.

2008 is both the year Starbucks entered the Czech market and the year preparing for development on the Polish market. The first Starbucks store on Malostranske, in a historical district of Prague, was very well accepted and generated positive interest from the media and the local community. Within a period of several months after opening the first store, new facilities were opened on a large scale and at the end of 2008 with 8 stores operating in Prague. Although Starbucks in the Czech Republic is best recognized among the omnipresent tourists, the long-term strategy assumes active presence of the brand among local communities. Key actions aimed at realizing the assumptions concentrated around the local communities constitute meetings at which books are read, participation of employees (called Partners in Starbucks language) in voluntary actions on behalf of local schools and organizations and – the heart of the brand strategy - creating the legendary Starbucks Experience by offering the highest quality coffee, coffee-based drinks served with passion and exceptional service for guests offered by teams of baristas.

2008 cemented the foundation for further expansion into the Czech Republic (mainly the Prague area) and in Poland, in the first half of 2009. In consecutive years, the largest challenge for Starbucks will be maintaining the high flow of customers, acquiring attractive locations enabling the Company to avail itself of the economies of scale and becoming accepted in Central and East European countries. The observed growth of the coffee sector in those countries is a good premise for keeping that promise. Currently AmRest operates 11 Starbucks stores, 9 in the Czech Republic and 2 in Poland (opened in April 2009 in Warsaw and Wrocław).

freshpoint kanapki prosto z pieca

2008 is considered by freshpoint, the proprietary AmRest brand, to be very successful. Supporting the AmRest growth strategy, freshpoint may boast having the most dynamic sales among all the Company Brands. This attests, among other things to the fact that Polish consumers are increasingly looking for alternative, more healthy meals.

The network of freshpoint restaurants offers its customers a wide selection of excellent sandwiches straight from the oven, prepared to the order and in the presence of the customer. It is a fresh and healthy alternative for having a meal away from home. Freshpoint offers a range of more than ten types of sandwiches with a choice of three types of bread filled to the top with juicy meats, fresh and crunchy vegetables and excellent sauces.

In the prior year, the range of sandwich products was expanded by a new group of "Big Family" sandwiches which is an offer directed to the male clientele. "Big Family" is a range of large sandwiches with an increased number of ingredients which satisfy the needs of even the hungriest men. The promotional campaign proved to be a huge success and confirmed the direction in which the brand plans to develop.

2008 was also the year in which refreshing smoothies were launched (drinks based on fruit and crushed ice) and new, fresh vegetable salads. The brand image was also made more attractive by introducing new menu boards and marketing materials.

The freshpoint restaurant network consists of 6 restaurants in Warsaw and 1 in Wrocław. At the beginning of 2008, AmRest decided to discontinue the brand's further development until the results of the existing restaurants achieve a satisfactory level and until the new markets and new AmRest, Burger King and Starbucks brands achieve their critical mass.

b) Restaurants from the Casual Dining Restaurants (CDR) segment

In July 2008 AmRest enlarged its portfolio by adding 104 Applebee's restaurants into it. Applebee's, the largest casual dining chain in the world, features neighborhood-themed restaurants that focus on delivering outstanding American fare at an excellent value, all in a comfortable, welcoming atmosphere.

AmRest currently operates 104 Applebee's in eight U.S. states, each designed to connect with their unique neighborhood. The décor features memorabilia from local schools, organizations, historical events and area sports teams. Teams support their local community via local marketing and charitable efforts, such as partnerships with neighborhood schools, fundraisers for local charities, and other local events.

In 2008, Applebee's delivered several value based promotions in response to the economic pressures U.S. guests were facing. The most popular items were offered in unique combos emphasizing the quality and the value for the good price.

Throughout the year, the value and convenience message was supported by marketing actions to drive lunch traffic and Carside To Go service. In addition, part of the restaurants was remodeled to ensure friendly atmosphere where guests stay longer with friends to watch their favorite sports while enjoying a meal or drinks.

Internally, AmRest has been focused on the continued integration of the U.S. business, including joint HR, operational and IT initiatives.

Pizza Hut is one of the largest chains of casual dining restaurants in Central and Eastern Europe. It is inspired by Mediterranean cuisine, and promotes the idea of sharing excellent food with friends and relatives in a carefree atmosphere. The brand strategy summarized in the slogan "Excellent product, exceptional hospitality, each time" defines the top priorities, and the long-term purpose of the brand is to develop the idea of eating out and being an "accessible and everyday" brand, with products reflecting requirements, trends and possibilities for consumers.

Pizza Hut is "Pizza and so much more" in accordance with the consistent strategy of developing and communicating diversity in the menu. "Straight from the oven" pasta, Festival of Asian Pizzas, salads served in bowls produced from freshly baked pastry, products basing on tortillas, a new wine and drink list, excellent mini desserts – these are only a few of the examples for developing the menu and basing the offer on a very wide assortment of products. Apart from the success of novelties, pizzas on fluffy pastry, a "never-ending" salad bar (according to the so-called "eat all you want" rule) and a wide range of freshly prepared pastas (among other things, MoltoBene) was unceasingly popular with customers.

In the prior year a new communication platform was also launched. The Company discontinued the use of outdoor advertising (billboards) and switched to more directed marketing activities. The new menu card also met with high success, on a European scale as it glorifies the rich offer, high quality and exceptional nature of Pizza Hut products.

In the area of services, the "Hospitality" programme is introducing new principles for recruiting and training employees and managers, and is becoming one of the key initiatives for the years 2008-2009. The new role definition of customer service employees, advanced service techniques and a programme for assessing and promoting hospitality and revision of service standards are only a few of the basic elements of the project and are aimed at building a long-term competitive advantage in the customer service area.


2008 was a year of growth for Pizza Hut. The brand opened 10 new restaurants and rebuilt one of its flagship locations. With the new openings and renovations, the restaurants will be modified to a new, subdued and elegant version of interior design and the logo will be changed. Gradually, the renovation and logo change process will include all the brand's restaurants. At the end of 2008, the Pizza Hut AmRest network comprised 55 restaurants in Poland, 17 in Russia and 7 in Hungary.

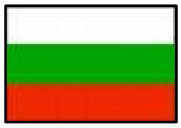
Rodeo Drive (American Bar&Grill) is a restaurant for the true adventurers, who are looking for exceptional service and a unique atmosphere. Rodeo Drive is a place where you can eat lunch, hold a business meeting and an evening party with friends and family. The décor of the restaurant refers to the tradition of the Wild West – wooden benches, tables, beams on the ceiling, stone elements on the walls, "ranch" gadgets: hats, saddles, cart wheels. In our 4 restaurants guests may taste dishes from the Wild West, from magnificent entrées, e.g. Texan Wings, through steaks, burgers, to desserts.


2008 passed by at Rodeo Drive under the motto of cowboy grilling and the promotions of the "True Texan Grill" intrinsic to the brand strategy. The first promotion was Peace, Love and Ribs, in which the increasingly popular BBQ ribs, Chili and Żubrówka ruled. The second promotion was the Mexico feast which encouraged clients to try Texan dishes; to-date Fajitas which are prepared by the restaurant guests at the tables give them an unforgettable experience. One of the more popular dishes is Żurek, a soup made with fermented rye flour. An important element of Rodeo Drive is the Bar which is known for its Mojito and Jack's Tea.

Currently, Rodeo Drive restaurants are operating in Warsaw, Wrocław, Poznań and Brno.

c) New markets

2008 in Hungary was a period of less dynamic development in connection with the macroeconomic conditions in which the country found itself. At the end of 2008, 15 KFC restaurants and 7 Pizza Hut restaurants were operating in Hungary, and all of them run by AmRest. In 2008, for the first time in KFC history, marketing actions covered a TV campaign. The sales increase maintained to-date, apart from Poland and the Czech Republic, was also noted in Hungary, among other things thanks to the KFC TV campaign which for the first time was used on this market in 2008. In 2008 the construction of the first Drive-Thru restaurant started in Hungary; the restaurant was opened in January 2009.



In 2008, the Company's main goal on the Bulgarian market was to improve the effectiveness of the already operating restaurants, the reorganization of local structures, further development and optimization of local distribution jointly with the franchisers of the brands operated by AmRest. One of the priorities on the Bulgarian market was also to secure investment locations where new AmRest chain restaurants were to be built in consecutive years mostly in Sofia. At the end of 2008, AmRest operated 2 KFC and 2 Burger King restaurants on that market.

The priorities for 2008 in Russia was to build the critical mass in Moscow and develop a local network of chicken suppliers and actions aimed at centralizing the purchase network. In 2008, AmRest increased the number of RostiksKFC restaurants by a total of 19 locations (including 4 restaurants acquired from operators in Moscow and 5 restaurants opened by AmRest in St. Petersburg. In 2008 the acquired RostiksKFC restaurants were subject to integration processes with AmRest structures and processes to ensure operating consistency and the excellent quality of the products offered and services. Currently, in Russia AmRest is operating a total of 41 KFCRostiks and 17 Pizza Hut restaurants.

In 2008, Serbian sole KFC AmRest restaurant continued to increase its sales. At the beginning of 2009, a second KFC restaurant on the Serbian market was opened. Both restaurants, as the first KFC brands in Serbia, met with great interest on the part of customers. The Company's operations on this market are currently concentrating on preparing a solid foundation for further development in the Balkan region.

The acquisition of 80% of shares in AppleGrove, the operator of 104 Applebee's restaurants in the USA, is another milestone in the history of AmRest. Applebee's is the largest casual dining chain in the US. The transaction means the entrance of AmRest on the largest restaurant market in the world and significant strengthening of the Company's Casual Dining Restaurants arm. Development in the USA will be realized mainly by consecutive acquisitions and consolidation within the Applebee's brand. Further announced acquisitions will meet AmRest's internal criterion for the minimum rate of return IRR at a level of 20%. The results of 104 Applebee's restaurants have been consolidated in AmRest's total results since the third quarter of 2008.

2.2. Structure of revenues

2008 was another period of increase in sales revenues for the AmRest Group as revenues grew by 67.4% (PLN 1 428 398 million in 2008 compared with PLN 853 355 million in 2007). High sales dynamics were achieved mainly thanks to a systematic increase in sales of the already existing restaurants in Europe and sales revenues earned by the Applebee's chain in the United States of America, whose results were consolidated for the first time in the Group results in the third quarter of 2008. In 2008, sales in the United States of America amounted to PLN 302 426 million.

The AmRest Group generates most of its revenues in the Quick Service Restaurants (QSR) segment – KFC, Burger King, freshpoint and Starbucks. Revenues from the QSR segment comprised 64.6% of the Company's total sales in 2008 (79.1% in 2007). The other segment of AmRest, Casual Dining Restaurants (CDR), comprises such restaurants as Pizza Hut and Rodeo Drive. In 2008, the CDR segment sales amounted to 35.4% of the Company's total sales (compared with 20.9% in 2007).

Table: Structure of AmRest sales by business segment

SEGMENTS	2008		2007	
	PLN'000	share (%)	PLN'000	share (%)
Quick Service Restaurants	922 357	64,6%	674 747	79.1%
Casual Dining Restaurants	506 041	35,4%	178 608	20.9%
Total	**1 428 398**	**100,00%**	**853 355**	**100.00%**

In 2008, in Poland AmRest generated 48.5% of its sales compared with 64.9% in 2007. The share of the Czech Republic also dropped from 22.6% in 2007 to 16.0% in 2008. Russian restaurants had a 9.9% share in the annual sales of AmRest in 2008 compared with 6.7% in the prior year.

Table: Structure of AmRest sales by country

COUNTRY	2008		2007	
	PLN'000	share (%)	PLN'000	share (%)
Poland	693 408	48.5%	553 692	64.9%
USA	302 426	21.2%	N/A	N/A
Czech Republic	228 029	16.0%	192 974	22.6%

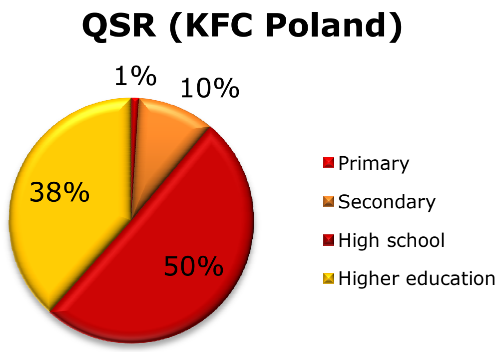
Russia	141 669	9.9%	57 332	6.7%
Other	62 866	4.4%	49 357	19.6%
Total	**1 428 398**	**100.00%**	**853 355**	**113.83%**

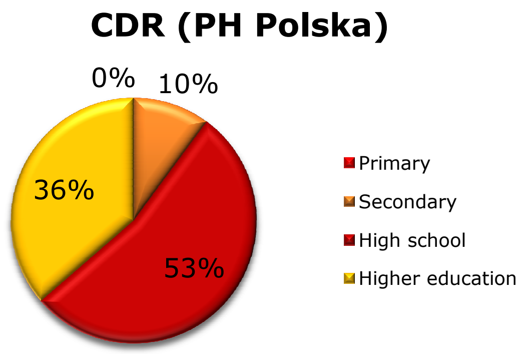
The seasonality of sales and inventories of the AmRest Group is not significant which is typical of the whole restaurant industry. On Central and East European markets, restaurants have lower sales in the first half of the year which is mainly the result of a smaller number of days of sale in February and lower number of customers in the restaurants. The United States market is characterized by stronger first half versus second half sales performance. After a period of lower sales in the summer months and a slight revival related to the Christmas season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and a high number of holidays.

2.3. Clients

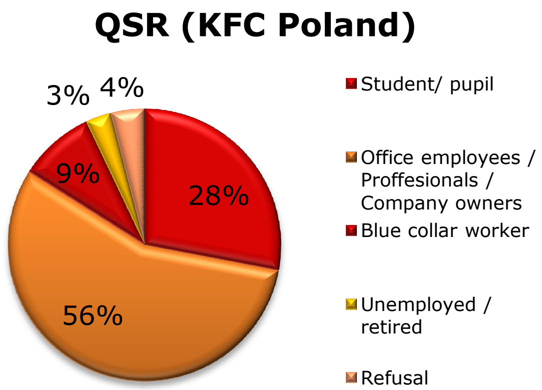
AmRest products are directed to a wide circle of individual clients via a chain of restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, and the USA, mainly located in cities or in their vicinity. The graphs below show client profiles by education, occupation and gender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

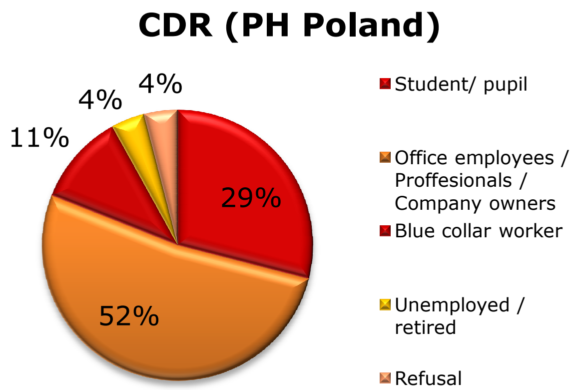
a) Education



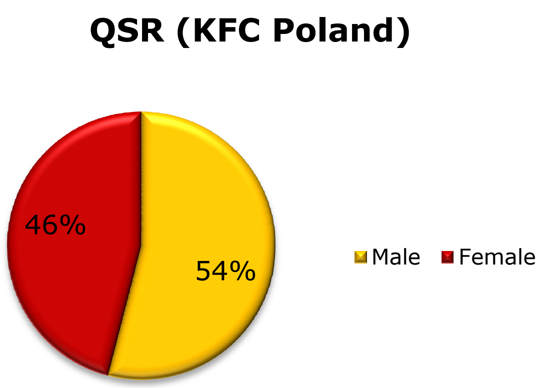


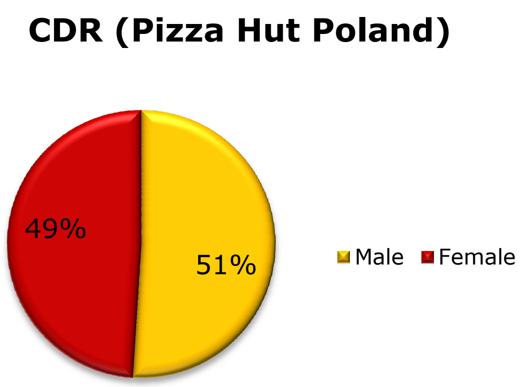
b) Occupation





c) Gender





2.4. Supply chain

At the beginning of 2008 the consumer price index in Europe achieved a very high level, mainly as a result of an increase in the prices of fuels, energy and food. Despite unfavourable trends on the global markets, the AmRest Group is able to increase its competitive edge in this area by taking appropriate action. Although during the period AmRest also noted an increase in the level of costs in the food and packaging segment, it was at a much lower level than inflation in the countries where AmRest has its restaurants.

Another element which was emphasized in the first half of the year was adapting the requirements in Hungary and Russia to the level which logistics firms in Poland and Czech have to meet. Therefore:

- a distribution agreement was signed with Lekkerland company in Hungary supporting the development of the brands on the market and on the adjacent markets;

- standard KPIs were introduced for distributors in Hungary and Russia;

- McLane company opened a new warehouse with three temperature levels (dry, refrigerated and frozen products) in Czeladź, the warehouse services restaurants in the south of Poland but is also an important element of the contingency plan for restaurants in Poland and the Czech Republic.


In mid 2008 the inflation pressure in the food sector dropped significantly, among other things, as a result of very good crops in Europe and the increased effectiveness in the area of production of the key chicken suppliers in Poland as a result of applying a new technology, improving work organization and an increase in the scale of production due to growing sales in Poland and exporting to West European markets. The drop in distribution costs related to the drop in the prices of fuels and the increase in sales also had a positive impact on the selling costs.

As a result of these changes, in the second half of 2008 deflation was noted in the foodstuffs and packaging basket for the key AmRest brands in Poland and the Czech Republic. Additionally, in mid 2008 we took a decision to hedge our exposure in EUR and GBP in respect of supplies (import of some food and packaging products) throughout 2009. An important element of the AmRest supply strategy is also the development of local suppliers. Therefore, at the end of 2008 and at the beginning of 2009 the Company’s operations are aimed at:

- developing local suppliers of food products;
- increasing the materials base of chicken parts and developing new chicken suppliers in Poland by increasing effectiveness in the area of chicken production and appropriate organization in the area of chicken production and material production;
- developing a new chicken supplier in the Moscow region which will enable us to significantly reduce costs and reduce the effect of the weakening of the RUB;
- increasing purchases of products in Poland in PLN compared with imports from the EUR zone countries to the Czech Republic, Russia, Bulgaria and Hungary to eliminate foreign exchange risk.

The above actions will allow AmRest to gain a competitive edge on the market. At the same time, the Company is intensifying actions aimed at increasing the scale of production for the AmRest chain and of processed products directed to the markets of West Europe and Asia. These actions should contribute to introducing new technologies and increasing effectiveness in the whole area of food production management.

The list of largest AmRest suppliers:

1. McLane – distributor in Poland
2. Agropol Food – supplier of chicken products in the Czech Republic
3. Drobimex – supplier of chicken products in Poland
4. Dachster E.S.T .– distributor in the Czech Republic
5. Mayer Germany – products of Burger King
6. Pepsi – drinks
7. Vandermortele – shortening
8. McCormick – spices and condiments
9. Huhtamaki – packaging
10. AVIKO – fries

2.5. Employment level

The table below shows employment in the Group in the years 2008-2006 (balance as at the end of the year).

Year	2008	2007	2006
Employment in restaurants	17 925	8 516	6 659
Employment in administration	394	280	179
Total	**18 319**	**8 796**	**6 838**

2.6. Changes in the manner of management

In 2008, the following changes were noted in the manner of managing the enterprise and the Group:

a) European Company

On 19 September 2008 AmRest Holdings N.V. was transformed into the European Company – AmRest Holdings SE (RB 71/2008). In connection with the change in the legal status, on 22 December 2008, the Company's registered office was transferred from Amsterdam (the Netherlands) to Wrocław (Poland). The purpose of transforming AmRest into a European Company was to increase the effectiveness of the Company's operations, i.e. improving its transparency and reducing the operating and administrative expenses.

b) Changes in employment

In February 2008 Mr Wojciech Mroczyński, Chief Financial Officer and Member of the Management Board of AmRest, took up the newly-opened position of Chief Operating Officer. In his new role, Wojciech Mroczyński is responsible for the long-term operating strategy of all restaurant brands of AmRest operating on the Company's key markets. Wojciech Mroczyński remained a Member of the Management Board of AmRest. At the same time, the newly-established position of Financial Director was taken up by Piotr Boliński, who until then had been the Group's Financial Controller.

On 3 November 2008, Mark R. Chandler was appointed Chief Financial Officer (CFO) of AmRest. Mark Chandler is responsible for the following departments: the Finance Department, the Supply Chain Department, the IT Department, the Legal Department and the Relationships with Investors Department. Mark Chandler has wide international experience in finance, IT, strategic planning, operations and general management, treasury, business development, including mergers and acquisitions. He was previously Chief Financial Officer in Oh! Shoes and Chief Operating Officer and Chief Financial Officer in On-Site Screening, Inc, a company operating in the medical industry. Before that, Mark Chandler worked as Chief Operating Officer and Chief Financial Officer in Waytronix, Inc., a public technology company. Moreover, Mr Chandler worked for 23 years with Sara Lee Corporation, where he was employed in high positions in the financial, management and operating areas. Towards the end of his cooperation with Sara Lee, Mark Chandler was CEO of Business Development Europe and a Member of the Management Board of Sara Lee Apparel Europe. Mark Chandler graduated from Whitman College, where he specialized in Mathematics and Economy, and obtained an MBA at the Finance and Marketing Department of Columbia University Graduate School of Business.

As part of strengthening the operations of AmRest Holdings SE ("AmRest") and making further steps in the Company's strategy, as of January 2009, a new organizational structure is in force in AmRest which stipulates identifying two distinct areas: Quick Service Restaurants (QSR) and Casual Dining Restaurants (CDR). In connection with the change, the position of QSR Chief Operating Officer was taken by Drew O'Malley, the former Managing Director of AmRest Coffee Sp. z o.o. (Starbucks). Simultaneously, Wojciech Mroczyński, formerly responsible for the long-term operating strategy of all restaurant brands of AmRest, took the position of CDR Chief Operating Officer. Wojciech Mroczyński is also a Member of the Management Board of AmRest.

3. MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

3.1. Composition of the Management Board and the Supervisory Board

On 31 March 2008 Mr Per Steen Breimyr, resigned as Member of the Supervisory Board due to a conflict of interests after taking up a new job. On 23 August 2007 a Member of the Supervisory Board of AmRest, Mr Christian Eisenbeiss, resigned as Chairman of the Supervisory Board. The resignation was for personal reasons.

During the General Shareholders' Meeting of AmRest which took place on 23 June 2008 resolutions were passed relating to supplementing the Supervisory Board and changes to the composition of the Management Board of AmRest. Mr. Henry McGovern and Mr. Michael Tseytin supplemented the Supervisory Board of AmRest. Mr. Henry McGovern was appointed Chairman of the Supervisory Board of AmRest by Members of the Supervisory Board. At the same time, Mr. Wojciech Mroczyński and Mr. Jacek Trybuchowski took up posts as Members of the Management Board of AmRest.

Management Board

The Management Board of AmRest comprises:

Wojciech Mroczyński

Jacek Trybuchowski

Supervisory Board

The Supervisory Board of AmRest comprises:

Henry McGovern

Donald Macintosh Kendall Sr.

Donald Macintosh Kendall Jr.

Przemysław Aleksander Schmidt

Jan Sykora

Michael Tseytin

4. FINANCIAL POSITION OF THE COMPANY

4.1. Assessment of the Company's results and the structure of its balance sheet

Table: Basic financial data of AmRest (2008-2006)

in PLN thousand, unless otherwise stated	2008	2007	2006
Sales	1 427 408	853 355	629 326
Operating profit before amortization and depreciation	152 109	121 114	91 061
Operating margin after amortization and depreciation	10,7%	14,2%	14,5%
Operating profit (loss) (PLN'000)	81 093	67 644	44 351
Operating margin (EBIT margin)	5,7%	7,9%	7,0%
Profit (loss) before tax (PLN'000)	36 886	64 494	48 812
Gross margin	2,6%	7,6%	7,8%
Net profit (loss) (PLN'000)	20 804	48 855	38 525
Net profitability	1,5%	5,7%	6,1%
Equity	370 685	293 463	155 875
Return on equity (ROE)	6%	22%	28%
Total assets	1 096 029	596 657	321 455
Return on assets (ROA)	2%	11%	13%

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: Liquidity analysis (2008 – 2006)

in PLN thousand, unless otherwise stated	2008	2007	2006
Current assets	147 238	104 980	64 656
Inventories	20 878	11 594	8 134
Short-term liabilities	311 169	155 319	81 155
Quick ratio	*0,41*	*0,60*	*0,70*
Current ratio	*0,47*	*0,68*	*0,80*
Cash and cash equivalents	37 583	46 873	25 241
Cash ratio	*0,12*	*0,30*	*0,31*
Inventory turnover (in days)	*4,15*	*4,22*	*4,09*
Trade and other receivables	66 162	34 489	11 460
Trade receivables turnover (in days)	*12,87*	*9,83*	*7,23*
Operating ratio (cycle) (in days)	*17,02*	*14,05*	*11,32*
Trade and other payables	269 642	111 527	77 903
Trade payables turnover (in days)	*48,73*	*40,51*	*38,51*
Cash conversion ratio (in days)	*(31,71)*	*(26,47)*	*(27,19)*

Definitions:

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

- Receivables turnover ratio (in days) – average trade receivables to sales multiplied by the number of days in the period;

- Cash conversion ratio – difference between the operating ratio (cycle) and the payables turnover ratio.

Table: Debt analysis (2008 – 2006)

in PLN thousand, unless otherwise stated	2008	2007	2006
Current assets	147 238	104 980	64 656
Non-current assets	948 791	491 677	256 799
Trade and other receivables	66 162	34 489	11 460
Liabilities	725 344	303 194	165 580
Long-term liabilities	414 175	147 875	84 425
Debt	432 470	162 698	73 058
Share of inventories in current assets (%)	*14,18%*	*11,04%*	*12,58%*
Share of trade receivables in current assets (%)	*44,94%*	*32,85%*	*17,72%*
Share of cash and cash equivalents in current assets (%)	*25,53%*	*44,65%*	*39,04%*
Fixed assets to equity ratio	*0,39x*	*0,60x*	*0,61x*
Total debt ratio	*0,66x*	*0,51x*	*0,52x*
Long-term debt ratio	*1,12x*	*0,50x*	*0,54x*
Liabilities to equity ratio	*2,0x*	*1,0x*	*1,1x*

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;

- Debt – total liabilities and provisions to total assets;

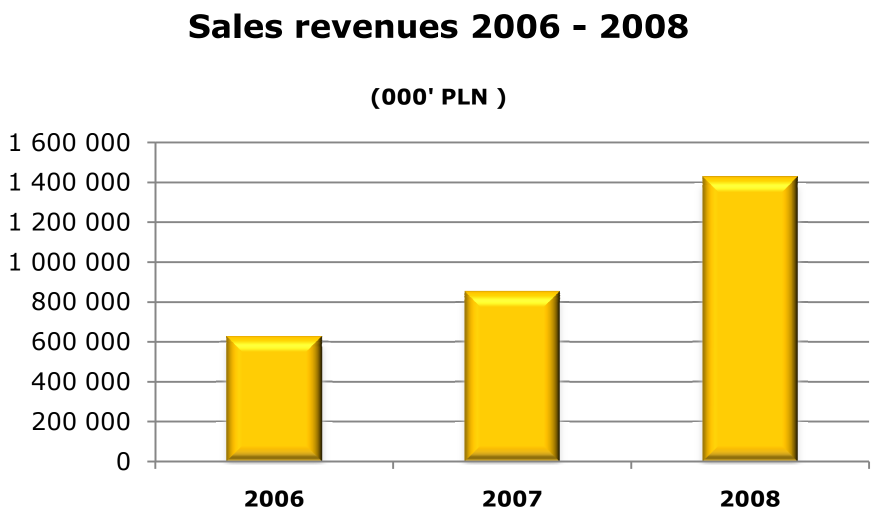
- Long-term debt – long-term liabilities to total assets;

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

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

c) The Company’s results

Sales revenue of AmRest in 2008 amounted to PLN 1 427 408 thousand and increased by 67.3% compared with 2007. The increase in sales was achieved mainly due to sales revenue earned by the chain of restaurants in the USA and a systematic increase in sales by the existing restaurants in Europe. Sales of American restaurants are accounted for in the Group's results as of the third quarter of 2008. Sales in the United States of America in the third and fourth quarter of 2008 amounted to PLN 302 426 thousand in total. The Company's restaurants operating in Europe earned sales revenue of PLN 1 124 982 thousand in 2008 (an increase of 31.8% compared with 2007).



The sales results in 2008 also account for the positive impact of the falling exchange rates of the American dollar against the Polish zloty (of ca. 13.1%) and Russian rubel against the Polish zloty (of ca. 10.8%) compared with 2007. At the same time, strengthening of the Czech crown against the Polish zloty (of ca. 3.2%) compared with 2007 had a positive impact on sales in 2008.

In 2008, the Group's gross profit on sales amounted to PLN 159 426 thousand and increased by 33.6% compared with 2007. The drop in the gross profit margin in 2008 compared with 2007 was caused by the consolidation of the US business which has a different cost structure. The Group's operations in the US are characterized by higher labour costs and other operating expenses compared to sales, which had not been accounted for in the prior year. The gross profit margin on sales in the USA amounted to 3.8% in 2008 compared to 13.1% in Europe.

In 2008, the Company noted an operating profit of PLN 81 093 thousand. In this period the Company impaired some of its restaurant assets; this relates mainly to the Rodeo Drive restaurants in Brno and in Warsaw which do not earn profits (amounting to PLN 7 272 thousand). The loss resulted from impairement was offset by recognized profit on sale of fixed assets of PLN 6 636 thousand. It relates mailny to sell of real estate assets located in Poland (the positive impact on the profit was assessed at PLN 10 600 thousand in 2008).

A sligth drop in the operating profit margin in Europe is related mainly to the costs of supporting new brands and new markets in Europe. American business had additional negative impact on consolidated operational profit that ended 2008 with the operation loss of PLN 6 227 thousand.

Poor performance of the American segment is a result of slow down in the American economy what had impact on consumer demand and decrease of Applebee's restaurants sales in US. Additionally, in the fourth quarter of 2008 one-off restructuring costs appeared in the American business which were related to the integration of the business with the structure of AmRest (approximately USD 500 thousand).

The above factors led to a drop in the operating profit margin to 5.7 % in 2008 compared to 7.9% in 2007.

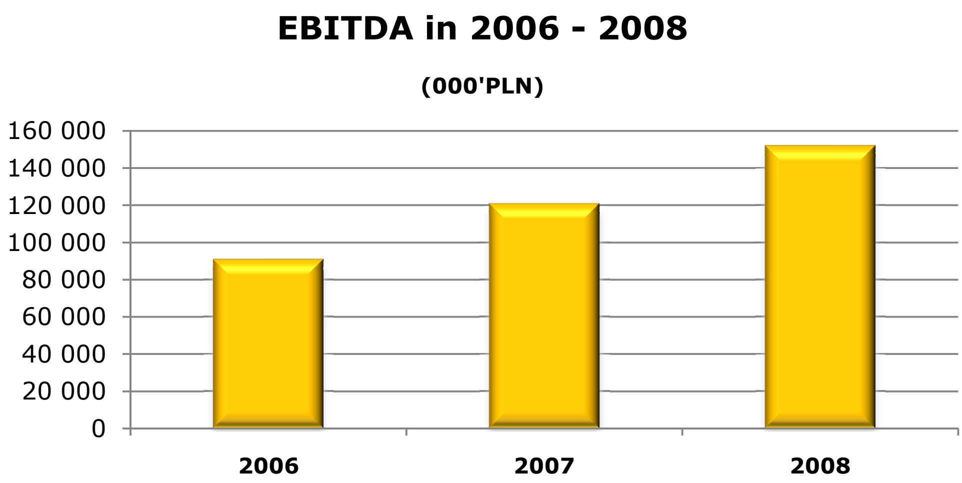
The EBITDA margin in 2008 amounted to 10.7% compared with 14.2% in the prior year. The EBITDA margin in Europe amounted to 13.2% compared with 1.1% in the United States. The highest EBITDA margin was generated on the basic markets in Poland and amounted to 16.8%. The results of the Russian segment were charged on write-offs related to discontinued investments in the amount of approximately PLN 1 500 thousand.

In October 2008, AmRest took control over SCM sp. z o.o. ("SCM") which is engaged in managing the supply chain for AmRest Group companies. The results of SCM were fully consolidated in the 4th quarter of 2008 which led to an increase in administrative expenses in nominal terms. These expenses directly correspond to other operating income which also increased. The net impact of the operations of SCM on the remaining operating activities was positive and amounted to PLN 831 thousand in the fourth quarter of 2008.

In 2008, the impact of net financial costs significantly increased (an increase from PLN 4 282 thousand in 2007 to PLN 18 777 thousand in 2008). This results mainly from a significant increase in liabilities in respect of loans and borrowings.

The negative factor impacting operating financial results was also recognized loss in consolidated Group's results for the fourth quarter of 2008 generated by Sfinks Group. The total loss amounted to PLN 15 855 thousand. In addition, the revaluation of Sfinks investments of PLN 10 349 thousand was made in the fourth quarter of 2008. The total Sfinks investment write-off amounted to PLN 26 204 thousand.

The above caused a Group's net profit decrease in 2008 to PLN 20 804 thousand (from PLN 48 855 thousand in 2007).



The relative increase in trade payables and increased financing of operations with trade credit led to a small drop in the quick and current ratios compared with 2007. These ratios amounted respectively to 0.41 and 0.47 in 2008 compared to 0.60 and 0.68 as the end of 2007. The cash ratio dropped to 0.12 compared with 0.30 as the end of 2007.

Relative increase in trade payables and other short-term paybles is related mainly with the addition of American business and links with the potential sales liability of 20% shares in AppleGrove Holdings, LLC equaled to PLN 33 818 thousand. This liability was descrobed in Note 2 of Financial Statement.

Despite a significant increase in inventories at the end of 2008 (resulting from adding the American business in mid year) the inventory turnover ratio remained at the same level (4.1 days compared with 4.2 days as at the end of 2007). The small increase in the cash conversion ratio compared with 2007 enables the Group to finance current operations to an even larger extent with trade credit.

The above liquidity ratios are at a level that ensure uninterrupted operation and their relatively low levels relate to specifics of restaurant business. Generation of excess cash on a current basis allows efficient servicing of the existing debt and financing planned investment expenditure.

Equity increased from PLN 293 463 thousand as at the end of 2007 to PLN 370 685 thousand. Debt to equity increased – from 0.6 as at the end of 2007 to 1.2 as at the end of 2008. The net debt to EBITDA ratio amounted to 2.5 as at the end of 2008 (assuming 12 months of operation of the American restaurants). Debt increase in 2008 is linked with continuous and dynamic growth of the Group which is financed mainly from additional bank loans.

Total assets as at the end of 2008 amounted to PLN 1 084 380 thousand and increased by 86.1% compared with the balance as at the end of 2007. This was caused mainly by an increase in the value of non-current assets related to the purchase of over 100 restaurants in the United States, taking over more than 10 restaurants in Russia and the construction of new restaurants in Europe. The Company's total liabilities increased by 135.4% compared with the end of 2007 and amounted to PLN 713 695 thousand (mainly as a result of increased debt).

4.2. External loans and borrowings

On 11 March 2008 a Loan Agreement was signed between AmRest Poland ("the Borrower") and ABN AMRO Bank N.V. and ABN AMRO Bank (Polska) S.A. (jointly: "the Bank"). Under the above-mentioned agreement the Bank granted the Borrower a loan amounting to PLN 150 million which matures on 29 August 2008. The loan is granted in renewable tranches and bears a floating interest rate. The loan is available in PLN, USD and CZK. The purpose of the loan is financing the development of the AmRest Group. At the same time, a letter of intent was signed relating to the initial conditions for a 7-year Programme for the Issuance of Short- and Medium-Term Bonds in the total amount of PLN 300 million. The funds from the Programme for the Issuance of Bonds will be used to pay back the loan.

In connection with the Loan Agreement dated 11 March 2008, a corporate guarantee was signed by AmRest for AmRest Poland on behalf of ABN AMRO Bank N.V. and ABN AMRO Bank (Polska) S.A. (jointly: "the Bank"). AmRest guarantees to the Bank that AmRest

Poland will not default on the liabilities following from the loan agreement. The guarantee was granted until the moment of repayment of the liabilities following from the loan agreement.

On 18 July 2008, AmRest informed of signing a Share Issue Agreement ("the Issue Agreement") by and between AmRest Poland ("the Issuer") and ABN AMRO Bank (Polska) S.A. ("the Agent"). On the basis of the Issue Agreement a 7-year Bond Issue Programme ("PEO") for short and medium term bonds with a total value of PLN 300 million will be launched. PEO stipulates the possibility or issuing bonds in several tranches.

On 23 July 2008, AmRest informed of signing Annexe No. 1 to the Loan Agreement concluded on 11 March 2008 by and between AmRest Poland ("the Borrower") and ABN AMRO Bank N.V. and ABN AMRO Bank (Polska) S.A. (jointly: "the Bank"). On the basis of the Annexe, the amount of the loan was increased to PLN 200 million (from PLN 150 million). Other terms and conditions of the Loan Agreement have not changed.

On 28 July 2008, in connection with the Bond Issue Agreement dated 9 July 2008 (RB 60/2008 dated 18 July 2008) AmRest informed of signing a corporate guarantee of AmRest for AmRest Poland ("the Issuer") on behalf of each bond holder. AmRest guarantees to the bondholders that the Issuer will make payments on their behalf in respect of bonds acquired. The guarantee was granted until the moment of expiry of the obligations resulting from issuing the bonds.

On 17 December 2008, AmRest informed of signing the Loan Agreement between AmRest, AmRest Sp. z o.o. ("AmRest Poland") and American Restaurants s.r.o. ("AmRest Czech") – jointly "the Borrowers", and ABN AMRO Bank (Polska) S.A., ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.- jointly "the Creditors". On the basis of the Agreement, AmRest received a PLN 440 million loan. The loan should be repaid by 31 December 2010. The loan covers two tranches. Tranche A is awarded for the repayment of liabilities resulting from the currently binding loan agreements concluded with ABN AMRO (agreement dated 4 April 2005 and agreement dated 11 March 2008). Tranche B was awarded to finance the development of the AmRest Group. At the same time, AmRest informed of the guarantee granted in connection with the said loan agreement under which OOO AmRest ("AmRest Russia") and AppleGrove Holdings, LLC ("AppleGrove") – jointly "the Guarantor", guarantee to the Creditors that the liabilities resulting from the Loan Agreement will be repaid by the Borrowers. Details can be found in current reports RB 90/2008 and RB 91/2008.

Group is obligated to keep the indexes on a level defined in the agreement. Indexes include net debt ratio (net debt to annualized EBITDA value), interest coverage ratio and balance sheet structure ratio (net assets value ratio defined as consolidated net equity attributable to shareholders of the parent divided by balance-sheet total).

Net debt ratio value should not exceed 3.5, interest coverage ratio value should exceed 2.5, balance-sheet ratio value should exceed 0.3. As at 31 December 2008 roku described above ratios were not exceeded and their value equaled to: net debt ratio – 2.76, interest coverage ratio – 2.68, balance-sheet structure ratio – 0.32.

Information regarding loans and borrowings as at 31 December 2008 are included in Note 18 of Financial Statement.

As at 31 December 2008, the following credit lines were available to AmRest Group:

a) Club Deal: ABN Amro Bank S.A., BZ WBK S.A., PEKAO S.A. – PLN 48 951 thousand (credit denominated in PLN)

b) ABN Amro Bank S.A. - PLN 11 131 thousand (overdraft facility in PLN)

c) ABN Amro Bank S.A. - PLN 5 191 thousand (overdraft facility in EUR)

Detailed information on loans and borrowings as at 31 December 2008 are presented in Note 19 to the financial statements.

4.3. Description of key domestic and foreign investments

Table: Purchases of non-current assets in AmRest Holdings SE (2008-2007)

Value in PLN'000		2008	2007
Intangible assets including:			
	Trademarks	-	-
	Favourable lease agreements	1 592	-
	Licences for the use of Pizza Hut and KFC	13 427	4 853
	Goodwill	121 152	122 501
	Other intangible assets	15 229	3 142
Fixed assets including:			
	Land	1	-
	Buildings	136 318	62 825
	Equipment	73 231	56 736
	Vehicles	467	211
	Other (in consideration of fixed assets under construction)	45 950	17 822
	Total	**407 367**	**268 090**

The investment expenditure incurred by AmRest relates mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in the existing restaurants. The Company's investment expenditure depends mainly on the number and type of restaurants opened. In 2008, the acquisition of AppleGrove Holdings, LLC in USA and acquisition of 32,99% shares of Sfinks Polska S.A. also had an impact on investment expenditure. Furthermore, Company acquired 15 RostiksKFC restaurants in Russia.

In 2008 investments were financed mainly with operating cash flows and a bank loans. In 2008 total capital expenditure of AmRest amounted to PLN 407 367 thousand. The above amount comprises:

- cash expended on acquiring AppleGrove Holdings, LLC – PLN 152 156 thousandincluding acquiring fixed assets of PLN 60 270 thousand and intangible assets of PLN 10 756 thousand; recognized goodwill - PLN 81 130 thousand;

- cash expended on acquiring 15 RostiksKFC in Russia – PLN 42 180 thousand (acquiring fixed assets of PLN 2 158 thousand); recognized goodwill – PLN 40 022 thousand (Tetra i FFRG PLN 28 373 thousand and Chicken Food - PLN 11 649 thousand);

- cash expended on other acquirings of fixed assets of PLN 193 539 thousand and intangible assets of PLN 19 492 thousand.

Table: Number of AmRest Holdings SE restaurants (balance as at 31 December 2008 -2006)

a) QSR

Balance at the end of:		2008	2007	2006
KFC	Poland	94	85	79
	Czech Republic	53	44	43
	Hungary	15	13	5
	Russia	41	22	0
	Bulgaria	2	1	0
	Serbia	1	1	0
Freshpoint	Poland	7	7	4
Burger King	Poland	9	4	0
	Czech Republic	1	0	0
	Bulgaria	2	0	0
Starbucks	Czech Republic	8	0	0
Total QSR		**233**	**177**	**131**

b) CDR

Balance at the end of:		2008	2007	2006
Pizza Hut	Poland	55	50	52
	Hungary	7	9	12
	Russia	17	18	0
Rodeo Drive	Poland	3	3	1
	Czech Republic	1	1	1
Applebee's	USA	104	0	0
Total CDR		**187**	**81**	**66**

c) Total AmRest Group

	2008	2007	2006
Openings	170	72	33
Closings	8	11	5
Net increase in the number of restaurants	162	61	28

At the end of 2008, AmRest operated a total of 420 restaurants (258 as at the end of 2007). In the reporting period, a total of 170 restaurants were opened (including restaurants acquired) and 8 sites were closed.

In 2008, by acquiring 104 Applebee's restaurants, AmRest entered the American market which is the largest restaurant market in the world. As a result of the acquisition, by strengthening the Casual Dining Restaurants arm AmRest significantly diversified its portfolio. The Company runs restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King, Starbucks and freshpoint, and Casual Dining Restaurants (CDR) – Pizza Hut, Rodeo Drive and Applebee's. (AmRest) manages a total of 7 restaurant brands in 7 countries.

Moreover, in 2008 the first Starbucks stores were opened in the Czech Republic (a total of 8) and the first Burger King restaurants in Bulgaria (a total of 2). Additionally, letters of intent were signed relating to development of the Burger King brand on three new markets: the Czech Republic, Slovakia and Slovenia. In that period a Memorandum of Understanding was also signed with Americana relating to the establishment of a joint venture (50/50) to run RostiksKFC and Pizza Hut restaurants in the Ukraine.

In 2008, 170 restaurants were added to the portfolio of AmRest, mainly as a result of acquiring restaurants in the USA. Among the 40 KFC restaurants added to the AmRest portfolio since the beginning of 2008, 15 were acquired as a result of the transfer of rights to restaurants run by OOO Tetra and OOO FFRG in Moscow. Additionally, 8 Burger King restaurants, 8 Pizza Hut restaurants and 8 Starbucks stores were opened.

In the period discussed above, a total of 8 restaurants were closed. The closures resulted mainly from reorganization of the Pizza Hut brand in Poland and the conversion of Multi Brands (KFC and Pizza Hut operating in one location) into independent KFC restaurants.

4.4. Description of the structure of key investments and capital expenditure projects

Capital expenditure of AmRest as at 31 December 2008 amounted to PLN 37 725 thousand of which PLN 756 thousand comprises shares in Worldwide Communication Services LLC (WCS), PLN 3 127 thousand comprises shares in SCM Sp. z o.o. and SCM s.r.o. and PLN 33 842 thousand comprises shares in Sfinks Polska S.A.

In 2008 Group had a significant impast on Sfinks Polska S.A. and considered this company as related entity and evaluating company in compliance with ownership rigth method. Total amount of Sfinks' shares acquisition was PLN 59 272 thousand. As at 31 December 2008, based on its market value, investment in Sfinks was valued and loss of shares value of PLN 10 349 and loss in 2008 of PLN 15 081 thousand were presented.

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

Mergers and acquisitions

a) Russia

In March 2008 AmRest signed the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 5 RostiksKFC restaurants run by OOO Fast Food Restaurants Group ("FFRG"). The total amount of the transaction relating to those agreements amounted to USD 6.15 million. The Agreement for Consideration stipulated that the amounts relating to particular restaurants will be paid after the actual transfer of lease rights relating to particular locations from FFRG to AmRest. Earlier, in February 2008, AmRest signed analogical agreements relating to 9 RostiksKFC restaurants run by OOO Tetra.

The transfer of rights relating to running the 15 restaurants specified above was conducted over the 2nd quarter of 2008. All the restaurants specified above are located in Moscow. AmRest Group's efforts concentrate on increasing the critical mass in Moscow by consolidating the RostiksKFC brand. As at the end of 2008, AmRest was managing a total of 58 restaurants in Russia, 41 RostiksKFC restaurants and 17 Pizza Hut restaurants.

b) The United States

On 9 July 2008, AmRest informed about finalizing the Acquisition Agreement for 80% Ownership Shares ("Acquisition Agreement") in AppleGrove Holdings, LLC ("Apple Grove"), the operator of 104 Applebee's restaurants in the USA. The details of the Acquisition Agreement were described in RB 28/2008 dated 20 May 2008. The results of the restaurants are consolidated in AmRest's total results as of the 3rd quarter of 2008.

The investment in Apple Grove fits in excellently with the business model of AmRest: people-brand-scale. Applebee's is the world's largest chain of CDRs, AppleGrove is the second largest franchisee of Applebee's. The very experienced management team has CDR expertise including the area of highest hospitality standards which AmRest intends to implement on the Central and East European market in the future.

Restaurants operating in the USA diversify the seasonality of the Group's operations – in the USA, the first half of the calendar year shows higher sales, while the European market usually generates higher sales in the second half of the year.

c) Poland

On 24 March 2009 the contingent agreement for the sale of all shares in Sfinks Polska S.A. ("Sfinks") owned by AmRest was finalized (a total of 3 061 786 shares at PLN 9.95 per share).

The Company's preliminary investment intentions in respect of Sfinks could not be realized as a result of the real valuation of the company based on the actual financial condition of Sfinks. The full assessment of the company's condition was possible after changes in the management bodies of Sfinks; the previous Management Board did not give its consent to a Due Diligence process due to the equal access of all investors to the data of companies quoted on the Warsaw Stock Exchange. The company's position was so difficult that to protect its assets and the shareholders' interests a motion for bankruptcy was filed with the possibility of a constructive arrangement. Despite the will to render the company more efficient, the implementation of the recovery plan prepared based on multi-year experience of AmRest proved impossible due to the shareholding structure. At the same time, in connection with the above, there was no basis for accepting the initial price of Sfinks's shares (in accordance with the law, the Sfinks share price at a subsequent call would not drop below PLN 19.41) as the key investment criterion of AmRest would not be met (a minimum of 20% IRR). The decision to withdraw from the investment in Sfinks took into consideration a partial return on the capital invested and allowing the other shareholders to improve the company's position. In the fourth quarter of 2008, a significant impairment write-down was made of the shares acquired in Sfinks Polska S.A. The revaluation results from referring the historical purchase price to the market value of Sfinks's shares as at the end of December 2008. The write-down amounted to PLN 27 699 thousand. The Management Board of AmRest informed of the details in current reports published by the Company in 2008 and 2009.

New brands

a) Burger King

On 11 June 2008 a Development Agreement was signed with Burger King Europe GmbH relating to opening and running the Burger King restaurants in the territory of Bulgaria on a franchise basis. The details of the Agreement are described in RB 42/2008 dated 11 June 2008. On the same date, AmRest informed of the framework terms of the Franchise Agreements concluded each time with Burger King Europe GmbH on the opening of particular Burger King restaurants in Bulgaria. The details of the Agreement are described in RB 43/2008 dated 11 June 2008. On 18 June 2008, AmRest informed of the opening of the first Burger King restaurant in Bulgaria.

On 4 July 2008, AmRest informed of signing Letters of Intent between AmRest and Burger King Europe GmbH relating to three new markets: the Czech Republic, Slovakia and Slovenia. The details of the transaction are described in RB 54/2008 dated 4 July 2008.

On 18 October, the Management Board of AmRest informed of signing a development agreement with Burger King Europe GmbH relating to the Czech Republic. The details of the agreement are described in RB 74/2008 dated 18 October 2008. On the same date, AmRest informed of the framework terms of the Franchise Agreements concluded each time with Burger King Europe GmbH on the opening of particular Burger King restaurants in the Czech Republic. The details of the transaction are described in RB 75/2008 dated 18 October 2008. On 25 November 2008, in RB 81/2008, AmRest informed of the opening of the first Burger King restaurant in the Czech Republic.

AmRest already has the rights to open and run Burger King restaurants in Poland, Bulgaria and in the Czech Republic. Currently the Company runs a total of 12 Burger King restaurants – 9 in Poland, 2 in Bulgaria and 1 in the Czech Republic.

b) Starbucks

In accordance with the agreements signed by and between AmRest and Starbucks relating to the development and running of Starbucks stores in Poland, the Czech Republic and Hungary – the first Starbucks store was opened by AmRest Coffee Czech on 22 January 2008 in Prague. Currently, 9 Starbucks stores are operating in the Czech Republic.

On 8 April 2009, AmRest opened its first Starbucks store in Poland. Currently 2 Starbucks stores are operating on the Polish market – in Warsaw and in Wrocław.

c) Applebee's

At the beginning of July 2008 a transaction for acquiring 104 Applebee’s restaurants operating in the USA was finalized. AppleGrove company which manages the restaurants is the second largest franchisee in the Applebee’s system. The results of those Applebee’s restaurants were fully consolidated in AmRest’s total results as of the third quarter of 2008. More information on the Applebee’s brand, the acquisition of AppleGrove and the growth strategy on the American market was included respectively in 1.1.b), 3.3.b) and 4.3.b) of the Report for the first half of 2008.

New markets

a) the Ukraine

On 28 July 2008, AmRest informed of signing a non-binding Memorandum of Understanding (MOU) between AmRest and Kuwait Food Company S.A.K. (Americana). Parties to the MOU expressed their will to enter into negotiations relating to signing a Joint Venture Agreement (JVA) and establishing a Joint Venture Company (JVC) to operate RostiksKFC and Pizza Hut restaurants in the Ukraine. The parties intended to take up shares in JVC in the following proportions – 50% AmRest and 50% Americana. The condition for signing JVA was obtaining Yum!'s consent for joint development of the RostiksKFC and Pizza Hut brands in the Ukraine. MOU was binding until the JVA is signed, but no longer than until 31 December 2008.

On 25 November 2008, with reference to the above information, AmRest informed that in connection with the unstable political and economic situation in the Ukraine, AmRest will delay its entry to that market.

b) Slovakia and Slovenia

On 4 July 2008, AmRest informed of signing Letters of Intent between AmRest and Burger King Europe GmbH relating to opening and running Burger King restaurants on three new markets: the Czech Republic, Slovakia and Slovenia. To-date the agreement relating to the Czech Republic has been finalized. Currently, the first Burger King restaurant is operating in Prague.

Other

On 27 May 2008, AmRest informed of registering changes in the Company's share capital by the Commercial Chamber in Amsterdam. In accordance with the confirmation received, the issued capital of the Company was increased from EUR 141,706.06 to EUR 141,863.56 (from 14,170,606 shares to 14,186,356 shares). The nominal value of one share of AmRest is equal to EUR 0.01. After registering the changes the total number of votes following from all the AmRest shares issued amounts to 14,186,356 (100% of the total number of votes). The issue of 15,750 ordinary bearer shares of AmRest results from exercising the Employee Option Programme. The shares were accepted to the National Securities Deposit in Poland on 3 June 2008, and on 11 June 2008 they were introduced to trading on the main market of the Warsaw Stock Exchange.

On 23 June 2008, the Annual General Shareholders' Meeting of AmRest took place. Shareholders holding at least 5% of the total number of voting rights at the General Shareholders' Meeting were listed in RB 51/2008 dated 23 June 2008. The General

Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions relating to the approval of the financial statements for the financial year 2007, appropriation of the 2007 profit to offset prior years' losses, approval of the operations of the Members of the Supervisory Board and Management Board described in item 2 and transforming AmRest into a European Company, as described above. The contents of all the resolutions passed are included in the Appendix to RB 50/2008 dated 23 June 2008.

On 19 September 2008, the Management Board of AmRest informed of transforming the Company into a European Company (RB 71/2008). The new legal status of AmRest Holdings SE was registered by the Commercial Chamber in Amsterdam on 19 September 2008. The transformation of AmRest into a European Company was made in accordance with art. 37 of the Regulation of the Council (EC) no. 2157/2001 dated 8 October 2001 on the status of a European Company. The decision to transform AmRest into a European Company was passed by the General Shareholders' Meeting of AmRest by Resolution No. 9 of 23 June 2008 (RB 50/2008 dated 23 June 2008). The transformation of AmRest into a European Company does not lead to changes in the Company's relations with third parties. In connection with the transformation, on 26 November 2008, the Extraordinary General Shareholders' Meeting of AmRest, passed a resolution to transfer the registered office of AmRest from Amsterdam (the Netherlands) to Wrocław (Poland). The details are included in RB 83/2008 and 84/2008 dated 26 November 2008. On 6 January 2009, AmRest informed of transferring the registered office of the Company to Poland and of amending the Company's Memorandum of Association. The content of the Memorandum of Association was enclosed with RB 1/2009 dated 6 January 2009. AmRest is the first public company in Poland operating in the form of a European Company.

On 26 November 2008, an Extraordinary General Shareholders' Meeting of AmRest took place. Shareholders holding at least 5% of the total number of voting rights at the General Shareholders' Meeting were listed in RB 84/2008 dated 26 November 2008. The Extraordinary General Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions giving consent to transfer the Company's registered office from Amsterdam to Wrocław and to amend the Company's Memorandum of Association. The contents of all the resolutions passed are included in the Appendix to RB 83/2008 dated 26 November 2008.

4.6. Planned investment activities and assessment of their feasibility

AmRest plan is to continue to expand its business through a combination of organic growth in Central and Eastern Europe and M&As, both in the US and CEE. AmRest's goal in Central and Eastern Europe is to further develop the basic Group brands, KFC and Pizza Hut, by opening new restaurants and increasing sales in the existing ones; developing new brands – Burger King and Starbucks – and engaging in regional expansion by entering new markets in the region. The growth strategy on the American market stipulates further acquisitions under the Applebee's brand.

AmRest maintains a high rate of growth and opens several restaurants a year in Central and Eastern Europe. In 2009, the Company will continue its development and is planning to open ca. 50 restaurants in the region. Most of the openings planned for the current year relate to proven concepts (KFC and Pizza Hut) and basic markets (Poland and the Czech Republic). The Company intends to finance all openings in Europe with its own funds – positive cash flows generated internally by the existing AmRest restaurants. The plan of new openings will be adapted to market conditions and possibilities of acquiring new attractive locations in particular countries on a current basis. In 2009 which has just begun AmRest will be very restrictive and selective each time in taking decisions on allocating its cash flows – the aim is to achieve at least a 20% IRR on each investment.

The growth strategy in the USA stipulates development by consecutive acquisitions under the Applebee's system. In 2009, AmRest does not plan further acquisitions on the American market – nevertheless, a potential acquisition is possible if an attractive target is found and if the transaction could be financed with borrowings.

The average cost of opening a new AmRest restaurant in Central and Eastern Europe differs depending on location and type of restaurant and amounts on average to PLN 2.3 million. Moreover, the Company stipulates continuing the constant modernization programme of the existing restaurants – in 2008 the AmRest Group plans to spend ca. PLN 50 million on this programme. A large part of the renovation budget will be spent on modernization operations in Poland.

The AmRest Group intends to spend a significant part of the capital expenditure in 2009 on new IT systems and integration of the systems currently possessed. The key projects will relate to implementing a new sales POS (Point of Sale) system, an ERP (Enterprise Resource Planning) system and a central reporting BI (Business Intelligence) system. The purpose of the new IT systems is to standardize the systems in all countries and achieve greater automation of business processes. These changes increase the productivity and effectiveness of work in the whole group and enhance the efficiency of business controlling and monitoring. The integration and improvement of the IT systems will form the basis for the further expansion and growth of AmRest.

The Management Board expects the long-term development to be financed mainly with own funds and additional external finance. The Company does not rule out the possibility of increasing its borrowings over the next few months – if an attractive acquisition option appears (organic development in 2009 in Europe will be financed exclusively with its own funds). In the opinion of the Management Board, the safe level of debt is a Net Debt/EBITDA ratio not exceeding 3.5 (as at the end of 2008 the ratio amounted to: 2.3 Net Debt/EBITDA).

5. AmRest Holdings SE in 2009

5.1. External and internal factors material for the development of the Company in 2009

In the opinion of the Management Board of AmRest, factors which have a significant impact on the future development of the Company and its future results comprise:

a) External factors

- competitiveness – in terms of price, quality of service, location and quality of food;

- demographic changes, trends in respect of the number of people suing the restaurants and the type and number, as well as location of competitors' restaurants;

- changes in law and regulations with a direct impact on the operation of restaurants and the people employed there;

- change in costs of rental of the real estate and related costs;

- change in prices of foodstuffs used to prepare meals and change in prices of packaging materials;

- changes in the overall economic condition of Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia and the United States, and consumer confidence, amount of disposable income and individual methods of spending money.

- ability to acquire financing;

- abrupt changes on the foreign currency markets.

b) Internal factors

- acquiring and preparing human resources necessary to develop the existing and new restaurant networks;

- acquiring attractive locations;

- effective implementation of new restaurant networks and products;

- building an integrated IT system.

5.2. Basic risks and threats to which the Company is exposed

The Management Board of AmRest is responsible for the risk management system and internal control system as well as for the system of reviewing those systems in terms of their operating effectiveness. The systems help in the identification and management of risks which could prevent AmRest from realizing its long-term goals. Nevertheless, the existence of the systems does not allow for the total elimination of the risk of fraud and illicit actions. The Management Board of AmRest reviewed, analyzed and ranked the risks to which the Company is exposed. The current basic risks and threats have been summarized in this section. AmRest reviews and enhances its risk management systems and internal control systems on a current basis.

a) Factors outside the Company’s control

The risk is related to the impacts of factors outside the Company’s control on AmRest’s development strategy which bases on opening new restaurants. The factors include: possibilities of finding and ensuring available and appropriate restaurant locations, possibilities of obtaining the permits required by the relevant authorities on time, the possibility of delays in opening new restaurants.

b) Dependence on the franchiser

AmRest manages KFC, Pizza Hut, Burger King and Applebee’s restaurants as a franchisee, therefore, many factors and decisions in the course of the operations run by AmRest depends on restrictions or specifications enforced by the franchisers or on their consent.

The term of the franchise agreements relating to KFC, Pizza Hut and Burger King is 10 years. AmRest is entitled to an option to extend this period by a further 10 years, on condition that it meets the terms and conditions concluded in franchise agreements and other requirements, including making an appropriate payment in respect of the extension of the term of the agreement. The term of the franchise agreements relating to the Applebee’s brand is 20 years, with an option for extending it by a further 20 years – on similar conditions as the remaining AmRest brands.

Irrespective of meeting the above terms and conditions, there is no guarantee that after the end of the term the franchise agreement will be extended for a further period. In respect of KFC and Pizza Hut restaurants, the first period began in 2000, in respect of Burger King restaurants, the first period began in 2007 with the opening of the first restaurant of the brand. In respect of some of Applebee’s restaurants, the first period began in 2000. In respect of the remaining Applebee’s restaurants, the first period began in 2008.

c) Dependency on joint venture partners

AmRest will open Starbucks restaurants by establishing Joint Venture Companies in Poland, the Czech Republic and Hungary on partnership terms, under joint venture agreements. Therefore, some decisions under jointly run operations will depend on partners’ consent.

The JV Agreements with Starbucks were concluded for a period of 15 years, with an option to extend them for a further 5 years after meeting specific terms and conditions. In the event that AmRest does not meet the obligation relating to opening and running a minimum number of stores, Starbucks Coffee International, Inc. will have a right to increase its share in the Joint Venture Companies by repurchasing shares of AmRest Polska at a price agreed by the parties on the basis of a valuation of the Joint Venture Companies.

d) Lack of exclusivity

Franchise agreements relating to operating KFC, Pizza Hut, Burger King and Applebee's restaurants do not include provisions on awarding AmRest any exclusivity clauses on a given territory, protection or any other rights on the premises, area, or market surrounding AmRest restaurants. In practice, however, in connection with the scale of operations of AmRest (among other things, an extensive distribution network), the possibility of a competitive operator appearing (in respect of the brands currently operated by the Company), which could effectively compete with AmRest Group restaurants is relatively limited.

In respect of Starbucks, joint venture companies will be the only entities entitled to develop and run Starbucks stores in Poland, the Czech Republic and Hungary, without exclusivity rights to some of the institutional locations.

e) Rental agreements and their extension

Almost all AmRest restaurants operate in rented facilities. Most of the rental agreements are long-term, and usually they are concluded for a period of at least 10 years of the date of inception of the rental (on condition that all extension options are exercised, on specified terms and conditions, and without accounting for agreements which are periodically renewed, if they are not terminated on notice, and agreements for an unspecified period). Many rental agreements grant AmRest the right to extend the term of the agreement on condition that the Company abides by the terms and conditions of the rentals. Irrespective of the need to meet the terms and conditions, there is no guarantee that AmRest will be able to extend the periods of the rental agreements on terms and conditions satisfactory from the point of view of commercial practices. If there is no such possibility, the potential loss of significant restaurant locations may have an unfavourable impact on the operating results of AmRest and on its activities.

Moreover, in some circumstances, AmRest may take the decision to close a given restaurant and the termination of the respective rental agreement on cost-effective terms may prove impossible. Such situation may also have a negative impact on the Company's operations and operating results. Closing any restaurant depends on the consent of the franchiser, and it is uncertain whether such consent would be obtained.

In respect of Russian restaurants acquired by AmRest in July 2007, the average rental period is relatively shorter compared with AmRest restaurants in other countries. This results from the specific nature of the market.

f) Risk related to consumption of food products

Consumer preferences may change in connection with doubts arising as to the nutritional value of chicken, which are the main component of the KFC menu, or as a result of unfavourable information proliferated by mass media relating to the quality of products, diseases caused by them and damage incurred as a result of using AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, and as a result of disclosing unfavourable data by the government or a given market sector relating to products served in AmRest restaurants and at other KFC, Pizza

Hut, Burger King, Starbucks and Applebee's franchisees', health issues and issues relating to the manner of functioning of one or a larger number of restaurants operated by AmRest, and its competitors. The risk referred to above is limited by using the highest quality components in AmRest restaurants – from checked and renowned suppliers, abiding by stringent quality and hygiene standards and applying state of the art equipment and processes enabling the total safety of the food.

g) Risk related to restrictions imposed by the lenders

In accordance with the loan agreements concluded with banks under the "Club Deal", the AmRest Group committed itself to abiding by certain restrictions in respect of drawing loans and borrowings, incurring capital expenditure, granting security and disposing of assets, as well as to maintaining specific values of financial ratios. It is possible that accepting the said commitments may significantly limit AmRest's operations in the future, and potentially refraining from meeting the commitments may lead to the need for early repayment of loan tranches drawn which in turn may have a negative impact on the financial condition and results of AmRest.

h) Risk related to the development of new brands

In January 2008 AmRest Coffee opened the first Starbucks store in the Czech Republic. Moreover, since the 3rd quarter of 2008 the Company has been consolidating the results of its Applebee's restaurants. As these are completely new concepts for AmRest there is a risk related to demand for the products offered and their acceptance by consumers.

i) Risk related to opening restaurants in new countries

Openings or acquisitions of restaurants operating on a new geographical and political territory are connected with a risk of different consumer preferences, risk of lack of good knowledge of the market, risk of legal restrictions resulting from local regulations and the political risk in these countries.

j) Foreign exchange risk

AmRest results are prone to currency risk related to transactions in currencies other than the currency in which the business operations are measured in particular Group companies. A detailed description of the risk is in Note 32.

The weakening of currencies in Central and Eastern Europe vs. EUR and USD which in the short term may impact the cost structure of the Company. Despite having hedged most foreign exchange exposures related to supplying raw materials in 2009, the Company is still exposed to foreign exchange risk related to a portion of the existing rental agreements denominated in EUR and USD.

k) Risk of increased financial costs

In 2008, the Company significantly increased its external debt. The increased financial costs resulting from servicing debt may lead to pressures on the net profit margin.

l) Risk of slowdown in the economies

The slowdown in the economies of Central and Eastern Europe and the United States of America may have an impact on disposable income in those markets which, in turn, may impact the results of AmRest restaurants operating in those markets.

m) Risk of seasonality of sales

The seasonality of sales and inventories of the AmRest Group is not significant which is typical for the whole restaurant industry. On Central and East European markets restaurants have lower sales in the first half of the year which is mainly the result of a smaller number of days of sale in February and lower number of customers in the restaurants. In the second half of the year, restaurants generate higher sales revenues in connection with increased tourist activity in the third quarter of the year and – traditionally – a higher number of customer visits in autumn. Additionally, in the last months of the year, the Christmas season is clearly visible and restaurants located in shopping centres generate exceptionally good results. The United States market is characterized by an opposite relation. After a period of lower sales in the summer months and a slight revival related to the holiday season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and a high number of holidays.

n) Risk of change in consumers' preferences

A potential risk which could have an unfavourable impact on the sales is a change in the consumers' preferences in connection with doubts as to the health values of the chicken which is the key product of the KFC chain. This may be caused by unfavourable information relating to chicken consumption and diseases transmitted by poultry proliferated by mass media. The risk referred to above is limited by using the highest quality components in AmRest restaurants – from checked and renowned suppliers, abiding by stringent quality and hygiene standards and applying state of the art equipment and processes enabling total safety of the food.

o) Risk related to implementing new IT systems

Costs related to implementing new IT systems may in the short term have a negative impact on the Company's results. However, in the long term, the expected benefits will have a negative impact on the Group's profitability.

5.3. The Company's development directions and strategy

AmRest's strategy is to achieve market dominance* through acquisitions & operating scalable ($50+m in annual sales), highly profitable (20%+IRR) branded QSR & CD restaurants concepts. AmRest, through its "Wszystko Jest Możliwe!" culture delivers craveble taste and exceptional service at affordable prices.

* Dominance defined as clear sales leader in the country.

1) Central and Eastern Europe

AmRest assesses that in respect of the brands currently operated by the Company in Central and Eastern Europe, the current market potential on the markets on which it operates is many times higher than the currently held restaurant portfolio. Therefore, the Company plans to significantly accelerate its growth. Until the end of 2009 AmRest plans to increase its sales revenues in Central and Eastern Europe threefold (compared with 2006). AmRest will realize its strategy in Central and Eastern Europe by continuing development of the existing brands in the countries in which it is present, increasing sales of existing restaurants, introducing new brands and further acquisitions in the region.

In the following years, in Central and Eastern Europe, AmRest plans to grow at a rate of ca. 30% per annum in terms of sales revenues. The planned increase in the pace of growth and significantly increased number of new restaurants will have a short-term pressure on the net profit margin, related to increased financial costs (costs related to servicing debt) and increased one-off costs of opening new restaurants. A material pillar of the Group's development will also be the integration and improvement of IT systems by the end of 2008.

In 2008 the process of simplifying the holding structure will be continued. Smaller companies will be included in the structures of American Restaurants Sp. z o.o. or American Restaurants s.r.o.– the holding's largest companies. Restructuring of the structure is aimed at reducing the administration expenses.

The Company intends to consistently continue actions aimed at increasing their customer value. By further excelling in customer service, offering tasty dishes prepared with fresh components and introducing new products AmRest intends to increase clients' awareness of the excellent value-for-money of the services.

2) The United States

The acquisition of 80% of shares in AppleGrove which operates 104 Applebee's restaurants in the United States of America means the entry of AmRest on the largest global restaurant market and a significant strengthening of its Casual Dining Restaurants segment.

The growth strategy on the American market stipulates acquisitions and consolidations under the Applebee's brand. Our purpose is further use of the wide experience of the management of AppleGrove in consolidating Applebee's business and using the potential of the Applebee's brand – the largest casual dining chain in the world.

6. MANAGEMENT REPRESENTATIONS

6.1. Correctness and fairness of the presented financial statements

The Management Board of AmRest Holdings SE hereby represents that to its best knowledge, the annual financial statements and the comparative figures presented in the annual financial statements of the AmRest Group have been prepared in accordance with the binding accounting policies and that they give a true and fair view of the financial position of the AmRest Group and its results. The annual Directors' Report included in this document reflects the true achievements and development of the AmRest Group, including its basic risks and threats.

6.2. Appointment of the registered audit company

The registered audit company – PricewaterhouseCoopers Sp. z o.o., which performed the audit of the annual consolidated financial statements of the AmRest Group, was appointed in accordance with the legal regulations. The registered audit company and the registered auditors performing the audit met the requirements for issuing an unbiased and independent opinion from the review, in accordance with the respective legal regulations.

The contract for the audit of the consolidated financial statements for 2008 was annexed and signed on 19 August 2008 with PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, al. Armii Ludowej 14, an entity authorized to audit financial statements entered on the list of registered audit companies with the number 144. The contract related to the audit of the Company's consolidated financial statements for the period from 1 January 2008 to 31 December 2008 and the review of the consolidated financial statements for the period from 1 January 2008 to 30 June 2008. PricewaterhouseCoopers Sp. z o.o.'s total fee for the audit and review referred to above for the year 2008 amounted to EUR 174 thousand. The fee related to other services amounted to PLN 35 thousand.

In 2007 PricewaterhouseCoopers Sp. z o.o.'s total fees for auditing and reviewing the Company's financial statements for 2007 amounted to EUR 154 thousand.

Wrocław, 30 April 2009

Wojciech Mroczyński	Jacek Trybuchowski
AmRest Holdings SE	AmRest Holdings SE
Board Member	Board Member