

Annual Report 2010

Directors' Report

21 March 2011



AmRest 2010 Annual Report

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1. LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2010 was a very challenging year for AmRest as we faced difficult conditions in two of our major markets - Poland and Czech. Although our consolidated 2010 results were below our expectations, the overall company is stronger than a year ago. We delivered significantly improved results in both the Russian and US markets and experienced continued growth in Starbucks and resurgence in our Pizza Hut business. With the economic situation improving in all markets in which we operate, we've strengthened our unit economic model and continued to successfully open new restaurants. We've done all that while being focused on providing exceptional experience to our customers. This focus allows us to seek for the best ingredients, deliver craveable taste and create special people culture which leads to exceptional service and an extraordinary dining experience.

Our Core Values continue to be the cornerstone of our company. All over the world, whether it is Central Europe, Russia or US, our people draw strength and inspiration from our belief that "Wszystko Jest Możliwe!". We believe that great companies are formed by great people. To ensure that we continue to deliver strong results we strive to hire and retain the best people. We provide best training, opportunities and incentives to drive superior performance.

We continue our growth momentum in Europe. We opened 38 new restaurants and secured many sites for future development. Thanks to successful share and bond issues we managed to provide capital to finance our organic and M&A growth plans.

In February 2011 we acquired Restauravia which is a high growth potential company headquartered in Spain. The company operates 30 KFC's and an Italian casual dining concept named La Tagliatella. This acquisition addresses two very important strategic objectives of AmRest: first to extend AmRest's reach in KFC and secondly to own our own brand. We believe KFC will be the fastest growing QSR brand in the world over the next decade. The KFC business is very underpenetrated in Spain with significant growth opportunities. La Tagliatella is an amazing new addition to our portfolio and a very unique casual dining concept. The food quality is at a fine dining level with prices of a casual dining restaurant and the simplicity of a quick service kitchen. We feel that this concept has significant international growth potential and we plan to at least double the

number of La Tagliatella restaurants within 5 years. The company has recently opened two restaurants in France that are performing very well.

We intend to substantially increase our new restaurant build rate in CEE and invest in strengthening our current brands with renovations and aggressive development to achieve dominance in our core markets. We have the ambition to be one of the Top 10 builders of restaurants in the world by 2012. In 2011 we plan to open approximately 100 new restaurants.

By using our scale we will pursue efforts to build brand health, which we believe is the key to superior topline growth. We will enhance our business in a range of geographic areas, focusing on the fast-growing CEE region complemented by our businesses in developed markets. We are very selective and strict about our key investment criterion of minimum 20% IRR.

I'm very excited by the many opportunities that we will meet and I look forward to taking AmRest again to another level as we move towards being the leading global restaurant company. With a solid business – passionate people, powerful brands and economy of scale – I believe AmRest's best days are ahead.

Thank you for your continued support,

Sincerely,

Henry McGovern

Chairman of Supervisory Board

AmRest Holdings SE

Selected financial and operational results - summary

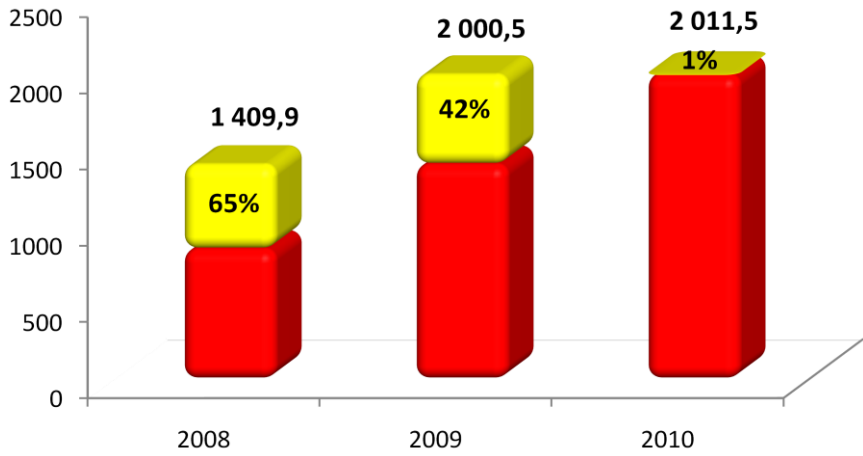


Chart 1 Sales (PLN million) and sales dynamics (%) in the years 2008-2010

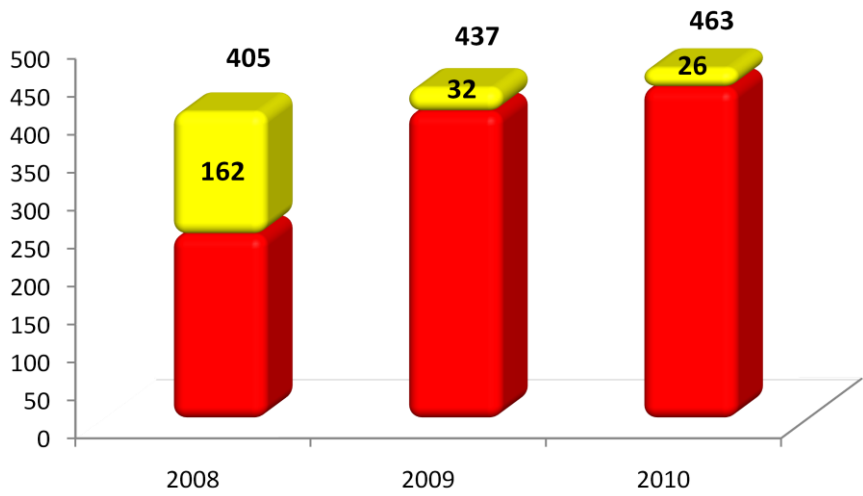


Chart 2 Number of AmRest restaurants and new openings in years 2008-2010

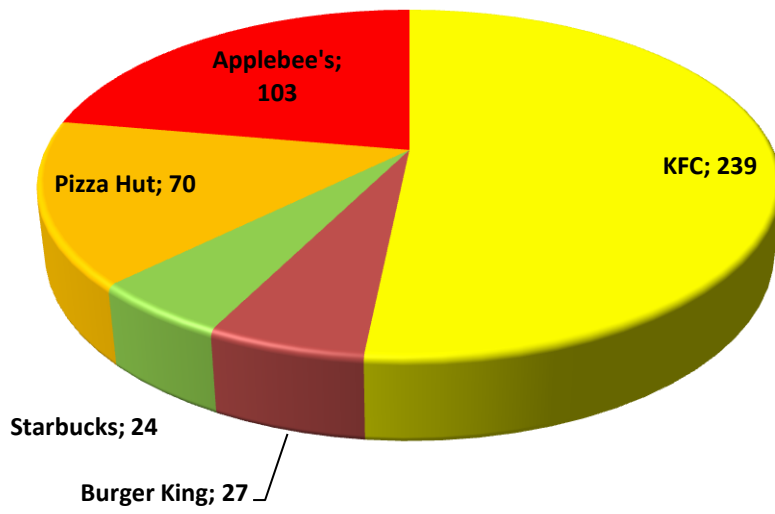


Chart 3 Number of AmRest restaurants by brands

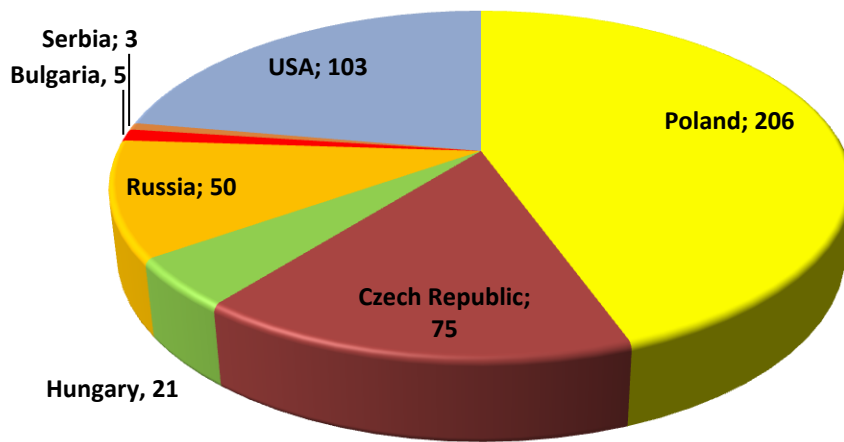


Chart 4 Number of AmRest restaurants by country

2. Description of the Company

2.1. Basic services provided by the Group

AmRest Holdings SE ("AmRest") manages 5 restaurant brands in 7 countries of Central and Eastern Europe, and North America. Every day over 17 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our culture - "Wszystko Jest Możliwe!" ("Everything is possible").

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

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.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants in Poland, Czech Republic and Hungary. Applebee's restaurants also operate on a franchise basis, in accordance with the agreement with Applebee's International Inc.

a) Quick Service Restaurants (QSR)

2010 was another year of realization of the strategy of KFC dominance in Central Eastern Europe. At the end of the year KFC had 239 restaurants, where 121 are located in Poland, 58 in Czech Republic, 16 in Hungary, 39 in Russia 4 in Serbia and 2 in Bulgaria.



The rapid growth of the brand in CEE is in line with the world wide trend for KFC. Development strategy also included increase of building free standing Drive Thru restaurants, more units are currently visible also in smaller cities new restaurants were also built by the highways. 2010 was also a year a significant investment in the renovation of existing restaurants and that will continue in the following years.

Second half of the year showed increase in trend of SSS and profitability. In 2010 KFC successfully launched new product category – Krushers – dairy based liquid deserts which became a big success in Poland and Hungary. After launch of Krushers KFC strengthened its position in the beverage category owning such a products as: “wielka dolewka”- free refill, Mojito and Krushers. In all of the restaurants in Poland and Czech a all the coffee machines were changed into the newest models and the bean to cup high quality coffee is served everyday to thousands of KFC customers.

In 2010 KFC broadened its value offer which currently consists of the very popular snack products like longer or B-Smarts thru the large value boxes for individuals (new offer) finishing with very popular among families and friends buckets. Due to this fact new menu board were design and implemented to all KFCs in CEE.

2010 was another year of a visible drop of crew turnover and improvement of the engagement scores which has been of the key priority for a brand. Despite the fast growth the stability of restaurant management also increased. In 2010 KFC in Poland also achieved the best results in the quality of service among all QSR brands according to the survey organized by portal jakoscobslugi.pl

In 2010 KFC continued its journey into simplification of process and systems which in the last months changed into bigger initiative – lean management which became one of the brand priority for following years.

The BURGER KING® system operates more than 12,000 restaurants in all 50 states and in 76 countries and U.S. territories worldwide. Approximately 90 percent of BURGER KING® restaurants are owned and operated by independent franchisors. In 2008, *Fortune* magazine ranked Burger King Corp. among America's 1,000 largest corporations, *Ad Week* named it one of the top three industry-changing advertisers within the last three decades and it was recently recognized by Interbrand on its top 100 “Best Global Brands” list. In late 2010, 3G Capital announced the acquisition of Burger King Holdings, Inc.



In 2010, AmRest added an additional six Burger King restaurants to its portfolio, representing a 28% increase vs. 2009. In addition to unit and sales growth, AmRest introduced several exciting initiatives such as a new exciting menu board and pricing structure that resulted in improved food costs and higher AGC. In addition, AmRest introduced a new modern restaurant design based on the Burger King 20/20 design as well as strengthen its menu offering through an integrated 'barbell' menu strategy based on offering a balanced mix of value and premium products in addition to the core menu offering. The menu offering (from the brand's flag product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, and pieces of chicken and high quality desserts) delivers on Burger King's core attributes – flame grilling, great tasting burgers, and value for money.

At the close of 2009, AmRest operated 27 Burger King restaurants, 19 in Poland, 5 in Czech Republic and 3 in Bulgaria.

Looking ahead in 2011, AmRest will accelerate the development of Burger King restaurants with emphasis on Drive Thru units, increasing brand awareness on Burger King's core attributes through an enhanced integrated marketing and advertising strategy, as well as continue to ensure that each and every guest has an exceptional dining experience.

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

2010 was highlighted by opening first coffee store in Hungary on 16 June in a great location - one of the biggest shopping centers in Hungary's capital city – WestEnd. As in other coffee stores of this brand, the premises were adjusted to needs and tastes of local customers.

In the 2010, the focus was also on development of existing markets: Czech and Polish. Apart from new openings, it included better adjustment of menu and prices to customers' requirements.

In subsequent periods, AmRest will continue development of Starbucks brand. Currently AmRest Coffee operates 24 Starbucks stores; 12 in Czech, 9 in Poland and 3 in Hungary.



b) Casual Dining Restaurants (CDR)



Applebee's Neighborhood Grill & Bar is the largest casual dining chain in the world, featuring neighborhood-themed restaurants that deliver outstanding American fare at an excellent value, in a comfortable, welcoming atmosphere.

Throughout 2010, Applebee's remained focused on value and food quality. Popularity of the "\$2 for \$20" menu (1 appetizer and 2 entrees for \$20) remained extremely strong, while many competitors tried to duplicate it. "2 for \$20" has now become part of Applebee's core offering, integrated in the main menu as an "everyday value" and ongoing traffic driver.

In menu development news, 2010 featured the introduction of several new or improved items, most notably the Sizzling Entrees which were introduced during the summer months. The line-up included Sizzling Asian Shrimp, New & Improved Bourbon Street Steak, Steak & Cheese, Fajitas and nationally promoted at \$8.99 – Chicken & Queso Blanco. To keep "2 for \$20" fresh, two new stuffed pastas were introduced to the line-up in August – Florentine Ravioli with Chicken and Provolone Stuffed Meatballs with Fettuccine. A refresh of the popular "U550" items was introduced in December of 2010 adding Teriyaki Shrimp Pasta, Signature Sirloin with Garlic Herb Shrimp and a new Skinny Bee Long Island and Mojito to round out our "Healthier for You" offerings from the menu and the bar.

Applebee's continues to streamline the menu and kitchen operations. There remains a focus on removing underperforming items from the menu in order to make room for innovative new offerings, while optimizing performance in the kitchen.



During 2011, AmRest will continue the momentum built in 2010 with an additional 19 remodels across four states. Included in the scope will be significant exterior changes that signal to the guest that there's something new on the inside as well. Day part business will continue to be an area of focus to build sales. The "Late Night" business will remain an important factor for success in 2011 and a new All You Can Eat Lunch program will also be launched in First Quarter. This new program will offer consumers great food at a great value in a timely manner in effort to drive traffic and capture share during the lunch day part.

There are currently more than 2,000 Applebee's in the world, with about 80% franchisee-owned. AmRest currently operates 103 Applebee's in eight U.S. states, each designed to connect with their own unique neighborhood.

AmRest operates currently 57 Pizza Hut restaurants in Poland, 10 in Russia and 2 in Hungary being one of the biggest franchisees in Europe.

2010 was for Pizza Hut a year of strengthening its position on the market. Despite tough economic environment Pizza Hut managed to increase profitability and same sales. The improvement resulted from successful marketing campaigns, active media presence and increased efficiency in cost control.



In 2010 some of the important locations were revitalized, starting the renovation process that will be continued in next years.

Pizza Hut product development strategy is very successful. The sales mix of new products (i.e. pastas) and categories is constantly growing attracting new groups of customers. Pizza Hut were the first casual dining chain to introduce lunch menu – very quick service of high quality food during lunch hours.



„Hospitality” introduced in 2009 program for improving customer care brings amazing amazing results and it was decided to include each of the employees in the training. It starts with the crew recruitment, trainings and praising particular behaviors. Pizza Hut wants to be a pioneer in creating the highest quality customer care. So far it's

are very successful what it confirmed in the feedback received from customers and independent auditors.



2.2. Structure of the revenue

In 2010 AmRest Group’s revenue increased by 0.5% (PLN 2 011 448 thousand compared to PLN 2 000 490 thousand in 2009). Despite the weaker first half of 2010, AmRest was able to maintain last year's level of sales as a result of organic growth and significantly improved consumer sentiment in the third and fourth quarter.

Dynamic growth in Central and Eastern Europe and the appreciation of local currencies against the US dollar resulted in an increased share of CEE and the decreased share of the United States in the total sales structure.

Poland is still generating a significant part of revenue, of more than 38.5% (up from 37.2% in 2009). The second highest share in revenue is generated by the United States with over 35% (down from 36.3% in 2009). There is also a noticeable increase in share of sales generated in the Russian market (8.5% to 8% in 2009). This was possible thanks to the dynamic growth in sales from same-store-sales operating on the Russian market for more than 12 months.

Countries	2010		2009	
	PLN '000	share %	PLN '000	share %
Poland	774 960	38.53%	744 933	37.20%
USA	704 392	35.02%	725 390	36.30%
Czech Republic	282 670	14.05%	289 310	14.50%
Russia	170 779	8.49%	161 066	8.00%
Other	78 647	3.91%	79 791	4.00%
TOTAL	2 011 448	100.00%	2 000 490	100.00%

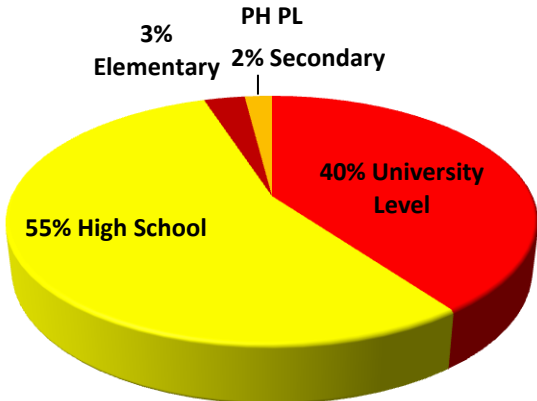
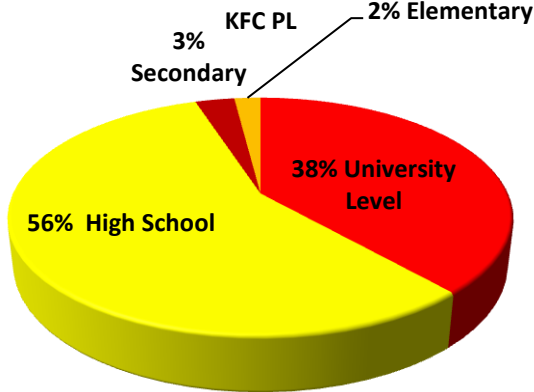
Table 1 Structure of AmRest sales by country

The seasonality of sales and inventories of AmRest Group is not significant, which is typical for the restaurant industry. On Central and East European markets restaurants have lower sales in the first half of the year as a result of smaller number of days of sale in February and less frequent customers' visits in restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight revival related to Christmas season, the first half of the year is a period of increased activity due to use of holiday vouchers, promotional coupons and large number of holidays.

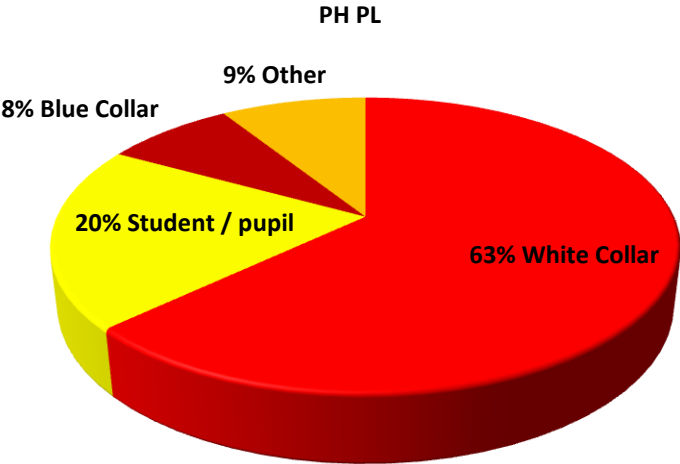
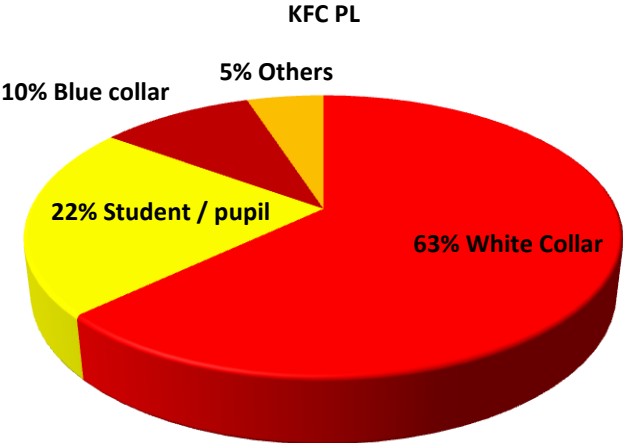
2.3. Clients

AmRest products are directed to a wide circle of individual clients via a chain of proprietary 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 segments on the basis of KFC AmRest and Pizza Hut AmRest restaurants operating on the Polish market.

a) Education

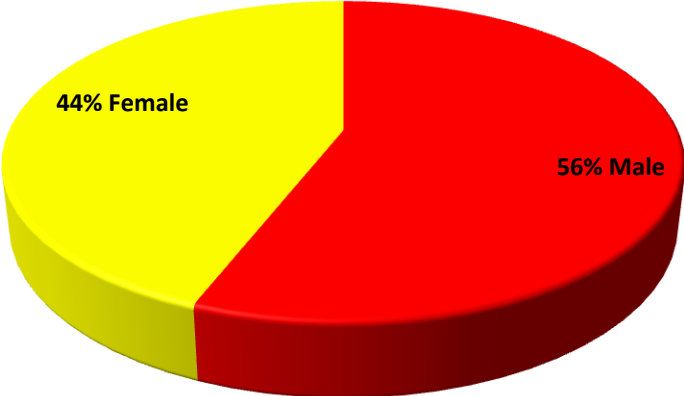


b) Occupation

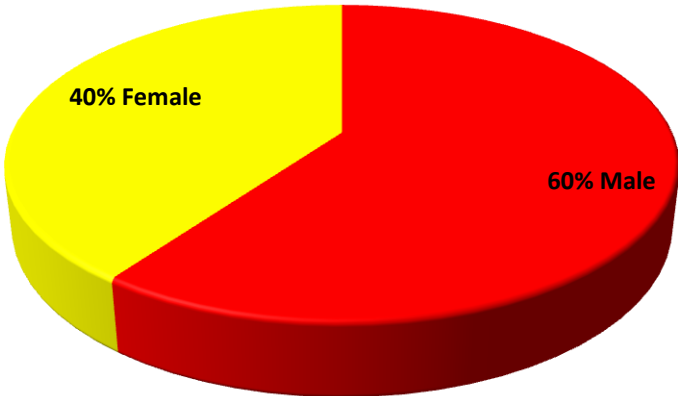


c) Gender

KFC PL



PH PL



2.4. **Supplier Network**

In 2010, the prices of food and packaging were reduced. This was possible thanks to

- The appreciation of local currencies against Euro;
- The introduction of modern technology at one of the chicken suppliers in Poland which significantly reduced production costs; this became possible by consolidating the purchase of chicken in Poland and the SCM sales of similar products to other countries of Western Europe;
- Expansion of the Polish chicken supplier on the Czech market which has increased competition in the market; increase in the competitiveness on the Russian market through the development and approval of two chicken suppliers in the region of St Petersburg (Russia);
- Growth of local hamburgers' suppliers for Burger King in Poland;
- And what is very important signing in due time, long-term contracts with suppliers of chips, shortening, vegetables and poppies which allows the price stabilization for the period August 2010 - July / September 2011
- Negotiation of favorable terms for packaging supplies for KFC at the end of 2010 which will positively affect the level of COS in the next year

In the second half of the year there was a significant increase in food prices which has been caused by a poor harvest in Europe, including Russia, increased demand for oil especially from the petrochemical industry which is associated with the introduction of negative regulation in the European Union as well as activities of speculators on the commodity market including the production of raw materials for food production. These phenomena intensified after the New Year due to poor harvests in Argentina and Australia.

SCM strategy based on long-term cooperation with suppliers, increasing the efficiency in production, collaboration with suppliers who possess an integrated sources of raw materials and signing long-term contracts for some key product groups will certainly contribute to the weakening of the factors on the open market which means that the increase in food prices and packaging at AmRest will be relatively lower in comparison to the increase on the open market.

Last year, SCM introduced the development process of furniture and signage suppliers which contributed to a significant reduction in costs in these categories; this process will be continued.

Key tasks for the next period:

- to introduce modern technologies and increase efficiency in production of chicken at 3 suppliers in Poland and one in Russia
- to conduct a tender for logistics services in the Czech Republic and Russia
- to develop the distribution process of fresh products for Starbucks which is linked to a development strategy of this food category by SCM clients in Poland
- to monitor the prices and market conditions for agricultural products and make purchase decisions on a timely manner

The list of the largest food and packaging suppliers:

1. Eurocash SA – distributor in Poland
2. Dachster Cr. A.s. – distributor in the Czech Republic
3. Drobimex – supplier of chicken products in Poland
4. Vodnanska drubiez s.r.o – supplier of chicken products on Poland
5. National Steak and Poultry – supplier of meat in the United States
6. Koch – poultry supplier in the US
7. Konspol – supplier of chicken products in Poland
8. RBD Distribution Ltd – distributor in Russia
9. Lekkerland – distributor in Hungary
10. Roldrob - supplier of chicken products in Poland



2.5. Employment level

The table below shows employment in the Group in the years 2008-2010:

Year	2010	2009	2008
Employment in restaurants	17 121	16 937	17 925
Employment in administration	343	353	394
TOTAL	17 464	17 290	18 319

Table 2 Employment level in AmRest (at the year end)

3. Changes in management

3.1. Changes in Management Board

With effect on 12 January 2010, Jacek Trybuchowski resigned as Member of the Management Board of AmRest for personal reasons. Jacek Trybuchowski is still performing managerial functions in AmRest Group subsidiaries.

On 13 January 2010 the Supervisory Board of AmRest adopted a resolution on appointment of Mr Piotr Boliński as AmRest Management Board member. Piotr Boliński has been holding managerial and supervisory positions within AmRest Group for the last 4 years and he has acted as AmRest Finance Director for the last 2 years. In addition, between October 2008 and March 2009, Piotr Boliński was serving as Vice-Chairman of Supervisory Board at Sfinks Polska S.A., a company listed on Warsaw Stock Exchange.

Before joining AmRest, between 2003 and 2005, Piotr Boliński worked at Mondi Packaging Paper Świecie S.A., a company listed on the WSE and operating in the paper industry. He performed there managerial functions, initially as a Treasurer, and then a Manager of the Controlling Department. The new Member of the Management Board of AmRest graduated from the Mikołaj Kopernik University in Toruń, where he studied at the Faculty of Economic Sciences and Management. Piotr Boliński completed the "High Potentials Leadership" program at the Harvard Business School in Boston, USA.

On 16 December 2010, the Supervisory Board of AmRest adopted a resolution on appointing Mr Mark Chandler and Mr Drew O'Malley as AmRest Management Board members.

Mark Chandler graduated from Whitman College where he studied Mathematics and Economics and also from Columbia University Graduate School of Business where he studied Finance and Marketing.

Mark Chandler joined AmRest in November 2008 and initially worked as CFO. Previously he worked as Chief Financial Officer in Oh! Shoes and as Operating Officer and Chief Financial Officer in On-Site Screening, Inc. Mark Chandler also worked as Chief Operating Officer and Chief Financial Officer for Waytronix, Inc.

For 23 years Mark Chandler worked at Sara Lee Corporation holding numerous positions in finance, management and operations. His last position was CEO Business Development Europe.

Drew O'Malley graduated from Georgetown University in Washington and University of Michigan Business School where he obtained his MBA.

Drew O'Malley was one of the first employees of AmRest. Before joining AmRest had worked at McKinsey & Company. He also worked at American Express Company and Citibank. He currently occupies the position of COO at AmRest.

Both Mr Mark Chandler and Mr Drew O'Malley informed that they are not conducting other activities which are competitive in relation to the issuer, and are not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Both Mr Mark Chandler and Mr Drew O'Malley are not entered in the insolvent debtors register maintained pursuant to the National Court Register Act.

On 1 March 2011, the Management Board of AmRest informed about the resignation of Mr Wojciech Mroczyński from the Management Board of AmRest Holdings SE effective on 28 February 2011. The reason for the resignation is the sabbatical leave on which Mr Wojciech Mroczyński will be for the next 12 months.

3.2. Changes in the Supervisory Board

On 30 June 2010, Shareholders' Meeting adopted a resolution on appointment of the following persons as the Members of the Supervisory Board:

- Joseph P. Landy
- Robert Feuer
- Jacek Kseń
- Raimondo Eggink

At the same time, because of the expired term Mr Donald Macintosh Kendall jr and Donal Macintosh Kendall desisted from performing the function of Members of the Supervisory Board.

Mr Joseph P. Landy has been leading Warburg Pincus' investment activities (Private Equity) since 1985. He is responsible for building the strategy of Warburg Pincus, overseeing the process and investment decisions. Mr Landy also serves as a Member of the Board of Bausch and Lomb Board, The Cobalt Group and Telecordia Technologies. He is also a member of the National Board of the Boy Scouts of America and the chairman of the Innovation Council Committee of the association.

Joseph P. Landy graduated from The Wharton School at the University of Pennsylvania and also from The Leonard N. Stern School of Business at New York University where he obtained his M.B.A.

In accordance with the statement received from Mr Landy his activities outside the Issuer's business are not competitive towards the business of the Issuer, and Mr Landy does not participate in a competitive company as a partner in a registered partnership or other types of partnership, a member of the governing bodies in a corporate organization, and does not participate in another competitive legal person as a member of its governing bodies. Mr Landy is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Robert Feuer leads Warburg Pincus' investment activities in Central and Eastern Europe and he also serves as a Member of the Management Board at Centrum Coop. He was a vice president of Equity Investment Department at Bankers Trust Brown. He is also co-founder of Cashline Securities, an independent investment bank in Central and Eastern Europe.

Robert Feuer received an M.B.A. from The Wharton School at the University of Pennsylvania with a dual major in healthcare and finance and is a CFA certificate holder.

In accordance with the statement received from Mr Robert Feuer his activities outside the Issuer's business are not competitive towards the business of the Issuer, and he does not participate in a competitive company as a partner in a registered partnership or other types of partnership, a member of the governing bodies in a corporate organization, and does not participate in another competitive legal person as a member of its governing bodies. Mr Robert Feuer is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Mr Jacek Kseń is currently running his own consulting company – Jacek Kseń Consulting and is a member of the Supervisory Board of Sygnity S.A, WSIP and ORBIS S.A. Prior to that Mr. Kseń was the CEO of Bank Zachodni WBK (2001 – 2007), CEO of Wielkopolski Bank Kredytowy (1996 – 2001), executive manager of Caisse National de Credit Agricole in Paris (1990 – 1996), vice-director in Lyonnaise de Banque in Paris (1984 – 1990) and vice-director in Bank Polska Kasa Opieki S.A in Paris.

Mr Jacek Kseń educational background includes PHD studies at Warsaw School of Economics and Studies at Poznań University of Economics.

In accordance with the statement received from Mr Kseń his activities outside the Issuer's business are not competitive towards the business of the Issuer, and he does not participate in a competitive company as a partner in a registered partnership or other types of partnership, a member of the governing bodies in a corporate organization, and does not participate in another competitive legal person as a member of its governing bodies. Mr. Jacek Kseń is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Mr Raimondo Eggink is currently running an independent business consultancy and training for operators on financial markets. He is also a member of supervisory boards of the following companies: KOFOLA S.A. (since 2004, previously HOOP S.A.), Netia S.A. (since 2006), Debica S.A. (since 2008), Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. (since 2009) and PERŁA – Browary Lubelskie S.A. (2004-2005, 2008-2009 and since 2010). In the past, Mr Eggink was a member of Supervisory Boards of Stomil-Olsztyn S.A. (2002-2003), Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) (2002-2008), Wilbo S.A. (2003-2005), Mostostal Plock S.A. (2003-2006), Swarzedz Meble S.A. (2004-2005), PKN Orlen S.A. (2004-2008) and Zachodni Fundusz Inwestycyjny NFI S.A. (2006). Previously, he was a member of the board, investment director, chairman of the board and most recently the liquidator at ABN AMRO Asset Management (Poland) S.A, a Polish company managing assets for institutional investors and wealthy individuals, which ceased operations in 2001. He began his career in 1995, at the Warsaw branch of ING Bank N.V. where he played a significant role in the formation of Poland's first asset management company.

In 1995-1997 Raimondo Eggink served as the vice-president of Brokers and Advisors Board. He graduated from the Theoretical Mathematics Faculty at the Jagielloński University in 1994 where in 2010 he received a PHD. He has been a Licensed Financial Advisor since March 1995. In 2000 AIMR (now - CFA Institute) granted him a title of the CFA (Chartered Financial Analyst) and since 2004 Raimondo Eggink has been a Board Member of the Polish association of the CFA Society of Poland. He published numerous articles on the development of the Polish capital market and especially protection of minority shareholders.

Raimondo Eggink is a Dutch citizen permanently residing in Poland.

In accordance with the statement received from Mr Egiink his activities outside the Issuer's business are not competitive towards the business of the Issuer and he does not participate in a competitive company as a partner in a registered partnership or other types of partnership, a member of the governing bodies in a corporate organization and does not participate in another competitive legal person as a member of its governing bodies. Mr Raimondo Eggink is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

3.3.Current composition of Management and Supervisory Board

Management Board

As of 21 March 2011 the Management Board of AmRest comprises:

Mark Chandler

Drew O'Malley

Piotr Boliński

Supervisory Board

The Supervisory Board of AmRest comprises:

- Henry McGovern – Chairman of the Board
- Robert Feuer
- Joseph P. Landy
- Raimondo Eggink
- Przemysław Aleksander Schmidt
- Jan Sykora
- Jacek Kseń

4. FINANCIAL POSITION OF THE COMPANY

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

in PLN'000, unless specified otherwise	2010	2009
Restaurant sales	2 011 448	2 000 490
Operating profit before amortization and depreciation (EBITDA)	176 505	177 412
Operating margin after amortization and depreciation (EBITDA margin)	8.8%	8.9%
Operating profit /(loss)	68 662	79 824
Operating margin (EBIT margin)	3.4%	4.0%
Profit (loss) before tax	50 959	61 411
Gross margin	2.5%	3.1%
Net profit/(loss)	40 598	38 232
Net profitability	2.0%	1.9%
Equity	746 030	382 891
Return on equity (ROE)	7.1%	10.1%
Total assets	1 368 959	1 151 095
Return on assets (ROA)	3.2%	3.4%

Table 3 Basic financial data of AmRest (2009 – 2010)

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.

<i>in PLN'000, unless specified otherwise</i>	2010	2009
Current assets	334 848	239 071
Inventories	20 886	21 051
Short-term liabilities	231 389	625 692
<i>Quick ratio</i>	<i>1.36</i>	<i>0.35</i>
<i>Current ratio</i>	<i>1.45</i>	<i>0.38</i>
Cash and cash equivalents	245 118	159 148
<i>Cash ratio</i>	<i>1.06</i>	<i>0.25</i>
<i>Inventory turnover (in days)</i>	<i>3.80</i>	<i>3.83</i>
Trade and other receivables	45 007	33 484
<i>Trade receivables turnover (in days)</i>	<i>7.1</i>	<i>9.6</i>
<i>Operating ratio (cycle) (in days)</i>	<i>10.9</i>	<i>13.4</i>
Trade and other payables	215 975	200 646
<i>Trade payables turnover (in days)</i>	<i>37.8</i>	<i>41.1</i>
<i>Cash conversion ratio (in days)</i>	<i>-26.9</i>	<i>-27.6</i>

Table 4 Liquidity analysis (2009-2010)

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;
- Trade and other payables turnover ratio (in days) – average trade payables to sales multiplied by the number of days in the period;

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

<i>in PLN'000, unless specified otherwise</i>	2010	2009
Current assets	334 848	239 071
Non-current assets	1 034 111	912 024
Trade and other receivables	45 007	33 484
Liabilities	622 929	768 204
Long-term liabilities	391 540	142 512
Debt	383 281	537 038
<i>Share of inventories in assets (%)</i>	<i>6.24%</i>	<i>8.81%</i>
<i>Share of trade receivables in current assets (%)</i>	<i>13.44%</i>	<i>14.01%</i>
<i>Share of cash and cash equivalents in current assets (%)</i>	<i>73.20%</i>	<i>66.57%</i>
<i>Fixed assets to equity ratio</i>	<i>0.7</i>	<i>0.4</i>
<i>Total debt ratio</i>	<i>0.4</i>	<i>0.6</i>
<i>Long-term debt ratio</i>	<i>0.5</i>	<i>0.4</i>
<i>Liabilities to equity ratio</i>	<i>0.8</i>	<i>2.0</i>
<i>Debt to equity ratio</i>	<i>0.5</i>	<i>1.4</i>

Table 5 Gearing analysis (2009-2010)

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;
- Gearing – total liabilities and provisions to total assets;
- Long-term gearing – long-term liabilities to total assets;

- Liabilities to equity – liabilities and provisions as at the end of a given period to the value of equity;
- Debt – total long-term and short-term loans and borrowings.

As mentioned in Section 2.2, revenue increased in 2010 by 0.5% compared to 2009 (PLN 2 011 448 thousand, compared to PLN 2 000 490 thousand. in 2009).

Despite the weaker first half of 2010, AmRest was able to maintain last year's level of sales as a result to organic growth and significantly improved consumer sentiment in the third and fourth quarters. Revenue generated in Q4 2010 increased by 6.1% compared to 2009. In addition to this organic growth, in the last quarter of 2010 the revenue was positively influenced by improving sales at restaurants operating for over 12 months. Particularly good results were reported in restaurants operating on the Russian market (increase of 17.7% compared to Q4 2009) and American (an increase of 9.8% compared to Q4 2009).

Group's gross profit in 2010 amounted to PLN 170 481 thousand and decreased by 8.5% compared to the same period last year. The decrease in gross profit is primarily due to higher amortization and depreciation expenses resulting from the increased number of new openings.

Group's gross profit for the fourth quarter 2010 amounted to PLN 43 872 thousand and decreased by less than 0.5% compared to the fourth quarter of 2009. Despite the higher level of openings and the associated increase in amortization and depreciation expense the gross profit remained in the fourth quarter of 2010 at the level of the corresponding period in 2009. This was possible thanks to a substantial increase in revenues compared to last quarter of 2009.

In 2010, the Company's operating profit amounted to PLN 68 662 thousand, a decrease of 14% compared to last year. As with the gross profit lower operating profit is due to higher depreciation expense associated with an increased number of new openings. New

openings affected mainly the operating profit in Poland (down from PLN 78 162 thousand to PLN 54 304 thousand in 2010) and the Czech Republic (down from PLN 8 095 thousand to PLN 5 703 thousand in 2010). The operating profits of other large markets have substantially improved. The Russian EBIT increased from PLN 7 526 thousand in 2009 up to PLN 13 630 thousand due to significant increase in revenue. The increase in EBIT in the US from PLN 9 559 thousand from PLN 1 140 thousand was mainly influenced by enriched the menu and the revitalization program in the region of Colorado.

EBIT in Q4 2010 amounted to PLN 15 072 thousand compared to PLN 12 170 thousand in 4Q 2009. The biggest improvement was noted on the Russian (up to PLN 5 757 thousand from PLN 799 thousand.) and American markets (PLN 3 295 thousand from PLN - 4 406 thousand).

EBITDA generated in 2010 amounted to PLN 176 505 thousand compared to PLN 177 412 thousand in 2009. EBITDA margin, despite the lower sales on the Polish and Czech market, remained at a level similar to last year (8.8% versus 8.9% in 2009).

EBITDA profit was significantly improved in the second half of the year. In Q4 2010 amounted to PLN 45 860 thousand and increased by 16.8% compared to PLN 39 266 thousand in Q4 2009. As with EBIT the greatest improvement in EBITDA was noted on the Russian (up to 18.7% from 9.9% in Q4 2009) and US markets (up to 2.8% from - 0.2%). EBITDA margin in the Polish market amounted to 13.3% compared to 13.9% in 2009. The slight decline in EBITDA margin on the Polish market was mainly due to increased costs associated with new openings.

Profit on financial operations in 2010 was similar to that recorded in the year 2009. Although the average level of gross debt in 2010 was higher than in 2009, net financial expenses increased slightly (up from PLN 15 411 thousand in 2009 to PLN 17 750 thousand in 2010). This results mainly from an increase in interest expenses related to issuance of bonds. Please note, however, that the net financial expenses decreased in Q4 2010 (PLN 3 423 thousand versus PLN 4 267 thousand in Q4 2009) mainly due to the favorable conditions of the credit agreement which was renegotiated in Q4 2010.

In 2010, the consolidated net profit increased to PLN 40 598 thousand from PLN 38 232 thousand in 2009. Improved net profit was possible thanks to a stable EBITDA margin and good non-operating results, particularly lower G&A, tax and finance expenses in Q4.

A significant decrease in current liabilities (due to the renegotiated loan agreement in 4Q 2010), has led to an improvement in the liquidity ratios: fast and current as compared to 2009. These ratios in 2010 were, respectively, 1.36 and 1.45, compared to 0.35 and

0.38 at the end of 2009. With the share issue carried out in June 2010 the amount of cash increased significantly, which helped to improve the value of cash ratio. The ratio increased to a level of 1.06 compared to 0.25 at the end of 2009.

Inventory turnover remained at the comparable to 2009 level of 3.80 in 2010 (3.83 in 2009). Trade receivables turnover ratio declined to 7.12 in 2010 compared to 9.59 in 2009 mainly due to lower average receivables.

The above mentioned liquidity ratios are at levels that ensure uninterrupted business operation. Their relatively low levels are typical for restaurant business. Generation of excess cash on a current basis allows efficient servicing of the existing debt and financing planned investment expenditure.

With cash obtained from the issue of shares in June the equity increased from PLN 382 891 thousand at the end of 2009 to PLN 746 030 thousand. Debt to equity ratio fell down from 1.4 at the end of 2009 to 0.5 in 2010.

Net debt at the end of 2010 amounted to PLN 138 795 thousand. The net debt to EBITDA ratio in 2010 dropped to 0.8 compared to 2.13 at the end of last year.

4.2.Loans, credits and bonds

On 11 October 2010, a credit agreement was signed between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o.– jointly „the Borrowers” and Bank Polska Kasa Opieki S.A. („PEKAO”), RBS Bank Polska S.A. („RBS Poland”), Royal Bank of Scotland N.V. („RBS”) and Bank Zachodni WBK S.A. („WBK”) – jointly „the Lenders”.

Based on the Agreement the Lenders grant to the Borrowers a credit facility in the amount up to PLN 440 million. The facility shall be repaid by 11 October 2015 and consists of two tranches. It is intended for repayment of all obligations under loan agreements signed on 15 December 2008 and financing further development activities of AmRest.

All Borrowers bear joint liability for any obligations resulting from the Agreement. Additionally, two companies of the Group – OOO AmRest and AmRest LLC – granted

guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid.

As at 4 December 2009, companies of the AmRest Group, LLC, WCM Oregon and Restaurant Concepts (currently merged into one entity, AmRest, LLC) signed a short-term credit agreement with Wells Fargo Bank, National Association. Under the agreement, the repayment of the credit drawn was to be secured with the assets of five selected restaurants. The maximum amount of the credit is USD 3 million, i.e. according to the exchange rate as at 31 December 2010, PLN 8 892 300. As at 31 December 2010, AmRest, LLC did not avail itself of the granted credit limit therefore the value of collateral is PLN 0.

On 7 December 2009, AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance, on the basis of which option program for corporate bonds of AmRest was released, allowing to issue 15 000 bonds for the total nominal value of PLN 150 million. Agreement was signed for agreed period until 9 July 2015 with period extension options until repayment of all issued bonds.

The Group is obligated to maintain specific financial ratios at a level specified in the agreement. This includes ratio of Net debt to adjusted EBITDA, ratio of EBITDA to the Total Interest Charges and Equity Ratio. (defined as Equity divided by the Total Assets)

Ratio of Net debt to adjusted EBITDA should not exceed the level of 3.5, ratio of EBITDA to the Total Interest Charges should not be less than 3.5, the Equity Ratio should not be less than 0.35. As at 31 December 2010 all the above ratios were not exceeded and were, respectively: Net debt to Adjusted EBITDA – 0.78, EBITDA to Total Interest Charges– 5.43; Equity Ratio – 0.54.

Detailed information on loans and borrowings as at 31 December 2010, are included in the Note 21 of the financial statements.

As at 31 December 2010, the AmRest Group had the following credit lines available:

- a) RBS Bank (Poland) SA – PLN 14 thousand (an overdraft facility in PLN)
- b) RBS Bank (the Czech Republic) SA – PLN 5 462 thousand (an overdraft facility in CZK)
- c) Wells Fargo Bank – PLN 6 067 thousand (an overdraft facility in USD)
- d) Raiffaisen Bank Austria – PLN 696 thousand (an overdraft facility in w USD)

4.3. Description of key domestic and foreign investments

The following table presents purchases of non-current assets as at 31 December 2010 and 31 December 2009.

values in PLN'000	2010	2009
Intangible assets, including:		
Trademarks	-	-
Favorable lease agreements	1	577
Licenses for the use of Pizza Hut and KFC trademarks	8 099	4 440
Goodwill	-	20 904
Other intangible assets	11 768	5 144
Investment properties	21 317	-
Fixed assets, including:		
Land	1 496	2 175
Buildings	103 195	69 327
Equipment	76 606	53 212
Vehicles	230	302
Other (including fixed assets under construction)	19 104	22 745
Total	241 816	178 826

Table 6 Purchases of non-current assets in the years 2009 and 2010

The investment expenditure incurred by AmRest relate mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in existing restaurants. The Company's investment expenditure depends mainly on the number and type of restaurants opened.

In 2010, investments were financed mainly with operating cash flows and bank loans.

Number of restaurants (as at 31 December, 2008–2010)

a) QSR

At the end of:		2008	2009	2010
KFC	Poland	94	110	121
	Czech Republic	53	55	58
	Hungary	15	17	16
	Russia	37	37	39
	Bulgaria	2	2	2
	Serbia	1	2	3
Burger King	Poland	9	17	19
	Czech Republic	1	2	5
	Bulgaria	2	2	3
	Poland	0	3	9
Starbucks	Hungary	0	0	3
	Czech Republic	8	10	12
QSR Total		222	257	290

b) CDR

At the end of:		2008	2009	2010
Pizza Hut	Poland	55	58	57
	Hungary	7	5	2
	Russia	17	14	11
Applebee's	USA	104	103	103
CDR Total		183	180	173

c) AmRest Group in Total

At the end of:	2008	2009	2010
Openings	170	50	38
Closings	8	18	12
Net increase in the number of restaurants	162	32	26
Total number of restaurants	405	437	463

By the end of 2010 AmRest operated a total of 463 restaurants (437 as at 31 December 2009). In 2010 AmRest opened 38 restaurants and closed 12 restaurants.

As at 21 March 2011 AmRest operates 469 restaurants.

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

As at 31 December 2010, capital expenditure projects of AmRest amounted to PLN 129 thousand and were related to the shares of SCM s.r.o.

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

On 24 February 2010, AmRest issued the second tranche of bonds. The first tranche was issued on 30 December 2009 to finance the development of new restaurants in Central and Eastern Europe planned in 2010. In total the two tranches amounted to PLN 150 million.

On 23 April 2010, Management Board of AmRest Holdings SE informed about signing on 22 April 2010 a Share Subscription Agreement between AmRest and WP Holdings VII B.V., registered in Amsterdam, The Netherlands. The Subscriber, which is an affiliate of Warburg Pincus, intends to subscribe for 4,726,263 new shares of the Company at a price of PLN 65 per share, which equates to 24.99% of the diluted share capital. In addition, within 12 months from the date on which the Subscription Shares are registered by the registry court proper for the Company's registered office, the Subscriber will have an option to subscribe for additional shares in up to two installments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the Additional Subscription Shares will be PLN 75 per share.

On 8 June 2010, the Management Board of AmRest informed about the sale of shares in FP SPV Sp. z.o.o. ("FP"), a company designated to manage the freshpoint brand and all 5 restaurants located in Poland.

The agreement has been concluded between AmRest Sp. z o.o, 100% subsidiary of AmRest and Ms Monika Czyż, Brand President of freshpoint . The transaction is a part of the announced during quarterly investors teleconference (Q3 2009) decision, of excluding the freshpoint brand from AmRest Group portfolio. The subject of the sale is 99 out of 100 shares in FP.

The contracting parties have reserved the opportunity to repurchase shares at price which will be determined after applying the agreed conversion formula. The implementation of the eventual repurchase of the shares will take place no earlier than 3 May 2015.

On 11 October 2010, AmRest signed a loan agreement (described in section 4.2)

On 18 October 2010, a Loan Agreement („the Loan”) has been signed between AmRest Holdings SE (“the Lender”) and AmRest Sp. z o.o.(„the Borrower”). The Lender grants to the Borrower a loan facility in the amount up to PLN 350 million. The loan is to be repaid in three years from the date of signing this Loan Agreement. The loan is provided at a variable interest rate.

On 11 February 2011, the Management Board of AmRest informed about signing of a Share Agreement For Sale And Purchase And Exchange Of Shares (“SPA”), dated 10 February 2011, between AmRest (“Buyer”) and Corpfin Capital Fund III, F.C.R., Corpfin Capital S.A., S.C.R., Corpfin Capital Fund III, SBP, F.C.R., Delta Spain S.A.R.L., SICAR (“Corpfin Shareholders”) and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. and Ebitda Consulting S.L. (“Management”). Corpfin Shareholders and Management are jointly referred to as “Sellers”. AmRest will acquire effectively 76.3% of Restauravia Grupo Empresarial S.L shares with the remaining 23.7% comprised of rolled over equity from the Company’s management.

Sellers own 100% of Restauravia Grupo Empresarial S.L. (“Restauravia” or “Company”), a Spanish limited liability company. Restauravia owns 100% of Restauravia Food S.L.U. (referred as “KFC Branch”), a Spanish limited liability company and Pastificio Service S.L.U. (referred as “Pastificio Branch”), a Spanish limited liability company. Restauravia operates a total of 130 restaurants in Spain comprised of 30 KFC restaurants and 89 La Tagliatella (including 73 franchised restaurants), 6 Il Pastificio and 5 Trastevere restaurants (jointly referred to as “Tagliatella” restaurants). Restauravia is the owner of

Tagliatella brand. The Company generated approx. EUR 100 million in sales in FY 2010, and normalized EBITDA of EUR 23.9 million.

Both Parties agreed to close the transaction on or before April 29, 2011 ("Closing Date"). The Enterprise Value of Restauravia business is EUR 198 million. It is expected that the acquisition will be financed by AmRest's equity investment of approx. EUR 90 million, EUR 28 million of equity rolled over by Management and external bank debt.

The projected net debt of Restauravia as at the Closing Date is estimated at EUR 32 million. Within 30 days after the Closing Date, an independent auditor will issue a report on the Effective Net Debt at Closing Date. In case of any discrepancies, the price will be adjusted accordingly.

AmRest will have the right ("the Call Option") to purchase any or all of the shares of the Minority Shareholders. The Call Option is exercisable after 3 years and before 6 years has elapsed from Closing on May 1st and December 1st of each year within that window. Accordingly, Minority Shareholders will have the right ("the Put Option") to sell any or all of their shares. The Put Option is exercisable after 3 years and before 6 years has elapsed from the Closing. The exercise price of both Put and Call options will be equal and will be based on multiple of 8.2 times EBITDA for the trailing twelve months period adjusted for the Net Debt as at the exercise date of the option.

With the acquisition of Restauravia, AmRest will own La Tagliatella brand which has tremendous growth potential in Spain and other international markets. In addition, AmRest will become the largest KFC franchisee in the market.

4.6. Planned investment activities and assessment of their feasibility

AmRest will continue its expansion mainly by organic growth on the Central and East European market. Additionally, the Company reviews the possibilities of mergers and acquisitions market. A potential acquisition is not excluded provided that an appropriate target appears.

AmRest intends to strengthen its position on core markets. The aim of AmRest in Central and Eastern Europe is to develop further the most profitable brand AmRest Group, KFC, by opening new restaurants, and developing the following brands Burger King and Starbucks, through opening new restaurants primarily on core markets in Poland and the Czech Republic.

Additionally, thanks to the acquisition of Restauravia in February 2011, the Company will also expand into other markets, particularly into the Spanish market, where it plans to double the number of KFC and Tagliatella restaurants within next 5 years.

The company is able to finance its development in 2011 (opening about 100 new restaurants), using internal cash flow and debt financing.

The plan for new openings will be systematically adopted to market conditions and opportunities of acquiring new attractive locations in each country. In 2011, AmRest will be very restrictive and selective in each case in deciding where to invest in order to achieve a minimum 20% internal rate of return on each investment.

The average cost of opening a new AmRest restaurant in Central and Eastern Europe is about PLN 2.8 million, but it varies depending on location and type of restaurant. In addition, the Company expects to continue the ongoing modernization of selected existing restaurants. In 2011, AmRest Group plans to designate approximately PLN 50 million for modernizations.

5. AmRest Holdings SE in 2011

5.1.External and internal factors material for the development of the Company in 2011

In the opinion of 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 using the restaurants 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.
- obtaining sources of finance;
- violent fluctuations on the currency market.

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 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 is based on opening new restaurants. The factors include: possibilities of finding and ensuring available and appropriate restaurant locations, possibilities of obtaining the permits required by appropriate authorities on time, possibility of delays in opening new restaurants.

b) Dependence of franchisor

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 franchisors 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 the 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 in respect of 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 the 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 cafés, Starbucks Coffee International, Inc. will have a right to increase its share in the Joint Venture Companies by repurchasing shares of AmRest Sp. z.o.o. 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 cafés 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 unfavorable 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. The closing of 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 KFC menu, or as a result of unfavorable 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 unfavorable 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 total safety of the food.

g) Risk associated with the withdrawal of persons occupying key positions

The success of the Issuer depends to some extent on the individual work of selected employees and members of the management. Methods, developed by the Issuer, of remuneration and human resources management help ensure a low level of turnover of key staff. In addition, career planning system supports the preparation of successors, ready to meet the challenges in key positions. According to the Issuer, it will be able to replace key employees. Regardless of that fact, their loss, in the short term, could have a negative impact on the business and operating results of the Issuer.

h) **Risk associated with salaries of restaurant workers, recruitment and maintenance of professional staff**

Running a restaurant business on a large scale requires a lot of professional and skilled employees. Excessive outflow of workers and too frequent changes in the structure of employees can be an important risk factor for the stability and the quality of the business. Due to the fact that wages in Poland, the Czech Republic, and Hungary (including restaurant business) are still significantly lower than in other European Union countries, there is a risk of outflow of skilled workers, and thus the risk of ensuring by the Issuer adequate staff, essential for providing restaurant services at the highest quality. In order to avoid the risk of losing qualified staff a gradual increase of pay rates might be needed, which can also have a negative impact on the financial position of the Issuer.

i) Changes in food availability and costs

The situation of the Issuer is also influenced by the need of frequent deliveries of fresh agricultural products and foodstuffs and ability to anticipate and respond to changes in supply costs. The Company cannot exclude the risk of shortages or interruptions in supply caused by factors such as adverse weather conditions, changes in governmental regulations or the withdrawal of certain food products from the market. Moreover, increased demand for certain products, in limited supply, can lead to difficulties in obtaining them by the Company or an increase in the prices of these products. Both shortages and rising prices could have a negative impact on results, operations and financial position of the Group. In order to minimize such risk AmRest Sp. z o. o. signed an agreement with SCM Sp. z o.o. under which SCM will deliver services of mediation and

negotiation of terms of delivery to the restaurants, including the negotiation of contracts of distribution.

j) Risk related to the development of New brands

AmRest has been operating the Burger King, Starbucks and Applebee's brands only for a short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by consumers.

k) 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 political country risk.

l) Foreign Exchange risk

AmRest results are prone to currency risk related to transactions and translations in currencies other than the currency in which the business operations are measured in particular Group companies.

m) Risk of increased financial costs

In 2008 and 2009, the Company significantly increased its gearing. Changes in the reference interest rate may have an impact on the net profit margin.

n) Risk of slowdown in the economics

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

o) 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 less frequent customers' visits in

restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight 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 the large number of holidays.

- p) Risk of failure of a computer system and temporary suspension of the customer service provided by restaurants

Any loss, partial or total, of the data associated with a failure of computer system, or destruction or loss of a key, tangible assets of the Company could result in temporary suspension of the current restaurant customer service, which could have a negative impact on the Group's financial performance. In order to minimize this risk the Issuer has implemented appropriate procedures to ensure the stability and reliability of IT systems.

5.3. The Company's development directions and strategy

AmRest's strategy is to achieve market dominance^[1] in Quick Service Restaurants and Casual Dining Restaurants sectors through acquisitions and operating branded restaurants capable of achieving a required scale (minimum USD 50 million annual sales) and profitability level (minimum 20% IRR) branded QSR & CD restaurants concepts. AmRest, through its "Wszystko Jest Możliwe!" culture delivers outstanding taste and exceptional service at affordable prices.

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 accelerate its growth significantly. 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 and further acquisitions in the region.

AmRest goal is to achieve market leadership in core markets. Growth in 2011 (total of 100 new openings) will be funded through a combination of internal cash flow and debt

[1] **Dominance defined as clear sales leader in the country**

financing. Additional funds raised through the Share Subscription Agreement, dated 22 April 2010 will be used to open over 100 new restaurant. These proceeds are not intended to change the Group's leverage ratios over long-term.

In the following years, in Central and Eastern Europe, AmRest plans to grow at a rate of ca. 20% 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.

With the acquisition of Restauravia, AmRest will own La Tagliatella brand and will be the largest operator of KFC brand in Spain. Development strategy of the aforementioned business intends to double the number of restaurants on the local market within 5 years. This will be achieved thanks to the high growth potential of both brands and experienced local management staff.

Through AmRest LLC, which operates 103 Applebee's restaurants in the United States, AmRest is present on the largest global restaurant market. The growth strategy on the American market stipulates acquisitions and consolidations under the Applebee's brand. Our purpose is to further use the rich experience of the management of AmRest USA in consolidating the Applebee's business and to use the potential of the Applebee's brand – the largest casual dining chain in the world.

The Company intends to continue actions aimed at increasing their customer value consistently. 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.

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, fair and clear 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 annual consolidated financial statements of the AmRest Group, was appointed in accordance with the legal regulations. This company and the independent registered auditors performing the audit met the requirements for issuing an unbiased and independent audit opinion, in accordance with the respective legal regulations.

The contract with PricewaterhouseCoopers for the audit of the consolidated financial statements for 2010 was signed on 21 June 2010.

Type of services	2010	2009
1 Audit of financial statements	1 219	1 742
2 Other attestation services	100	99
3 Tax services	159	226
4 Other services	0	31
TOTAL	1 478	2 098

Wrocław, 21 March 2011

Mark Chandler

AmRest Holdings SE

Board Member

Piotr Boliński

AmRest Holdings SE

Board Member

Drew O'Malley

AmRest Holdings SE

Board Member