AmRest Holdings SE
Consolidated annual financial statements as at and for the twelve months ended December 31, 2012

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Consolidated annual income statement
for the period ended December 31, 2012

In thousands of Polish Zloty

	Notes	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011 (after adjustments)*
Continuing operations			
Restaurant sales		2 195 838	1 808 547
Franchise and other sales		157 515	113 232
Total sales	2	2 353 353	1 921 779
Company operated restaurant expenses:			
Food and material		(705 735)	(571 090)
Payroll and employee benefits		(467 761)	(367 914)
Royalties		(118 721)	(100 911)
Occupancy and other operating expenses		(685 568)	(551 718)
Franchise and other expenses		(114 445)	(100 388)
General and administrative (G&A) expenses		(157 843)	(140 929)
Profit from sold assets in USA	8,9	67 621	-
Impairment losses	2, 9,11	(21 305)	(15 015)
Other operating income	4	26 067	16 964
Total operating costs and losses	3	(2 177 690)	(1 831 001)
Profit from operations		**175 663**	**90 778**
Finance costs	2,6	(57 571)	(43 056)
Cost from put option valuation	2,6,34	(8 572)	(15 507)
Finance income	2,5	4 203	11 262
Income from associates	2,32	39	72
Profit before tax		**113 762**	**43 549**
Income tax expense	2,7	(26 753)	7 181
Profit for the period from continuing operations		**87 009**	**50 730**
Discontinued operations			
Profit on discontinued operations	8	10 884	11 898
Profit for the period		**97 893**	**62 628**
Profit attributable to:			
Non-controlling interests		6 966	7 959
Equity holders of the parent		90 927	54 669
Profit for the period		**97 893**	**62 628**
Basic earnings per share in Polish zloty	30	4.29	2.65
Diluted earnings per share in Polish zloty	30	4.25	2.57
Continuing operations			
Basic earnings per share in Polish zloty	30	3.77	2.08
Diluted earnings per share in Polish zloty	30	3.74	2.01
Discontinued operations			
Basic earnings per share in Polish zloty	30	0.52	0.57
Diluted earnings per share in Polish zloty	30	0.51	0.56

** Adjustments are the result of change in presentation of income statement presented in note 1cc). The consolidated income statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.*

Consolidated annual comprehensive income statement
for the period ended December 31, 2012

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011 (after adjustments)*
Profit for the period		97 893	62 628
Other comprehensive income:			
Currency translation differences from conversion of foreign entities		(129 642)	112 533
Valuation of PUT option liability	20	14 781	(19 991)
Net investment hedges	20	20 028	(21 737)
Cash flow hedges	20	7 754	-
Income tax concerning net investment hedges	20	(5 279)	4 130
Other comprehensive income for the period, net of tax		**(92 358)**	**74 935**
Total comprehensive income for the period		**5 535**	**137 563**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		9 954	115 228
Non-controlling interests		(4 419)	22 335

** Adjustments are the result of change in presentation of comprehensive income statement presented in note 1cc). The consolidated comprehensive income statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.*

Consolidated annual statement of financial position
as at December 31, 2012

In thousands of Polish Zloty	Notes	31.12.2012	31.12.2011 (afer adjustments)*
Assets			
Property, plant and equipment	9	960 841	953 310
Goodwill	12	611 527	722 348
Other intangible assets	11	522 082	563 193
Investment properties	10	22 152	22 081
Investments in associates	32	434	140
Finance lease receivables	16	163	309
Other non-current assets	13	42 338	32 533
Deferred tax assets	7	16 457	36 309
Total non-current assets		2 175 994	2 330 223
Inventories	14	42 036	40 770
Trade and other receivables	15	90 983	84 923
Corporate income tax receivables	7	5 191	3 165
Finance lease receivables	16	154	161
Other current assets	17	24 345	15 716
Other financial assets	19	681	2 863
Cash and cash equivalents	18	207 079	143 960
Total current assets		370 469	291 558
Total assets	2	**2 546 463**	**2 621 781**
Equity			
Share capital		714	714
Reserves	20	610 764	568 254
Retained earnings		242 805	151 878
Translation reserve	20	18 116	136 373
Equity attributable to shareholders of the parent		872 399	857 219
Non-controlling interests		197 367	155 527
Total equity		1 069 766	1 012 746
Liabilities			
Interest-bearing loans and borrowings	21	611 107	838 946
Finance lease liabilities	27	4 476	3 429
Employee benefit liability	23	8 916	6 570
Provisions	24	7 087	7 573
Deferred tax liability	7	126 789	141 402
Put option liability	2,34	189 382	195 591
Other non-current liabilities	25	9 675	18 582
Total non-current liabilities		957 432	1 212 093
Interest-bearing loans and borrowings	21	181 975	77 956
Finance lease liabilities	27	372	252
Trade and other accounts payable	26	320 485	312 748
Corporate income tax liabilities	7	16 209	4 222
Other financial liabilities	22	224	1 764
Total current liabilities		519 265	396 942
Total liabilities	2	1 476 697	1 609 035
Total equity and liabilities		**2 546 463**	**2 621 781**

** Adjustments are the result of change in presentation of financial position presented in note 1cc). The consolidated balance sheet has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.*

Consolidated annual cash flow statement
for period ended December 31, 2012

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011 (after adjustment)*
Cash flows from operating activities			
Profit before tax from continued operations	2,7	113 762	43 549
Loss before tax from discontinued operations	7,8	11 870	11 202
Adjustments for:			
Share of profit of associates	32	(39)	(72)
Amortization	2,11	21 074	26 502
Depreciation	2,9	167 670	139 576
Interest expense, net	5,6	45 495	30 851
Put option valuation	2,34	8 572	15 507
Foreign exchange result	5,6	551	(5 219)
Loss on disposal of property, plant and equipment and intangibles	9	6 402	3 594
Profit from sold assets in USA	8,9	(67 621)	-
Impairment of property, plant and equipment and intangibles	9,11	20 241	10 898
Equity-settled share-based payments expenses	23	5 668	1 282
Working capital changes:			
Change in receivables		660	(18 232)
Change in inventories		(7 612)	(6 767)
Change in other assets		(31 058)	(11 567)
Change in payables and other liabilities		(2 770)	(2 374)
Change in other provisions and employee benefits		2 485	3 796
Income tax paid		(17 068)	(3 296)
Income tax paid/(returned) from discontinued operation	8	(986)	696
Interest paid	5,6	(45 383)	(30 561)
Other		4 437	6 994
Net cash provided by operating activities		**236 350**	**216 359**
Cash flows from investing activities			
Proceeds from transactions with non-controlling interests		3 179	8 501
Proceeds from the sale of property, plant and equipment, and intangible assets	9,11	296 417	1 232
Acquisition of property, plant and equipment	9	(315 519)	(296 377)
Acquisition of intangible assets	11	(18 722)	(9 502)
Expense on acquisition of subsidiaries, decreased by cash	2	(54 761)	(512 781)
Net cash fow with subsidiaries and other entities		(455)	-
Net cash used in investing activities		**(89 861)**	**(808 927)**
Cash flows from financing activities			
Proceeds from shares issued		-	168 926
Proceeds from share issuance (employees options)		571	377
Expense on acquisition of own shares (employees options)		(1 014)	-
Proceeds from loans and borrowings		167 248	493 242
Repayment of loans and borrowings		(242 559)	(174 584)
Dividends paid to non-controlling interest owners		(1 663)	(921)
Dividends received from affiliates		58	-
Proceeds/(repayment) of finance lease payables		(44)	(415)
Proceeds of finance lease receivables		146	138
Net cash provided by/(used in) financing activities		**(77 257)**	**486 763**
Net change in cash and cash equivalents		**69 232**	**(105 805)**
Balance sheet change of cash and cash equivalents		63 119	(101 158)
Cash and cash equivalents, beginning of period		143 960	245 118
Effect of foreign exchange rate movements		(6 113)	4 647
Cash and cash equivalents, end of period		**207 079**	**143 960**

** Adjustments are the result of change in presentation of financial position presented in note 1cc).*

The consolidated cash flow statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

AmRest Holdings SE

Consolidated annual statement of changes in equity for the 12 months ended December 31, 2012

	Attributable to equity holders						
	Issued capital	Reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attribu-table to equity hol-ders of the parent**	Non-controlling interest	**Total Equity**
As at January 31, 2011	623	595 451	97 209	38 216	**731 499**	14 531	**746 030**
COMPREHENSIVE INCOME							
Income for the period	-	-	48 485	-	**48 485**	7 959	**56 444**
Currency translation differences (note 20)	-	-	-	98 317	**98 317**	14 426	**112 743**
Impact of put option valuation as net investment hedges	-	(26 371)	-	-	**(26 371)**	-	**(26 371)**
Impact of net investment hedging	-	(21 737)	-	-	**(21 737)**	-	**(21 737)**
Deferred income tax concerning net investment hedges	-	4 130	-	-	**4 130**	-	**4 130**
Total Comprehensive Income	**-**	**(43 978)**	**48 485**	**98 317**	**102 824**	**22 385**	**125 209**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non-controlling interests	-	-	-	-	**-**	8 501	**8 501**
Equity attributable to non-controlling interests- Acquisition in Spain (note 2)	-	-	-	-	**-**	111 081	**111 081**
Put option recognition (note 2)	-	(232 694)	-	-	**(232 694)**	-	**(232 694)**
Dividends paid to non-controlling shareholders	-	-	-	-	**-**	(921)	**(921)**
Total transaction with non-controlling shareholders	**-**	**(232 694)**	**-**	**-**	**(232 694)**	**118 661**	**(114 033)**
TRANSACTION WITH SHAREHOLDERS							
Share issue	91	168 835	-	-	**168 926**	-	**168 926**
Employees share option scheme – value of employee services	-	1 282	-	-	**1 282**	-	**1 282**
Employees share option scheme – value realized options	-	377	-	-	**377**	-	**377**
Total transaction with shareholders	**91**	**170 494**	**-**	**-**	**170 585**	**-**	**170 585**
As at December 31, 2011 according to published financial statement	714	489 273	145 694	136 533	**772 214**	155 577	**927 791**
Restated	-	78 981	6 184	(160)	**85 005**	(50)	**84 955**
As at December 31, 2011*	**714**	**568 254**	**151 878**	**136 373**	**857 219**	**155 527**	**1 012 746**
As at January 1, 2012	714	568 254	151 878	136 373	**857 219**	155 527	**1 012 746**
COMPREHENSIVE INCOME							
Income for the period	-	-	90 927	-	**90 927**	6 966	**97 893**
Currency translation differences (note 20)	-	-	-	(118 257)	**(118 257)**	(11 385)	**(129 642)**
Impact of put option valuation as net investment hedges (note 2,34)	-	14 781	-	-	**14 781**	-	**14 781**
Impact of net investment hedging	-	20 028	-	-	**20 028**	-	**20 028**
Impact of cash flow hedging	-	7 754	-	-	**7 754**	-	**7 754**
Deferred income tax concerning net investment hedges	-	(5 279)	-	-	**(5 279)**	-	**(5 279)**
Total Comprehensive Income	**-**	**37 284**	**90 927**	**(118 257)**	**9 954**	**(4 419)**	**5 535**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non-controlling interests	-	-	-	-	**-**	3 179	**3 179**
Equity attributable to non-controlling interests–Acquisition of Blue Horizon (note 2)	-	-	-	-	**-**	44 685	**44 685**
Dividends paid to non-controlling shareholders	-	-	-	-	**-**	(1 605)	**(1 605)**
Total transaction with non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**46 259**	**46 259**
TRANSACTION WITH SHAREHOLDERS							
Employees share option scheme – value of employee services	-	5 668	-	-	**5 668**	-	**5 668**
Acquisition of own shares	-	(442)	-	-	**(442)**	-	**(442)**
Total transaction with shareholders	**-**	**5 226**	**-**	**-**	**5 226**	**-**	**5 226**
As at December 31, 2012	**714**	**610 764**	**242 805**	**18 116**	**872 399**	**197 367**	**1 069 766**

** Adjustments are the result of changes in presentation of statement of financial position described in note* 1cc). *The statement of changes in consolidated equity has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.*

1. Information on the Group and significant accounting policies

a) General information

AmRest Holdings SE ("the Company", "AmRest", "Equity holders of the parent") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to AmRest Holdings SE. On December 22, 2008, the District Court for Wrocław-Fabryczna in Wrocław registered the new registered office of AmRest in the National Court Register. The address of the Company's new registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland.The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

AmRest is the first public company in Poland operating in the form of a European Company. The purpose of transforming AmRest into a European Company was to increase its operating effectiveness and reduce operating and administrative expenses. Following the fact of transfer into European Company and transfer of Company registered head office to Poland, the functional currency of AmRest holdings SE since January 1, 2009 is polish zloty (PLN).

Hereafter, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2012 cover the Company, its subsidiaries and the Group's shares in associates. AmRest, LLC entities are preparing financial statements for the period of twelve months ending December 30, 2012.

These consolidated financial statements were approved by the Company's Management Board on March 19, 2013.

The Group's core activity is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Hungary, Russia, Serbia, Croatia, Bulgaria and Spain, on the basis of franchises granted. In Spain, France, Germany, China and The United States of America (further USA) the Group operates its own brands La Tagliatella, Trastevere and il Pastificcio. This business is based on the franchise agreements signed with non related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally in China since December 21, 2012 the Group operates its own brands Blue Frog and KABB.

On April 27, 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE").

Before April 27, 2005, the Company's co-shareholders and entities exercising their rights from the shares held in the Company were International Restaurants Investments, LLC ("IRI") with its registered office in the United States of America, and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") with its registered office in the Netherlands. The co-shareholders held 50% shares each and had the same proportion of voting rights before the Company was first quoted on the stock exchange.

IRI was a company controlled by American Retail Concepts, Inc. with its registered office in the United States of America ("ARC"), and KFC BV was a company controlled by YUM! Brands, Inc. ("YUM!") with its registered office in the USA.

In connection with the flotation of the Company on GPW, YUM! sold all its shares in the Company and is no more a shareholder or a related entity. Also when the Company was floated on GPW, IRI sold part of the shares held.

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4.726.263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307,2 million. At June 10, 2010 was

registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47.262,63 (PLN 195.374,26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share. On March 25, 2011, WP subscribed for 2.271.590 shares with the issuance price of PLN 75 per share. After decrease by all costs concern capital issue the growth was PLN 168.926 thousand.

As at December 31, 2012, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.9999% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 19, 2013 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
WP Holdings VII B.V.*	6 997 853	32.99%	6 997 853	32.99%
ING OFE	4 100 000	19.33%	4 100 000	19.33%
PZU PTE**	2 779 734	13.10%	2 779 734	13.10%
Aviva OFE	1 600 000	7.54%	1 600 000	7.54%

* WP Holdings owns directly 32.9999% shares in Equity and at AGM.
** PTE PZU S.A. manages assets which include the funds of OFE PZU "Złota Jesień" and DFE PZU

Pizza Hut and KFC restaurants operate on the basis of franchise agreements signed with YUM! and YUM! Restaurants International Switzerland, Sarl ("YRIS") which is a subsidiary of YUM! Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting operating terms and conditions specified in the agreements.

On March 8, 2007, the Company signed a "Development Agreement" with Burger King Europe GmbH ("BKE"), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. For restaurants opened between March 01, 2009 and June 30, 2010 and after this period the franchise agreement was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

The main terms and conditions of the signed "Development Agreement" are as follows:

- During the first two years after opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.5% of the monthly sales of all Burger King restaurants operated by the Group. During the third year of opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.0% of the monthly sales of all Burger King restaurants operated by the Group.
- During the first five years, the preliminary fee paid by the Group in respect of franchise agreements concluded for each Burger King restaurant for a period of 10 years will amount to USD 25.000 (should the Group extend the franchise period for a further 10 years, the fee for renewing the franchise will amount to another USD 25.000). Upon opening each consecutive Burger King restaurant exceeding the number of restaurants specified in the development plan, the preliminary fee will be reduced by 50%.

As at August 10, 2010 between BKE, AmRest sp. z o.o., AmRest BK s.r.o.(present AmRest s.r.o. after the merger as at December 28, 2011) and Company was signed "Strategic Development Agreement" partially amending "Development Agreement" and franchise agreement signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, accordingly, in Poland and Czech.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech. In this agreement were agreed amounts of new Burger King restaurants, that AmRest Sp. z o.o. in Poland and AmRest s.r.o. in Czech is obliged to open in agreed timeframe. In this agreement were also agreed rules of modification in agreed chain development schedules for given year. It was also established in agreement that if AmRest Sp. z o.o. or AmRest s.r.o. will not fulfill their obligations from development agreements concerning amount of new openings, each side of agreement (Group and BKE) will have right to cancel development agreement according to rules described in development agreement.

Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in period from March 1, 2009 till June 30, 2010, and also for newly opened restaurants in Poland was extended from 10 to 20 years since date of restaurant opening, however without option of prolongation for next 10 years, what was provided in original development agreement with AmRest sp. z o.o. In relation to restaurants opened in Poland in the period from March 1, 2009 to June 30, 2010 and in relation to restaurants opened in after this period (for franchise agreements for 20 years) was increased also amount of initial franchise payment from 25.000 USD to 50.000 USD.

According to „Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest s.r.o. Currenlty Group Companies are renegotiating terms of above mentioned agreements, especially in the area planned development, in order to agree applicable terms of future development .

Agreement was signed for agreed period of time till June 30, 2015 with qualification, that period of agreement effectiveness will be extended till end of development agreement validity period for AmRest sp. z o.o. and AmRest s.r.o.

As at December 31, 2012 the Group had 37 open Burger King restaurants.

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. ("Starbucks") relating to the development of Starbucks cafés in Poland, the Czech and Hungary. The agreement covers a period to May 31, 2022 and provides for an option to extend it for another 5 years, after specific terms and conditions have been met.

The Parties established three separate companies in each of the 3 countries: Poland, the Czech and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. The Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech and Hungary, without exclusivity rights to some of the institutional locations.

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. In the ninth year Starbucks will have an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company's Management assessment as at the day of this financial statement issuance, there are no material indicators making mentioned above options realizable.

The Group will be obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or terminate the agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

As at December 31, 2012 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
	Holding activity			
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	AmRest Holdings SE	100.00%	May 2007

Company name	Seat	Parent/non-controlling undertaking	Ownership interest and total vote	Date of effective control
AmRest TAG S.L.	Madrid, Spain	AmRest Sp. z o.o.	76.27%	March 2011
		Steven Winegar	20.46%	
		Maria Elena Pato	1.69%	
		David Gorgues Carnice	0.85%	
		Other	0.73%	
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U.	16.52%	April 2011
		AmRest TAG S.L.	83.48%	
AmRest Services Sp. z o.o.*	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	April 2011
AmRest Services Sp. z o.o. SKA	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	November 2012
AmRest Restaurant Management Co. Ltd	Szanghai, China	AmRest HK Ltd	100.00%	November 2012
Blue Horizon Hospitality Group PTE Ltd	Singapour, China	AmRest Holdings SE	51.20%	December 2012
		WT Equities	19.50%	
		BHHG	19.50%	
		MJJP	4.90%	
		Coralie Danks	4.90%	
	Restaurant activity			
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	82.00%	March 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc.	1.56%	July 2007
		AmRest Sp. z o.o.	98.44%	
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o.	60.00%	October 2007
		ProFood Invest GmbH	40.00%	
AmRest LLC	Wilmington, USA	AmRest Services Sp. z o.o. SKA	100.00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Tagligat S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	65.00%	September 2011
		Stubbs Asia Limited	35.00%	
AmRest Restaurants (India) Private Ltd	Bombai, India	Restauravia Grupo Empresarial S.L.	100.00%	October 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH	Munich, Germany	AmRestavia S.L.U.	100.00%	March 2012

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest SAS	Paris, France	AmRestavia S.L.U.	100.00%	April 2012
La Tagliatella LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
La Tagliatella Asia Pacific LLC	Hong Kong, China	Restauravia Grupo Empresarial S.L.	100.00%	November 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, British Virgin Islands	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Frog King Food&Beverage Management Ltd	Szanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Szanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Szanghai, China	Horizon Group Consultants (BVI)	97.50%	December 2012
		Shanghai Renzi Business Consultancy Co. Ltd	2.50%	
Financial services for the Group				
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Holdings SE	99.96%	November 2011
		AmRest Sp. z o.o.	0.04%	
AmRest Finance S.L.	Madrid, Spain	AmRest Holdings SE	100.00%	December 2011
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
Owner of the building ,where the office surface is placed				
Bécsi út.13. Kft	Budapest, Hungary	AmRest Kft	100.00%	April 2007
Delivery services for restaurants operated by the Group				
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		Zbigniew Cylny	44.00%	
		Beata Szafarczyk-Cylny	5.00%	
Lack of running activity				
AmRest Ukraina t.o.w.	Kiev, Ukraine	AmRest Sp. z o.o.	100.00%	December 2005
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012

* On March 1, 2012 the name of Rodeo Drive Sp. z o.o. was changed into AmRest Services Sp. z o.o.

As at December 31, 2012 the Group posses the following associated entities included in the financial statements under the equity method:

Company name	Seat	Core business	Parent/ non-controlling undertaking	Owner-ship interest and total Group vote	Date of effective control
SCM s.r.o.	Prague, Czech	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007
BTW Sp. z o.o.	Warsaw, Poland	Restaurant activity	SCM Sp. z o.o.	25.50%	March 2012

The Group's office is in Wroclaw, Poland. At December 31, 2012 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia, Croatia, the United States of America, Spain, Germany, France and China.

b) Representations on compliance of the financial statements with the International Financial Accounting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union for annual financial reporting, in force as at December 31, 2012. As at December 31, 2012, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above. The accounting policies which have been applied in the preparation of the annual consolidated financial statements comply with those used in preparing the annual consolidated financial statements for the year December 31, 2011, with the exception of the new standards binding as of January 1, 2012.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group.

In this consolidated financial statements Group has not decided for early adoption of following standards and interpretations that are not yet effective:

- IFRS 9 „Financial Instruments Part 1: classification and measurement"
  IFRS 9 Financial Instruments was published by IASB on November 12, 2009 and replaces those parts of IAS 39 that covers classification and measurement of financial assets. In October 2010 IFRS 9 was amended for classification and valuation of financial liabilities. New standard is applicable for annual periods starting January 1, 2013 or later. Standard introduces one model providing only two classification categories for financial assets: amortized cost and fair value. Classification is made on initial recognition and depends on applied by entity model for managing financial instruments and characteristic of agreed cash flows for given instruments. Most of IAS 39 requirements regarding classification and measurement of financial liabilities were moved to IFRS 9 in unchanged form. Key amendment is imposition on entities requirement for presentation in comprehensive income effects of changes in own credit risk from financial liabilities indicated to be valued in fair value through income statement.
  Group will apply amendment to IFRS 9 beginning on January 1, 2015. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 9 has not been approved by European Union.
- IFRS 10, „Consolidated Financial Statements"
  IFRS 10 "Consolidated Financial Statements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.
  Group will apply amendment to IFRS 10 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 10 has not been approved by European Union.
- IFRS 11, „Joint Arrangements"
  IFRS 11 „Joint Arrangements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures".
  Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.
  Group will apply amendment to IFRS 11 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 11 has not been approved by European Union.

- IFRS 12, „Disclosure of Interest in Other Entities"

  IFRS 12 „Disclosure of Interest in Other Entities" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

  Group will apply amendment to IFRS 12 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

  As at the date of this financial statement issuance, IFRS 12 has not been approved by European Union.

- IFRS 13, „Fair value measurement"

  IFRS 13 „ Fair value measurement" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

  Group will apply amendment to IFRS 12 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

  As at the date of this financial statement issuance, IFRS 12 has not been approved by European Union.

- Revised IAS 27, „Separate Financial Statements"

  Revised IAS 27, "Separate Financial Statements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

  Group will apply amendment to revised IFRS 27 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

  As at the date of this financial statement issuance, revised IFRS 27 has not been approved by European Union.

- Revised IAS 28, „Investments in Associates and Joint Ventures"

  Revised IAS 28, „Investments in Associates and Joint Ventures" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

  Group will apply amendment to revised IFRS 28 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

  As at the date of this financial statement issuance, revised IFRS 28 has not been approved by European Union.

- Amended IAS 19, „Employee Benefits"

  Amendments to IAS 19 „Presentation of Financial Statements" were published by the International Accounting Standards Board in June 2011 and are effective for the annual periods beginning January 1, 2013 or later. The amended AIS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when

they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.
Group will apply amendments to IAS 19 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.
As at the date of this financial statement issuance, amendments to IAS 19 has not been approved by European Union.

- „Offsetting Financial Assets and Financial Liabilities” - Amendments to IAS 32
  Amendments to IAS 32 „Offsetting Financial Assets and Financial Liabilities” were published by the International Accounting Standards Board in December 2011 and are effective for the annual periods beginning January 1, 2014 or later. The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.
  Group will apply amendments to IAS 32 beginning on January 1, 2014. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, amendments to IAS 32 has not been approved by European Union.
- „Disclosures-Offsetting Financial Assets and Financial Liabilities” - Amendments to IFRS 7
  Amendments to IFRS 7 „Disclosures-Offsetting Financial Assets and Financial Liabilities” were published by the International Accounting Standards Board in December 2011 and are effective for the annual periods beginning January 1, 2013 or later. The amendment requires disclosures that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.
  Group will apply amendments to IFRS 7 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, amendments to IFRS 7 has not been approved by European Union.
- Amendments to IFRS 1 “Government loans”
  Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards” were issued by IASB in March 2012 and are valid for annual periods starting from January 1, 2013 or later. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.
  Group will apply amendment to IFRS 1 not earlier than on January 1, 2013. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 1 has not been approved by European Union.
- Improvements to International Financial Reporting Standards 2009-2011
  The International Accounting Standards Board published in May 2012 “Improvements to IFRS 2009-2011”, which changed five standards. Amendmends concern changes in presentation, valuation and terminological and editing changes.Changes will be obligatory for annual periods beginning from January 1, 2013.
  Group will apply Improvements to International Financial Reporting Standards 2009-2011 not earlier than on January 1, 2013. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, Improvements to International Financial Reporting Standards 2009-2011 has not been approved by European Union.
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12
  Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 was issued by the International Accounting Standards Board on 28 June 2012 and effective for annual periods beginning on 1 January 2013 or later. The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12,

the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.
Group will apply Amendments to IFRS 10, IFRS 11 and IFRS 12 not earlier than on January 1, 2014. Management board is during verification of above amendments influence on financial statements.
As at the date of this financial statement issuance, Amendments to IFRS 10, IFRS 11 and IFRS 12 has not been approved by European Union.

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities"
  Amendments to IFRS 10, IFRS 12 and IAS 27 was issued by the International Accounting Standards Board on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014. The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.
  Group will apply Amendments to IFRS 10, IFRS 12 and IAS 27 not earlier than on January 1, 2014. Management board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, Amendments to IFRS 10, IFRS 12 and IAS 27 has not been approved by European Union.

<u>New and amended standards adopted by the Group</u>

As at January 1, 2012 Group has adopted following new and amended IFRS and IAS:

- Amendments to IFRS 7 "Transfers of financial assets"
  Amendments to IFRS 7 "Transfer of financial assets" were issued by IASB in November 2010 and are valid for annual periods starting from July 1, 2011 or later. Amendments require disclosure of additional information on risk derived from transfer of financial assets. Cover requirement to disclose according to classes of assets, character, balance sheet value, risk description and benefits concerning financial assets transferred to other entity, but still remaining in balance sheet of entity. Required are also disclosures of information allowing users of financial statements to identify value of potential related liability and relation between given financial asset and counterpart liability. In case when financial assets were derecognized from balance sheet, but entity is still exposed to certain risk and can gain certain rewards connected with transferred item of assets, it is required to additionally disclose information allowing to understand consequences of such risk.
  Group applies amendments to IFRS 7 from January 1, 2012. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.
- "Recovery of underlying assets" – Amendments to IAS 12
  Amendments to IAS 12 „Recovery of underlying assets" were published by the International Accounting Standards Board in December 2010 r. and are effective for the annual periods beginning on or after January 1, 2012 r. The purpose of this update is to provide practical guidance in the estimation of the amount of deferred income tax in a situation where investment property is measured through the use of the fair value model from IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment

property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporate into IAS 12 after excluding guidance regarding investment property measured at fair value.
Group applies amendments to IAS 12 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- „Presentation of Financial Statements" - Amendments to IAS 1
  Amendments to IFRS 1 „Presentation of Financial Statements" were published by the International Accounting Standards Board in June 2011 and are effective for the annual periods beginning on or after July 1, 2012. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income.
  Group applies amendments to IAS 1 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.
- Severe Hyperinflation and Removal of Fixed Dates for First - time adopters - Amendments to IFRS 1
  Amendments to IFRS 1 „Severe Hyperinflation and Removal of Fixed Dates for First - time adopters" were published by the International Accounting Standards Board in December 2010 and are effective for the annual periods beginning on or after July 1, 2011. The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.
  Group applies amendments to IFRS 1 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

c) Form of presentation of the consolidated financial statements

The consolidated financial statements are presented in Polish zloty (PLN), rounded up/down to full thousands.

The financial statements were prepared on the historical cost excluding valuation of derivative instruments and investment properties to their fair value.

The preparation of the IFRS financial statements requires the Management of the Company to make certain assumptions and estimates which are reflected in the accounting policy and that affect the reported amounts of assets and liabilities and reported revenues and expenses during the period. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

The estimates and the assumptions on which they are based are subject to current verification. The adjustment of accounting estimates is recognized in the period in which it was made, on condition that it only relates to that period, or in the period in which it was made, and in future periods, if it relates both to the current and future periods.

note 34 describes the assessments made by the Management Board in connection with the use of IFRSs which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

The accounting policies described above have been applied consistently in all the financial years covered by the consolidated financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied. These policies have been applied consistently by all the entities constituting the Group.

d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are entities in respect of which the Group is able to govern their financial and operating policies, which usually accompanies holding the majority of the total number of votes in an entity's decision-making body. In assessing whether the Group controls a given entity, the existence and impact of potential voting rights which may at a given time be exercised or exchanged is taken into account. Subsidiaries are consolidated under the acquisition method from the moment the Group takes full control over them. The entities cease to be consolidated when control ceases.

The acquisition of subsidiaries by the Group is accounted for under the purchase method. The acquisition cost is determined as the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or transferred as at the exchange date, plus the cost directly related to the acquisition. Identifiable assets and liabilities, and contingent liabilities acquired under the business combination are initially measured at fair value as at the acquisition date, irrespective of the amount of the potential non controlling interests.

The excess of acquisition cost over fair value of the Group's share in the identifiable net assets acquired is recognized as goodwill. If the acquisition cost is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Transactions, settlements and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated unless the transaction proves the impairment of the given asset transferred. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

Non-controlling interests and transactions with non-controlling interests

The Group accounted for transactions with non-controlling interests as for transactions with owners. Sales to non-controlling interests lead to recognizing the Group's gains or losses in the equity. Purchases from non-controlling interests doesn't lead to goodwill arising: the difference between the acquisition price and the respective share in the acquired net assets at their carrying amounts is presented also in equity.

In the case of acquisition from 2011 the Group presents non-controlling interest value according to independent fair value valuation which influence goodwill.

Associates

Associates are entities on which the Group exerts significant influence but which it does not control, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are accounted for according to the equity method and are initially stated at cost. The Group's investment in associates includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date.

The Group's share in the results of the associates from the date of purchase has been recorded in the income statement and its share in movements in other equity items from the date of purchase has been recorded in other comprehensive income. The carrying value of the investment is adjusted for the total movements from the date

of purchase. When the Group's share in the losses of an associate becomes equal or higher than the book value of Group's share in the associate, which covers potential unsecured receivables, the Group discontinues recognizing further losses unless it has assumed the obligation or has made payments on behalf of the given associate.

Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's share in the said entities. Unrealized losses are also eliminated unless the transaction proves that the given asset transferred has been impaired. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

e) Going concern assumption

Information presented below should be read together with information provided in note 36 and 21, describing accordingly: significant post balance sheet events after December 31, 2012 and borrowings.

Consolidated financial statements for the period of 12 months ended December 31, 2012 were prepared in accordance with going concern assumption by the Group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. Annual consolidated financial statements does not account for adjustments, which would be essential in such events. As at the date of consolidated financial statement issuance in assessment made by Group Parent Entity there are no circumstances indicating threats for Group business going concern.

As it was described in note 21 "borrowings" financial liabilities resulting from loan agreement signed October 11, 2010 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank PEKAO S.A., RBS Bank (Polska) S.A., The Royal Bank of Scotland plc (formerly The Royal Bank of Scotland N.V.), Bank Zachodni WBK S.A. and Rabobank Polska S.A. As consequence of this agreement and subsequent annexes in year 2013 will take place repayment of PLN 182 million. Unused committed facilities of this loan as at December 31, 2012 equal to PLN 240.8 million. As for the day of this financial statement issuance Management Board of Group Parent Entity have plans and realize actions aiming to provide successful refinancing of mentioned above liabilities from loans repayable in 2013 year. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2012 and available financing scenarios. In note 35 Management presents analysis of liabilities repayment.

f) Foreign exchange trading

Functional currency and presentation currency

Each of the Group entities maintains financial reporting in the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group entities operating in Poland is the Polish zloty, the functional currency of the Group entities operating in Czech is the Czech koruna, the functional currency of the Group entities operating in Hungary is the Hungarian forint, the functional currency of the Group entity operating in Russia is the Russian ruble, the functional currency of the Group entity operating in Bulgaria is the Bulgarian lev, the functional currency of the Group entity operating in Serbia is the dinar, the functional currency of the Group entities operating in Spain, Germany and France is the euro, the functional currency of the Group entity operating in Croatia is the kuna, the functional currency of the Group entities operating in the China and in Hong Kong is yuan, the functional currency of the Group entity operating in the India is rupee, and the functional currency of the Group entities operating in the USA is the American dollar.

The Group presented its consolidated financial statements in Polish zloty. Polish zloty is the currency of presentation of Group and it is the functional currency of Equity holders of the parent.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were

recognized in the income statement, except incomes and losses concern hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

Financial statements of foreign operations

The financial result and the financial position of all subsidiaries and associates whose functional currency is other than the presentation currency are translated to the presentation currency using the following procedures:

- assets and liabilities, including goodwill, and adjustments to fair value made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs of foreign operations are translated at the mid exchange rate in the given period which approximately reflects translation at the exchange rates prevailing as at the transaction date;
- all the resulting foreign exchange differences are recognized in a separate item of equity.

Upon the disposal of the operations, foreign exchange differences are recognized in the income statement.

Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

In the case of longterm financing based on intercompany loans with indefinite repayment date and with the lack of intention of Board to repayment the Group is classifying foreign exchange differences caused by them as part of equity concern foreign exchange differences.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2012.

g) Franchise, licence agreements and other fees

As described in note 1a), the Group operates restaurants on the basis of franchise agreements concluded with YUM! and its subsidiaries. In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable preliminary fee upon opening each new restaurant and further fees over the period of the agreement in the amount of 6% of sales revenues, and to allocate 5% of all revenues to advertising activities specified in the respective agreements. Moreover, after the end of the initial period of the franchise agreement, the Group may renew the franchise agreement after paying a renewal fee.

Non-reimbursable preliminary fees are in reality fees for the right to use the Pizza Hut and KFC trademark and are included in intangible assets and amortized over the period of the franchise (usually 10 years). Further payments made in the period of the agreement are disclosed in the income statement upon being made. Fees for extending the validity of the agreements are amortized as of the date of a given extension agreement coming into force.

Non-reimbursable preliminary fees currently amount to USD 45.5 thousand per each restaurant whereas the fees related to the renewal of an agreement were set at 50% of the preliminary fee for each of the restaurants, indexed over the period of a given franchise agreement being in force with the consumer Price Index in the USA (“US Consumer Price Index”).

The key terms and conditions of the franchise agreements which will be concluded with Burger King (note 1a)) were specified as follows:

- The license is granted for a 10-year period from the date when the restaurant begins operating. It will be capitalized as intangible asset and amortized during the franchise agreement period. The franchisee is entitled to extend the agreement for a further 10 years after meeting specified terms and conditions. This conditions were described in initial development agreement with AmRest Sp. z o.o. For restaurants opened in Poland after March 1, 2009 the license was overlong from 10 to 20 years without option of prolongation for next 10 years.

- The Franchisee will transfer to the Franchiser a monthly license fee (franchise fee) of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category continuing franchise fees.
- The Franchisee will pay to the Franchiser a monthly fee for sales advertising and promotion of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category direct marketing costs.

The main fees and the costs which will be incurred by the Group in connection with the agreements concluded with Starbucks Coffee International , Inc. (note 1a)) are as follows:

- The fee for development and the fee for providing services of USD 950 thousand, relating to the preliminary operating support (settled from other assets into general and admin expenses of Starbucks subsidiaries).
- The preliminary franchise fee of USD 25 thousand per each opened Starbucks café (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed licence fee equal to 6% of sales revenues of each of the Starbucks cafés (added to the income statement when it incurred in category continuing franchise fees).
- The local marketing fee the amount of which will be determined annually between the parties to the agreements (added to the income statement when it incurred in category direct marketing costs).

The fees and the costs which will be incurred by the Group in connection with the agreements concluded with Applebee's Franchising LLC (note 1a),8b)) are as follows:

- The preliminary franchise fee of USD 35 thousand per each opened Applebee's restaurant (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed license fee equal to 5% of sales revenues of each of the Applebee's restaurants (added to the income statement when it incurred in category continuing franchise fees).
- The franchisee will pay to the franchiser a monthly fee for advertising and promoting sales in an amount of no less than 2.75% of sales of the Applebee's restaurants operated by the Franchisee, in recognition of the fact that the Franchiser may increase the fee to 4% (added to the income statement when it incurred in category direct marketing costs).
- Additionally, the franchisee is obliged to incur expenses on local marketing of 1% of the sales revenue of the Applebee's restaurants.

New operating activities of the Group required the determination of following accounting principles:

- Generally the franchise agreement covers a 10 year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.
- Revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale.
- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.
- Intangible assets, covering relationships with franchise clients, recognized during the acquisition process are amortized within the average period of the contractual relationship with franchise clients.
- Own brands systematically as at the purchase date are analysed from the point of depreciation and amortisation periods. Currently:
    - La Tagliatella brand is treated as not amortized asset due to indefinite useful life,
    - Blue Frog brand (note 2) is treated as amortized asset in 20-year period.

h) Property, plant and equipment

Property, plant and equipment owned by the Group

The initial value of the property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labour, and – if material – the initial estimate of the cost of disassembly and removal of the assets and of bringing the location to the condition it had been in before the lease agreement was signed.

The financial costs relating to the liabilities incurred to finance the purchase of property, plant and equipment are recognized in the income statement as interest expenses, due the fact that they don't meet criteria for qualified assets according to IAS 23 revised.

If the property, plant and equipment include material components with different useful lives, particular components are considered to be separate assets.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds from sale with carrying amounts and recognized in the income statement under „Gains/losses on disposal of property, plant and equipment".

Assets related to opening restaurants

Costs directly related to purchasing and manufacturing of assets („property, plant and equipment") connected with opening restaurants in given locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in assets ("property, plant and equipment"). The Group includes in the value of restaurants costs mentioned above incurred from the moment when the completion of the project is considered likely. In the event of a later drop in the probability of launching the project at a given location, all the previously capitalized costs are transferred to the income statement. Costs directly related to purchasing and manufacturing of restaurants assets („property, plant and equipment") are depreciated over the expected useful life of the restaurant.

Those assets consider both costs incurred with use of leasehold improvements and in premises owned.

Group is not treating costs of external financing as element asset costs due the fact that mentioned assets are not qualified in accordance with IAS 23 revised.

Leased assets

The Group is a Lessee of property, plant and equipment. Leases of property, plant and equipment under which virtually all the risks and benefits in respect of the ownership are attributable to the Group are recognized as finance leases. The assets leased under finance leases are recognized in assets as at the date of commencement of the lease term at the lower of their fair values and present value of the minimum lease payments. Each lease payment is divided into the amount decreasing the balance of the liability and the amount of finance costs so as to maintain a fixed interest rate in respect of the remaining portion of the liability. The respective rental obligations net of finance costs are recognized in finance lease liabilities. The interest element of finance costs is charged to costs in the income statement over the period of the lease so as to obtain a fixed periodical interest rate in respect of the remaining portion of the liability. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the economic useful life of the asset and the lease period.

Costs incurred after commissioning fixed assets

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Amortization and depreciation

Property, plant and equipment, including their material components, are depreciated on a straight-line basis over the expected useful life of the assets/components. Land and fixed assets under construction are not depreciated. The expected useful lives of assets are as follows:

- Buildings 30 – 40 years
- Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants) 10 – 20 years*
- Plant and machinery 3–14 years
- Vehicles 4 –6 years
- Other property, plant and equipment 3–10 years

* shorter of 10 years and the lease term.

The residual value, depreciation method and economic useful lives are reassessed annually.

i) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under point (i) up to the date of change in use.

j) Intangible assets

Computer software

Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use. These costs are amortized on the basis of the expected useful lives.

Favourable lease agreements

Favourable lease agreements were taken over in connection with the acquisition of subsidiaries and provide for lease fees lower than market fees. Favourable lease agreements are initially recognized at fair value and then at cost net of amortization and potential impairment (note 1p) of the accounting policies).

Trademark

Trademarks acquired in mergers or acquisitions are recognized in fair value as at the date of transaction. Trademarks have indefinite economic useful life and are not subject of amortization., but are subject to annual impairment tests individually or on cash generating unit level. Blue Frog brand has its useful life and is amortized.

Rights to the Pizza Hut, KFC, Burger King, Starbucks and Applebee's trademarks

See note 1g) of the accounting policies.

Other intangible assets

Other intangible assets are stated in the books of account at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (See note 1p) of the accounting policies below).

Amortization

Intangible assets are amortized on a straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment (See note 1p) of the accounting policies below) and are not amortized. Other intangible assets are amortized as of the date of their availability for use.

The expected useful lives of assets are as follows:

- Computer software 3 -5 years
- Favourable lease agreements 2 - 10 years*
- Trademark 5-10 years
- Own mark Blue Frog 20 years
- Rights to the Pizza Hut , KFC, Burger King and 10 years
- Relations with franchisees 20 - 24 years**
- Other intangible assets 5 -10 years

* favorable agreements are amortized over the period to the end of the agreement
**average period of franchise agreement

k) Goodwill

Business combinations are accounted for under the purchase method. Goodwill on consolidation represents the excess of the acquisition price of shares over the fair value of the corresponding portion of the net assets.

Goodwill on consolidation is disclosed in the books of account as intangible assets and measured at cost net of accumulated impairment write-downs. Goodwill is not amortized. Instead, it is allocated to cash generating units and checked annually for potential impairment of the asset (note 1p) of the accounting policies). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

In the case of acquisition from 2011 the Group presents non-controlling interest value according to independent fair value valuation which influence goodwill.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Expenses incurred to increase the goodwill created internally and trademarks created internally are recognized in the income statement upon being incurred.

l) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories described below. The Group does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these consolidated financial statements.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets are classified to this category if acquired principally for selling in the short term or if so designated by the Management Board. Derivative financial instruments are also classified as “assets held for trading” unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or if their realization is expected within 12 months from the balance sheet date. The Group does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these consolidated financial statements.

Financial assets held to maturity

This category covers financial assets which the Management Board decided would be maintained to maturity upon inception. Financial assets held to maturity are stated at amortized cost. The carrying amount of investments measured at adjusted purchase price (amortized cost) and is calculated as the amount due on maturity net of all non-amortized initial discounts or premiums.

Group does not have any financial assets held to maturity as at the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are recognized at amortized cost net of impairment write-downs and recognized as current assets in the balance sheet, under "Trade and other receivables" (See note (m) of accounting policies below), if they mature within 12 months of the balance sheet date.

Regular investment purchase and sale transactions are recognized as at the transaction date – the date on which the Group commits to purchase or sell a given asset. Investments are initially recognized at fair value plus transaction costs. This relates to all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the transaction costs are recognized in the income statement. Financial assets recognized at fair value through profit or loss are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at adjusted purchase price (amortized cost using the effective interest method).

m) Trade and other receivables

Trade and other receivables include non-derivative financial assets not traded on an active market with fixed or determinable amounts to be repaid. These assets are initially recognized at fair value and then at amortized cost net of impairment (note 1p) of the accounting policies).

n) Inventories

Inventories include mainly materials and are stated at the lower of cost and net realizable value. The net selling price that can be obtained is construed as the estimated selling price achieved in the course of normal business activities, less estimated costs necessary to effect the sale. Inventory issues are accounted for on the FIFO basis. The cost of purchase of inventories includes costs directly related to purchasing and preparing the given asset for sale.

o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

p) Impairment

As at each balance sheet date the Group verifies the carrying amount of assets other than inventories (See note (m) of the accounting policies) and deferred income tax assets (note 1x) of the accounting policies), to determine whether the assets do not show signs of impairment. If there are signs of impairment, the recoverable value of the assets is determined. In respect of assets whose economic useful life is not determined and assets which were not commissioned for use, and goodwill, the recoverable amount is determined as at each balance sheet date. Impairment write-downs are recognized in the books of account in the event that the present value of an asset or a group of assets generating specific cash flows exceeds their recoverable value. Impairment losses are recognized in the income statement.

Impairment write-downs of trade and other receivables are recognized when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. If there is such evidence, the impairment write-downs recognized in amortized cost of the receivables are determined as the difference between the value of the assets following from the books of account as at the measurement date and the present value of the expected future cash flows discounted using the effective interest rate of the financial instrument. Impairment losses are recognized in the income statement.

The recoverable amount of the remaining assets is estimated at the higher of the fair value net of costs to sell and the value in use. Value in use is deemed to be the sum of discounted future cash flows which will be generated from the asset using the market discount rate before tax reflecting the time value of money and the risks characteristic for the given asset. If it is not possible to determine the future cash flows from a given asset, for the purpose of determining the value in use, a group of assets which includes the given asset, which generate specific cash flows, are taken into account. In such events, groups of cash-generating assets are deemed to be single restaurants. In case of Spain, the Group, due to ongoing integration, treats as cash-generating assets following operating activities: operating franchised KFC restaurants, operating proprietary brands restaurants and franchise and other activity.

Potential impairment of a restaurant is considered to be the fact of its incurring an operating loss during the financial year. In such an event, the discounted future economic benefits which the given facility will generate are determined. Potential impairment is determined on the basis of discounted cash flows from core activities until the date of closing the facility, in consideration of the residual value.

Moreover, upon taking a decision to close a restaurant, the value of appropriate assets is reviewed for potential impairment, and the period in use of the assets is changed. At the same time, the Group recognizes potential liabilities related to the costs of giving notice of the lease of premises in the books of account.

In case of renovation, negotiation concerned change in location or other not typical events the Group uses specific rules dependent on situation with specific treatment of particular restaurant.

Reversal of impairment write-downs

Impairment write-downs in respect of receivables recognized at amortized cost are reversed if the later increase in their recoverable value may be objectively attributed to an event which arose after the impairment was recognized.

Impairment write-downs in respect of goodwill cannot be reversed. In respect of other assets, impairment write-downs are reversible if there are premises indicating that the impairment has ceased to exist or decreased. Reversal of impairment should be made if estimates used to determine the recoverable value are changed.

Impairment write-downs are reversed only to the extent to which the carrying amount of an asset does not exceed the carrying amount it would be recognized at, net of depreciation, had the impairment not been recognized.

q) Loans and borrowings

Initially, borrowings are recognized in the books of account at the fair value net of transaction costs. Subsequently, borrowings are recognized in the books of account at amortized cost using the effective interest rate.

If borrowings are repaid before maturity, the resulting differences between (i) the determined costs and (ii) the present costs are recognized in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

r) Share capital

Ordinary shares are included in equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

s) Employee benefits

Share-based payments

The Group has three share-based payment plans. The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which has to be taken to the income statements over the vesting period is based on the fair value of options received. As at each balance-sheet date entities verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

Long-term employee benefits dependent on their years in service

The net value of liabilities related to long-term employee benefits is the amount of future benefits which were vested in the employees in connection with the work performed by them in the current and past periods. The liability was accounted for based on the estimated future cash outflows, and as at the balance sheet date, the amounts take into consideration the rights vested in the employees relating to past years and to the current year.

Retirement benefit contributions

During the financial period, the Group pays mandatory pension plan contributions dependent on the amount of gross wages and salaries payable, in accordance with the binding legal regulations. The public pension plan is based on the pay-as-you-go principle, i.e. the Group has to pay contributions in an amount comprising a percentage part of the remuneration when they mature, and no additional contributions will be due if the Company ceases to employ the respective staff. The public plan is a defined contribution pension plan. The contributions to the public plan are disclosed in the income statement in same the period as the related remuneration, under "Payroll and employee benefits".

Management incentive program for Group employees in Spain

During acquisition of Spanish business AmRest Group has issued management incentive program towards employees of Spanish group based on financial result for Spanish, Portugal and France markets. This plan provides minimal hurdle rate of Spanish business economic value increase, which surplus in comparison to reference value at acquisition date (April 28, 2011) in the moment of plan reconciliation, will be subject of benefit settlement. However the maximum value cannot exceed 10% of Spanish business value increase. As at the date of financial statement issuance the benefit plan pull was allocated in 44%. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

t) Provisions

Provisions are recorded in the balance sheet if the Group has a legal or constructive obligation arising from past events, and if it is probable that the discharge of this obligation will result in an outflow of economic benefits. If the effect of the time value of money is material, the amount of the provision is determined as the expected future cash flows discounted using the discount rate before tax which reflects the time value of money and the potential risks related to a given obligation.

Provisions for liabilities caused by restructuring are set up when the Group has a detailed, official restructuring plan and the restructuring has already started or information on it was published. No provisions are set up for future operating expenses.

Costs of bringing the location to the condition it had been in before the lease agreement was signed

If the Group is obliged to bringing the location to the condition it had been in before the lease agreement was signed, the Company's Management Board analyzes this future costs and sets up provisions if the costs are material.

Onerous contracts

Provisions for onerous contracts are set up if the expected revenues of the Group resulting from the contracts are lower than the unavoidable costs resulting from obligations under the contracts. Unavoidable costs are lower amount from: penalty in the event of breaking the agreement and costs of contract realization.

u) Trade and other payables

These payables are initially recognized in the books of account at fair value, and subsequently at amortized cost.

v) Revenues

Restaurant sales, franchise sales and other sales constitute Goup revenues. Sales revenues comprise the fair value of the economic benefits received for the sale of goods, net of value-added tax. Sales of finished goods are recognized by the Group upon issuing them to the purchaser. Consideration for the goods is mainly in cash form.

w) Finance and operating leases

Operational leasing, rent costs

Leases whereby the major part of the risks and benefits from ownership remains with the lessor comprise operating leases. All the lease payments paid under the operating lease agreements are charged to costs on a straight-line basis over the period of the lease. The discounts received from lessors are recognized in the income statement in the same manner, as an integral part of lease fees.

Operating leases relate mainly to leases of premises where the restaurants operate. The respective costs are recognized in the income statement under "Lease costs and other operating expenses".

Finance lease

Leasing is classified as financial leasing, when according to signed agreement in overall all potential benefits and risk from ownership are passed towards leasee.

Amount due from finance leasing are presented in receivables position finance lease receivables in net value of investment. Incomes from finance lease are allocated to appropriate periods according to stable annual rate of return from Group investment due from finance lease.

Group as a leaseholder – please refer to point 1h) of accounting policies.

x) Income tax expense

The income tax shown in the income statement comprises the current and deferred portion. The current portion of the income tax includes tax calculated on the basis of the taxable income for the current period using the income tax rates which have been enacted or substantially enacted as at the balance sheet date, and adjustments of the income tax liability from prior years.

Income tax expense is recognized in the income statement, with the exception of transactions accounted for in equity, in respect of which the tax is also recognized directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arose in respect of the initial recognition of an asset or liability under a transaction other than a business combination which has no impact on the profit/loss for accounting or tax purposes, it is not recognized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax is not recognized upon the initial recognition of goodwill.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax provisions are recognized on temporary differences arising on investments in subsidiaries and associates, unless the reversal of temporary differences is controlled by the Group and it is improbable that in the foreseeable future the differences will be reversed.

y) Derivative financial instruments and hedge accounting

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing quarterly basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19,22. Movements on the hedging reserve in other comprehensive income are shown in note 20.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘other financial income or costs – net’.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within ‘other financial income or costs – net’.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Financial derivative included in non-financial host contract which meets criteria of embedded derivative is accounted as a separate derivative instrument and as such can be used as hedging instrument in cash flow or net investment hedge relationship.

z) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by Executive Committee while making strategic decisions. Executive Committee analyze performance of the Group allocating owned resources according to given restaurants.

aa) Non-current assets held for sale

Non-current assets (or groups of assets) are classified as 'held for sale' and disclosed at the lower of: the carrying amount and the fair value net of the costs of preparing the asset for sale, if the carrying amount is realized mainly through the sale and not through on-going use.

bb) Business combinations of entities under joint control

Business combinations of entities or operations under joint control constitute business combinations under which all the combining businesses or operations ultimately come under the control of the same party or parties as they had been before the combination, and that control is not temporary. Such business combinations are accounted for under the pooling of interests method, i.e. they do not lead to adjustments to the fair values of particular assets or liabilities and in goodwill arising.

cc) Adjustments

Comparable data were restated as a consequence of following adjustments:

I. During 12 months period since April 28, 2011, date of share acquisition in AmRest TAG S.L. (note 2), were made adjustments for final settlement of accounting reconciliation of mentioned acquisition;

II. Based on new information on facts and cicrcumstances, that existed on acquisition date regarding conditions underlying the assumptions for put options liability valuation was updated (note 2);

III. According to information provided in note 8b) Group classified operations of Applebee's brands as discontinued. It results together with IFRS5 requirements in presentation of income statement for year 2011 in modified form after deduction of appropriate income statement elements regarding Applebee's brands and presenting them as discontinued operation.

Below are presented schedules reconciling effect of mentioned above adjustments and reconciliations between data published for period of 12 months ended December 31, 2011 and reported in current period statements as data for period ended December 31, 2011.

Consolidated annual income statement for the period ended December 31, 2011

In thousands of Polish Zloty	For 12month period ended December 31, 2011				
	According to the published financial statement	**Adjust-ment I**	**Adjustment II**	**Adjustment III**	**After adjustments**
Continuing operations					
Restaurant sales	2 510 939	-	-	(702 392)	1 808 547
Franchise and other sales	113 232	-	-	-	113 232
Total sales	2 624 171	-	-	(702 392)	1 921 779
Direct operating restaurant expenses:					
Food and material	(762 582)	-	-	191 492	(571 090)
Payroll and employee benefits	(621 332)	-	-	253 418	(367 914)
Royalties	(129 004)	-	-	28 093	(100 911)
Occupancy and other operating expenses	(737 311)	-	-	185 593	(551 718)
Franchise and other expenses	(100 332)	(56)	-	-	(100 388)
General and administrative (G&A) expenses	(173 272)	-	-	32 343	(140 929)
Impairment losses	(15 015)	-	-	-	(15 015)
Other operating income	17 692	-	-	(728)	16 964
Total operating costs and losses	(2 521 156)	(56)	-	690 211	(1 831 001)
Profit from operations	**103 015**	**(56)**	**-**	**(12 181)**	**90 778**
Finance costs	(43 344)	-	-	288	(43 056)
Cost from put option valuation	(21 747)	-	6 240	-	(15 507)
Finance income	11 294	-	-	(32)	11 262
Income from associates	72	-	-	-	72
Profit before tax	**49 290**	**(56)**	**6 240**	**(11 925)**	**43 549**
Income tax expense	7 877	-	-	(696)	7 181
Profit for the period from continuing operations	**57 167**	**(56)**	**6 240**	**(12 621)**	**50 730**
Discontinued operations					
Profit on discontinued operations	(723)	-	-	12 621	11 898
Profit for the period	**56 444**	**(56)**	**6 240**	**-**	**62 628**
Profit attributable to:					
Non controlling interests	7 959	-	-	-	7 959
Equity holders of the parent	48 485	(56)	6 240	-	54 669
Profit for the period	**56 444**	**(56)**	**6 240**	**-**	**62 628**

Consolidated annual comprehensive income statement for the period ended December 31, 2011

In thousands of Polish Zloty	For the 12 months ended December 31, 2011			
	According to the published financial statement	Adjustment I	Adjustment II	After adjustments
Profit for the period	56 444	(56)	6 240	62 628
Other comprehensive income:				
Currency translation differences from conversion of foreign entities	112 743	(210)	-	112 533
Valuation of PUT option liability	(26 371)	-	6 380	(19 991)
Net investment hedges	(21 737)	-	-	(21 737)
Income tax concerning net investment hedges	4 130	-	-	4 130
Other comprehensive income for the period, net of tax	**68 765**	**(210)**	**6 380**	**74 935**
Total comprehensive income for the period	**125 209**	**(266)**	**12 620**	**137 563**
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	102 824	(216)	12 620	115 228
Non-controlling interests	22 385	(50)	-	22 335

Consolidated annual statement of financial position as at December 31, 2011

In thousands of Polish Zloty	As at December 31, 2011			
	According to the published financial statement	Adjustment I	Adjustment II	After adjustments
Assets				
Property, plant and equipment	953 310	-	-	953 310
Goodwill	745 134	(22 786)	-	722 348
Other intangible assets	549 482	13 711	-	563 193
Investment property	22 081	-	-	22 081
Investment in associates	140	-	-	140
Leasing receivables	309	-	-	309
Other non-current assets	32 533	-	-	32 533
Deferred tax assets	36 309	-	-	36 309
Total non-current assets	2 339 298	(9 075)	-	2 330 223
Inventories	40 770	-	-	40 770
Trade and other receivables	84 923	-	-	84 923
Corporate income tax receivables	3 165	-	-	3 165
Leasing receivables	161	-	-	161
Other current assets	15 716	-	-	15 716
Other financial assets	2 863	-	-	2 863
Cash and cash equivalents	143 960	-	-	143 960
Total current assets	291 558	-	-	291 558
Total assets	**2 630 856**	**(9 075)**	**-**	**2 621 781**
Equity				
Share capital	714	-	-	714
Reserves	489 273	-	78 981	568 254
Retained earnings	145 694	(56)	6 240	151 878
Translation reserve	136 533	(160)	-	136 373
Equity attributable to shareholders of the parent	772 214	(216)	85 221	857 219
Non- controlling interests	155 577	(50)	-	155 527
Total equity	927 791	(266)	85 221	1 012 746
Liabilities				
Interest-bearing loans and borrowings	838 946	-	-	838 946
Finance lease liabilities	3 429	-	-	3 429
Employee benefits	6 570	-	-	6 570
Provisions	7 573	-	-	7 573
Deferred tax liability	162 117	(20 715)	-	141 402
Put option liability	280 812	-	(85 221)	195 591
Other non-current liabilities	18 582	-	-	18 582
Total non-current liabilities	1 318 029	(20 715)	(85 221)	1 212 093
Interest-bearing loans and borrowing	77 956	-	-	77 956
Finance lease liabilities	252	-	-	252
Trade and other payables	300 842	11 906	-	312 748
Income tax liabilities	4 222	-	-	4 222
Other financial liabilities	1 764	-	-	1 764
Total current liabilities	385 036	11 906	-	396 942
Total liabilities	1 703 065	(8 809)	(85 221)	1 609 035
Total equity and liabilities	**2 630 856**	**(9 075)**	**-**	**2 621 781**

Consolidated annual cash flow statement for the period ended December 31, 2011

In thousands of Polish Zloty	For 12 months period ended December 31, 2011				
	According to the published financial statement	Adjust-ment I	Adjustment II	Adjustment III	After adjustments
Cash flows from operating activities					
Profit before tax from continued operations	49 290	(56)	6 240	(11 925)	43 549
Loss before tax from discontinued operations	(723)	-	(696)	12 621	11 202
Adjustments for:					
Share of profit of associates	(72)	-	-	-	(72)
Amortization	26 446	56	-	-	26 502
Depreciation	139 576	-	-	-	139 576
Interest expense, net	31 107	-	-	(256)	30 851
Put option valuation	21 747	-	(6 240)	-	15 507
Foreign exchange result	5 219	(10 438)	-	-	(5 219)
Loss on disposal of property, plant and equipment and intangibles	3 795	-	-	(201)	3 594
Impairment of property, plant and equipment and intangibles	10 898	-	-	-	10 898
Equity-settled share-based payments expenses	1 282	-	-	-	1 282
Working capital changes:		-	-	-	
Change in receivables	(18 232)	-	-	-	(18 232)
Change in inventories	(6 767)	-	-	-	(6 767)
Change in other assets	(11 567)	-	-	-	(11 567)
Change in payables and other liabilities	(2 374)	-	-	-	(2 374)
Change in other provisions and employee benefits	3 796	-	-	-	3 796
Income tax paid	(3 296)	-	-	-	(3 296)
Income tax paid from discontinued operation	-	-	696	-	696
Interest paid	(30 817)	-	-	256	(30 561)
Other	(2 949)	10 438	-	(495)	6 994
Net cash provided by operating activities	**216 359**	**-**	**-**	**-**	**216 359**
Cash flows from investing activities					
Proceeds from transactions with non-controlling interests	8 501	-	-	-	8 501
Proceeds from the sale of property, plant and equipment, and intangible assets	1 232	-	-	-	1 232
Acquisition of property, plant and equipment	(296 377)	-	-	-	(296 377)
Acquisition of intangible assets	(9 502)	-	-	-	(9 502)
Expense on acquisition of subsidiaries, decreased by cash	(512 781)	-	-	-	(512 781)
Net cash used in investing activities	**(808 927)**	**-**	**-**	**-**	**(808 927)**
Cash flows from financing activities					
Proceeds from shares issued	168 926	-	-	-	168 926
Proceeds from share issuance (employees options)	377	-	-	-	377
Proceeds from loans and borrowings	493 242	-	-	-	493 242
Repayment of loans and borrowings	(174 584)	-	-	-	(174 584)
Dividends paid to non-controlling interest owners	(921)	-	-	-	(921)
Proceeds/(repayment) of finance lease payables	(415)	-	-	-	(415)
Proceeds of finance lease receivables	138	-	-	-	138
Net cash provided by/(used in) financing activities	**486 763**	**-**	**-**	**-**	**486 763**
Net change in cash and cash equivalents	**(105 805)**	**-**	**-**	**-**	**(105 805)**
Balance sheet change of cash and cash equivalents	(101 158)	-	-	-	(101 158)
Cash and cash equivalents, beginning of period	245 118	-	-	-	245 118
Effect of foreign exchange rate movements	4 647	-	-	-	4 647
Cash and cash equivalents, end of period	**143 960**	**-**	**-**	**-**	**143 960**

Annual consolidated financial statement of changes in equity for the 12 months ended December 31, 2011 presents change of comparable data as at December 31, 2011 as below:

	Attributable to equity holders						
	Issued capital	Reserved capital	Retained earnings	Cumulative translation adjustments	**Total equity attributable to equity holders of the parent**	Non-controlling interests	**Total Equity**
As at December 31, 2011	714	489 273	145 694	136 533	**772 214**	155 577	**927 791**
Adjustment I	-	-	(56)	(160)	**(216)**	(50)	**(266)**
Adjustment II	-	78 981	6 240	-	**85 221**	-	**85 221**
As at December 31, 2011 (after adjustments)	714	568 254	151 878	136 373	**857 219**	155 527	**1 012 746**

dd) Seasonal fluctuations in production and sales

The seasonal fluctuations in sales and inventory of the Group are not significant which is characteristic for the entire restaurant industry.

The lowest sales are recorded in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

2. Segment reporting

Operating segments were set on the basis of management reports used by Executive Committee during making strategic decisions. Executive committee verifies group performance while deciding of owned resources allocations in breakdown for each restaurant in entire AmRest Group except Western Europe and new La Tagliatella markets. Because most of the criteria for aggregation of operating segments are met (individually not exceed set in IFRS8 materiality thresholds) Group presents them in reportable segment by geographical split in which Group operations are realized.

Entrance to the Western Europe market by acquisition of Spanish Group (in further part of the note 2) had significant impact on the management and control method of the Group activity which was the reason of the change in aggregation of operating segments compared to previous years. Western Europe and new La Tagliatella markets as segment created as a consequence of acquisition in 2011 year are subject to integration, during which financial results are periodically monitored on aggregated basis, that are verified in more details according to business needs. Additionally in 2012 to Western Europe segment were added new La Tagliatella markets (France, Germany, USA, India and Hong Kong).

Efect of acquisition on Chinese market (in further part of the note 2) was presented in below table in Western Europe and La Tagliatella markets segment (excluding results of Blue Horizon from the purchase date, because of their insignificant value in 2012). Due to the integration process the Group didn’t achieve the final management mechanism of a purchased company analysis which would enable to define the final split and allocation to the reporting segment.

Below are presented data relating to operating segments for the 12 months period ended December 31, 2012 and for the comparative period ended Decmeber 31, 2012.

	CEE	**USA***	**Western Europe and new La Tagliatella markets**	**Russia**	**Unallo-cated**	**Total**
12 months ended December 31, 2012						
Revenue from external customers	1 501 608	-	536 602	315 143	-	2 353 353
Inter- segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	51 267	68 124	47 027	13 930	(4 685)	175 663
Finance costs (incl.cost from put option valuation)	-	-	-	-	(66 143)	(66 143)
Finance income	-	-	-	-	4 203	4 203
Share of profit of associates	39	-	-	-	-	39
Income tax	-	-	-	-	(26 753)	(26 753)
Deferred tax assets	16 457	-	-	-	-	16 457
Profit for the period from continuing operations	-	-	-	-	87 009	87 009
Profit for the period from discontinued operations	-	10 884	-	-	-	10 884
Profit for the period	-	10 884	-	-	87 009	97 893
Segment assets	891 173	-	1 309 684	300 854	44 318	2 546 029
Investments in associates	434	-	-	-	-	434
Total assets	891 607	-	1 309 684	300 854	44 318	2 546 463
Goodwill	24 084	-	444 095	143 348	-	611 527
Segment liabilities	214 382	-	303 300	21 703	937 312	1 476 697
Pension, health care, sickness fund state contributions (note 23)	62 188	-	21 251	14 047	-	97 486
Depreciation	101 813	-	29 378	17 802	-	148 993
Amortization	8 913	-	10 699	474	-	20 086
Capital investment	169 400	-	144 204	51 552	-	365 156
Impairment of fixed assets (note 9,11)	13 858	-	3 254	-	-	17 112
Impairment of trade receivables	503	-	407	(692)	-	218
Impairment of inventories	28	-	-	1 337	-	1 365
Impairment of other assets	674	-	-	-	-	674
Impairment of goowill	890	-	-	1 046	-	1 936

	CEE	**USA***	**Western Europe and new La Tagliatella markets**	**Russia**	**Unallo-cated**	**Total**
12 months ended December 31, 2011						
Revenue from external customers	1 357 195	-	346 804	217 780	-	1 921 779
Inter- segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	43 605	-	40 425	12 079	(5 331)	90 778
Finance income	-	-	-	-	11 262	11 262
Finance costs (incl.cost from put option valuation)	-	-	-	-	(58 563)	(58 563)
Share of profit of associates	72	-	-	-	-	72
Income tax	-	-	-	-	7 181	7 181

Deferred tax assets	23 785	3 496	8 692	336	-	36 309
Profit for the period from continuing operations	-	-	-	-	50 730	50 730
Loss for the period from discontinuing operations	-	11 898	-	-	-	11 898
Profit for the period	-	11 898	-	-	50 730	62 628
Segment assets	837 182	315 303	1 142 601	274 128	52 427	2 621 641
Investments in associates	140	-	-	-	-	140
Total assets	837 322	315 303	1 142 601	274 128	52 427	2 621 781
Goodwill	25 517	150 536	395 657	150 638	-	722 348
Segment liabilities	188 874	62 289	259 433	18 019	1 080 420	1 609 035
Pension, health care, sickness fund state contributions (note 23)	54 352	40 990	5 250	11 895	-	112 487
Depreciation	88 938	-	17 696	13 685	-	120 319
Amortization	8 303	-	16 752	303	-	25 358
Capital investment	221 222	20 191	614 849	36 700	-	892 962
Impairment of fixed assets (note 9,11)	10 898	-	-	-	-	10 898
Impairment of trade receivables	1 348	-	-	3 489	14	4 851
Impairment of other assets	(734)	-	-	-	-	(734)

* *significant assets concerning USA segment were classified as assets held for sale and its results for the period from January 1, 2012 to December 31, 2012 and comparable period were classified as discontinued according to IFRS 5.*

Capital expenditure comprises increases in property, plant and equipment (note 9), intangible assets (note 11).

The "CEE" column relates to companies located in Poland, Czech, Bulgaria, Serbia, Croatia and Hungary. Poland as significant geographical region has following key values:

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Revenue from external customers	1 040 123	925 049
	31.12.2012	**31.12.2011**
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	489 572	468 634

The "Western Europe and new La Tagliatella markets" column applies to companies located in Spain, France, Germany, USA, India and China. In Western Europe can be identified following activities: operating franchised KFC restaurants, operating proprietary brands restaurants and franchise and other activity. Revenue from external customers in 2012 were accordingly for mentioned type of activities PLN 204.290 thousand, PLN 205.612 thousand, PLN 126.700 thousand (for the period of 8 months from the acquisition date till the December 31, 2011: PLN 146.176 thousand, PLN 112.747 thousand and PLN 87.881 thousand). Depreciation and amortization for the period of 12 months ended December 31, 2012 were accordingly for mentioned type of activities PLN 9.151 thousand, PLN 15.857 thousand and PLN 10.226 thousand plus unallocated depreciation and amortization costs for administration and consolidation adjustments PLN 4.843 thousand (for the period of 8 months form the acquisition date ended December 31, 2011 PLN 4.488 thousand, PLN 8.559 thousand, PLN 2.111 thousand and PLN 19.234 thousand). As at December 31, 2012 value of property, plant and equipment together with other intangible assets for above mentioned activities were: for franchised KFC restaurants - PLN 47.738 thousand and for proprietary brands restaurants and franchise and other activity –PLN 589.957 thousand (accordingly as at December 31, 2011 PLN 67.528 thousand, PLN 594.108 thousand).

The "Unallocated" column relates to asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of AmRest Holdings SE and subsidiary located in the Ukraine and following companies AmRest Capital Zrt, AmRest Finance Zrt and AmRest Finance S.L. and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

Value of assets and liabilities and results of given reporting segments have been established on the basis of Group accounting policies, compliant with policies applied for preparation of this financial statements.

Goodwill was allocated to given reporting segments.

Establishment and acquisition of subsidiaries
Entry to the restaurant market in China

Acquisition of Blue Horizon Hospitality PTE Ltd

DESCRIPTION OF ACQUISITION

On December 21, 2012 year AmRest Group acquired 51.2% share in Group Blue Horizon Hospitality PTE Ltd from Wintrust New Zeland, Blue Horizon Hospitality Ltd, Macau Jiu Jia Partners LP and Mrs. Coralie Danks and Mr. Robert Boyce. The transaction value was PLN 61.438 thousand (USD 20 million) and consisted of payment PLN 58.366 thousand (USD 19 million) for 50% shares and PLN 3.072 thousand (USD 1 million) direct share increase giving additional 1.2% of shares. Transaction was based on agreement signed December 14, 2012 year.

Group Blue Horizon Hospitality PTE Ltd through subsidiaries as at the acquisition date operated 11 equity owned restaurants in Chin: 10 Blue Frog restaurants and 1 KABB restaurant in three cities Beijing, Shanghai and Nanjing.

As a result of above mentioned transaction Group has become owner of Blue Frog and KABB restaurant brands, which have significant growth potential in China and other countries. Additional Group has joined a group of experienced management team, that will support Group expansion on this market, also regarding development of other proprietary brand La Tagliatella.

Above transactions were the next step for the Group to realize strategy of global development.

ALLOCATION OF THE ACQUISITION PRICE

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

In thousands of Polish Zloty	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	6 677	-	6 677
Property, plant and equipment	12 519	(363)	12 156
Other intangible assets	53	-	53
Blue Frog brand	-	18 706	18 706
Other non-current assets	9	-	9
Inventories	1 311	-	1 311
Trade and other receivables	9 242	-	9 242
Other current assets	393	-	393
Deferred tax assets	1 149	-	1 149
Loans and borrowings	(874)	-	(874)

Trade and other payables	(6 982)	-	(6 982)
Corporate income tax liabilities	(2 203)	-	(2 203)
Other Liabilities	(8 351)	-	(8 351)
Deferred tax liabilities	-	(4 586)	(4 586)
Net assets acquired	12 943	13 757	26 700
Amount paid in cash			58 366
Amount paid in cash for new shares			3 072
Purchase price adjustment			(1 553)
Non controlling interests (48.8%)			44 685
Total payment for acquisition			104 570
The fair value of net assets			(26 700)
Goodwill			77 870
Amount paid in cash			59 885
Purchase price adjustment – deferred payment			1 553
Acquired cash and cash equivalents			(6 677)
Cash outflows on acquisition			54 761

All purchase price and the fair value of net assets adjustments are the result of specific arrangements with the seller in agreement mentioned above.

Purchase price adjustment in the value of PLN 1.553 thousand was included as for financial statement requirements. On February 5 – 7, 2013 the Group received money transfer in the value of USD 501 thousand according to the agreement from February 19, 2013.

Fair value adjustment are:

	Title	Methods/key assumptions
Blue Frog brand	Registered proprietary brand of Blue Frog together with know-how	Relief from royalty method / 3% royalty rate at discount rate 28.8%
Property plant and equipment	Impairment provision on break-even and short term leases stores	Management estimate - scenario analysis for stores with break-even results and short term lease agreements
Deferred tax liabilities	Deferred tax on assets fair value	25% income tax rate

The process of allocating the acquisition price to the purchased assets and acquired liabilities wasn't completed, due the ongoing process of integration and verification of certain risk, especially tax settlements and owned business asset portfolio. Above presented price adjustment reflects current status of allocation process. Due to this fact fair values of assets and liabilities, purchase price and goodwill was presented temporarly.

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of property, plant and equipment;
- fair value measurement of intangible assets;
- fair value measurement of deferred tax liabilities;

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Chinese restaurant market clients, potential of acquired business concept of the own brand, experienced management team and opportunity to develop other business concept on Chinese market. Non-controlling interest were valued at fair value.

Fair value of non- controlling interests in acquired Spanish business were valued on the basis of two methods: comparable quoted companies (market approach) and discounted cash flow (income approach). Spanish group has not been listed on stock exchange therefore there were not available market based data. Fair value was based on:

- 25 % non-controlling interests discount assumption with EV/EBITDA and EV/revenues ratio analysis for comparable companies in market approach,
- 27.8% discount rate assumption and residual value calculated based on 2% long-term growth rate in income approach.

IMPORTANT TERMS OF ACQUISITION AGREEMENT

Blue Horizon Hospitality PTE Ltd Group share purchase agreement provides price adjustment mechanism for not fulfilling agreed opening plan for 2013 year, with grace period in 2014. From Group Management point of view, based on best available information at the balance sheet date, there is no evidence to recognize effect of this purchase price adjustment in above purchase allocation.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED FINANCIAL STATEMENT

From the acquisition date to December 31, 2012, Group has not included results of Blue Horizon Hospitality PTE Ltd Group inb consolidated income statement . It is consequence of ongoing integration process and immateriality of results for mentioned periods in comparison to total values of AmRest Group results. If acquisition mentioned above was dated at January 1, 2012, estimated consolidated revenues in the current period would increase by PLN 77.357 thousand and net income would increase by PLN 1.376 thousand. Calculated results of the Blue Horizon Group concerned the period from January 1, 2012 to December 31, 2012. Income statement for the year ended December 31, 2012 was included PLN 610 thousand of costs connected with this acquisition.

Entry to the restaurant market in Spain

Acquisition of Restauravia Grupo Empresarial S.L.

DESCRIPTION OF ACQUISITION

On March 15, 2011, AmRest Tag S.L. acquired 100% of AmRestavia S.L shares.
On March 15, 2011, AmRest Holdings SE acquired 100% of AmRest Tag S.L. shares, with its registered office in Madrid, Spain. The transaction value was PLN 357.048 thousand (EUR 90 million). The purpose of the acquisition of above mentioned companies was the purchase of 100% shares in Restauravia Grupo Empresarial S.L. ("RGE").

On April 26, 2011 AmRest Sp. z o.o. signed with AmRest TAG S.L. the loan agreement in the value of EUR 47.720 thousand (PLN 189.316 thousand). The loan is treated as a part of the purchase price.

On April 28, 2011, the Group acquired 100% shares in Restauravia Grupo Empresarial S.L. from 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, known as „Shareholders Corpfin" and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. and Ebitda Consulting S.L. As a result of shares purchase in RGE, both companies acquired on March 15, 2011 became shareholders of RGE AmRest Tag 83.48% and AmRestavia 16.52%. Additionally 23.73% of shares in AmRest Tag were covered by existing shareholders of the RGE.

On April 28, 2011 the Group Restauravia Grupo Empresarial S.L., through its subsidiaries, operated 60 own restaurants in Spain: 30 KFC, 20 La Tagliatella, 6 il Pastificcio and 4 Trastevere. Additionally the Group owns assets of the central kitchen which supports restaurant business and product delivery to own restaurants and franchised units.

As a result of above transactions the group became the owner of brands: il Pastificcio, Trastevere and La Tagliatella which has significant growth potential in Spain and other countries. Additionally the group became the biggest franchisee of KFC brand in Spain.

ALLOCATION OF THE ACQUISITION PRICE

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

In thousands of Polish Zloty	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	33 582	-	33 582
Property, plant and equipment	115 429	16 845	132 274
Other intangible assets	34 221	(39)	34 182
La Tagliatella brand	-	257 868	257 868
Intangible asset – relationships with franchisees	-	170 590	170 590
Favorable leases	-	4 535	4 535
Inventories	11 691	-	11 691
Trade and other receivables	22 185	-	22 185
Other current assets	488	-	488
Deferred tax assets	7 629	749	8 378
Other non-current assets	2 103	-	2 103
Trade and other payables	(241 391)	-	(241 391)
Contingent liability concerned tax	-	(3 812)	(3 812)
Deferred tax liabilities	-	(135 692)	(135 692)
Net assets acquired	(14 063)	311 044	296 981
Amount paid in cash			357 048
Amount paid within loan given			189 316
Purchase price adjustment			(1 646)
Non-controlling interests (23.73%)			111 081
Total payment from acquisition			(3 432)
Indemnification asset			652 367
The fair value of net assets			(296 981)
Goodwill			355 386
Amount paid in cash			546 363
Acquired cash and cash equivalents			(33 582)
Cash outflows on acquisition			512 781

The purchase price presented in condensed interim consolidated financial statements as at and for 12 months ended December 31, 2012, which included the transaction value PLN 357.048 thousand (EUR 90 million), and amount paid within the loans given PLN 189.316 thousand (EUR 47.720 thousand) was adjusted by PLN 5.078 thousand, which includes recognition of indemnification assets in amount of PLN 3.432 thousand (EUR 865 thousand), and purchase price adjustment by the value of PLN 1.646 thousand (EUR 415 thousand). All purchase price adjustments are the result of specific arrangements with the seller in agreement mentioned above.

The fair value of net assets in condensed annual consolidated financial statements as at and for 12 months ended December 31, 2012, presented in the value of PLN 278.375 thousand was adjusted by PLN 1.861 thousand (EUR 469 thousand) which includes an increase of intangible assets value by PLN 12.366 thousand (EUR 3.117 thousand) and increase of other settlements by PLN 10.505 thousand (EUR 2.648 thousand).

Values mentioned above differ from final values presented in interim consolidated financial statement as at June 30, 2012 due to detection of error in deffered tax calculation. The error concerned incorrect calculation of temporary difference between balance and tax value of trade mark. Above adjustment influence only the deffered tax and goodwill value (decrease of deffered tax liability by the value of PLN 18.606 thousand and decrease of goodwill by the value of EUR 4.690 thousand).

All purchase price and the fair value of net assets adjustments are the result of specific arrangements with the seller in mentioned agreement mentioned above. Indemnification assets consider events covered by sellers guarantee within tax settlements prior the acquisition date.

Fair value adjustment are:

	Title	**Methods/key assumptions**
Property, plant and equipment Other intangible assets	Assets held by acquired entities	The calculation of fair value
La Tagliatella brand	Registered proprietary brand of La Tagliatella together with know-how	Relief from royalty method / 5.5% royalty rate at discount rate 14.5%
Intangible asset – relationships with franchisees	Value of franchise client relationships based on agreed terms of cooperation	Multi-period excess earnings method (MEEM) / 78 restaurants at discount rate 13%
Favorable leases	12 lease agreements in Barcelona and Madrid	Discounted difference in market and non-market rent levels / discount rate 11.8%
Deferred tax assets	Deferred tax on property, plant and equipment fair value adjustment	30% income tax rate
Contingent liability concerned tax	Income tax settlement adjustments together with additional fees incurred subsequently to acquisition date but resulting from previous periods	Value of tax adjustments and additional fees which were assessed while tax settlement review and acquisition agreement terms.
Deferred tax liabilities	Deferred tax on assets fair value	30% income tax rate

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed. Above presented price adjustment reflects final status of allocation process.

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of property, plant and equipment;
- fair value measurement of intangible assets;
- fair value measurement of deferred tax liabilities.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Spanish restaurant market clients and potential of acquired business concept of the own brand. Due to specific character of the restaurant business, the Group doesn’t keep the record of its clients who aren’t bounded with any agreement and aren’t individually identified. The Group keeps the record of franchisees who operates La Tagliatella and Trastevere restaurants.

Non-controlling interest were revaluated at fair value. Fair value of non- controlling interests in acquired Spanish business was valued on the basis of two methods: comparable quoted companies (market approach) and

discounted cash flow (income approach). Spanish group has not been listed on stock exchange therefore there were not available market based data. Fair value was based on:

- 10 % non-controlling interests discount assumption with EV/EBITDA and EV/revenues ratio analysis for comparable companies in market approach,
- 11.7% discount rate assumption and residual value calculated based on 2% long-term growth rate in income approach.

PUT OPTION RECOGNITION

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

In the Group’s consolidated financial statement as at December 31, 2012, liability relates to Put option valuation was presented in the amount of PLN 189.382 thousand (EUR 46.324 thousand). As at the date of the Group Restauravia Grupo Empresarial S.L. purchase the liability was equal to PLN 160.093 thousand (EUR 40.681 thousand). According to hedge accounting policy the valuation cost of the Put option in the value of PLN 14.781 thousand related to foreign exchange is presented in the comprehensive statement and in the statement of changes in consolidated equity and in the note 20.

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. For the 12 months ended December 31, 2012 the Group recognized costs concerned the program in amount of PLN 3.461 thousand (EUR 829 thousand) (accordingly for the 8 months from the acquisition date to December 31, 2011 PLN 4.419 thousand (EUR 1.000 thousand)).

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED FINANCIAL STATEMENT

From the acquisition date to December 31, 2011 revenues of the Spanish Group were equal to PLN 346.804 thousand and net income – PLN 29.209 thousand. If acquisition mentioned above was dated at January 1, 2011, estimated consolidated revenues in 2011 would increase by PLN 131.424 thousand and net income would increase by PLN 1.762 thousand. Calculated results of the Spanish Group concerned the period from January 1, 2011 to April 28, 2011. Income statement for the year ended December 31, 2011 was included PLN 3.116 thousand of costs connected with this acquisition.

3. Operating expenses

Operating expenses are as follows:

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Depreciation (note 9)	151 626	119 231
Amortization (note 11)	17 231	26 446
Food and materials	819 133	660 453
Utilities	92 727	84 270
External services, including marketing	210 669	175 873
Payroll	500 840	368 336
Social security and employee benefits	99 556	105 943

Operating leases (occupancy cost) (note 28)	203 684	162 999
Continuing franchise fees	118 721	100 911
Insurance	2 109	4 577
Business travel	12 973	14 358
Other	14 402	5 959
	2 243 671	**1 829 356**

Total restaurant expenses*	1 977 785	1 591 633
Exclusion of loss from fixed assets disposal (note 9)	(6 402)	(3 594)
Depreciation and amortization expenses (Franchise and other expenses)	10 626	7 487
Total Franchise and other expenses	103 819	92 901
Depreciation and amortization expenses (G&A)	9 605	21 380
Other general and administrative expenses	148 238	119 549
	2 243 671	**1 829 356**

* excluding profit from sold assets in USA

In current and previous period impairment costs were as follows:	**For the 12 months ended December 31, 2012**	**For the 12 months ended December 31, 2011**
Impairment on trade receivables (note 15, 35)	218	4 851
Impairment on inventory (note 14)	1 365	-
Impairment on goodwill (note 12)	1 936	-
Impairment on other assets (note 17)	674	(734)
Total impairment of non-current assets	4 193	4 117
Impairment of property, plant and equipment (note 9)	15 663	10 333
Impairment of intangible asset (note 11)	1 449	565
Total impairment of non-current assets	17 112	10 898
Total impairment of assets	**21 305**	**15 015**

In 2012 marketing costs were incurred in the value of PLN 101.843 thousand, in 2011 they were at the level of PLN 120.058 thousand.

4. Other operating income

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Management fees	-	5
Sublease income (note 28)	3 739	4 328
Marketing income	5 861	6 290
Sales of logistics services	-	27
Reversal of cost accruals	714	-
Gift cards	23	-
Income from write off of liabilities	481	-
Income from recycling	2 523	1 020
Income from direct taxes correction	10 677	4 812
Other operating income	2 049	482
	26 067	**16 964**

5. Finance income

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Income from bank interest	3 807	5 062
Net foreign exchange gains	-	5 219
Other	396	981
	4 203	**11 262**

6. Finance costs

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Interest expense	(49 302)	(35 913)
Cost from put option valuation	(8 572)	(15 507)
Net foreign exchange losses	(551)	-
Other	(7 718)	(7 143)
	(66 143)	**(58 563)**

7. Income tax expense

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Current tax	(24 951)	6 791
Change in deferred tax assets/liabilities	(1 802)	390
Deferred tax recognized in the income statement	**(26 753)**	**7 181**
Including tax from sold assets in USA	(986)	696

The income tax rates in force in the Group are as follows:

	Poland	Czech	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA	Spain	Croatia	Hong Kong	China
2012	19.0%	19.0%	10.0%	21.0%	20.0%	10.0%	10.0%	37.4%	30.0%	20.0%	16.5%	25.0%
2011	19.0%	19.0%	19.0%	21.0%	20.0%	10.0%	10.0%	37.3%	30.0%	20.0%	16.5%	-

Deferred income tax assets and liabilities for were calculated using the following rates:

	Poland	Czech	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA	Spain	Croatia	Hong Kong	China
2012	19.0%	19.0%	10.0%	21.0%	20.0%	10.0%	10.0%	37.4%	30.0%	20.0%	16.5%	25.0%
2011	19.0%	19.0%	16.0%	21.0%	20.0%	10.0%	10.0%	37.3%	30.0%	20.0%	16.5%	-

In Hungary the base tax rate is 19%. The Group uses 10% tax rate due to a tax base up to HUF 500 million.

Income tax on the Group’s profit before tax differs from the theoretical amount which would be obtained if the weighted average tax rate applicable to consolidated companies were applied:

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Profit before tax from continued operations	101 892	32 347
Profit before tax from discontinued operations (note 8)	11 870	11 202
Profit/ (loss) before tax	113 762	43 549
Income tax calculated according to domestic tax rates applicable to income in particular countries	27 276	6 935
Effect of permanent differences non tax deductible	1 709	(13 237)
Utilization of tax losses not recognized in the prior periods	(2 422)	-
Tax loss for the current period for which no deferred tax asset was recognized	2 362	1 120
Effect of the remaining differences	(2 172)	(1 999)
Corporate income tax in the income statement	**26 753**	**(7 181)**

The applicable weighted average tax rate amounted to 23.98% (for the period ended December 31, 2011: 15.92%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Before the offset, the following amounts are disclosed in the consolidated financial statements:

	31.12.2012	31.12.2011
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	4 335	9 657
Deferred tax asset to be recovered within 12 months	12 122	26 652
	16 457	**36 309**
Deferred tax liability:		
Deferred tax liability to be used after more than 12 months	121 307	138 608
Deferred tax liability to be used within 12 months	5 482	2 794
	126 789	**141 402**

Temporary differences before the offset accounted for in the calculation of deferred tax relate to the following items:

	Asset		Liability	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Property, plant and equipment and intangible assets	4	458	123 676	140 289
Receivables	-	163	(11)	-
Provisions, liability and impairments	11 770	27 175	1 177	1 397
Tax loss carryforwards	3 035	3 812	(1 910)	(1 667)
Other differences	1 648	4 701	3 857	1 383
	16 457	36 309	126 789	141 402

Temporary differences after the offset are as follows:

	Asset		Liability	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Property, plant and equipment and intangible assets	-	-	123 672	140 670
Receivables	11	163	-	-
Provisions, liability and impairments	9 862	25 778	(731)	-
Tax losses	4 945	5 479	-	-
Other differences	1 160	4 696	3 369	1 378
	15 978	36 116	126 310	142 048

As at December 31, 2012, tax loss carryforwards are as follows:

Poland	23 538
Czech	8 014
Hungary	24 034
Spain	920
Croatia	111
Ukraine	1 973
	58 590

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognized	Tax losses in respect of which no deferred tax assets were recognized
2013	5 581	-	5 581
2014	7 190	-	7 190
2015	6 774	535	6 239
2016	9 462	4 522	4 940
2017	2 656	14	2 642
No time limit	26 927	14 355	12 572
	58 590	19 426	39 164

As at December 31, 2012 the Group recognized a deferred tax asset from tax losses in the amount PLN 4.945 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses in connection with the planned restructuring of the Group and no operating activity in some of the Group companies.

A tax authority may control tax returns (if they have not already been controlled) of Group companies from 3 to 5 years of the date of their filing. On June 28, 2012 Tax Audit Office in Wroclaw decide to initiate the control proceedings for AmRest Sp. z o.o. concerning „Realiabilityof the declared tax basis and correctness of income tax calculation and payments for 2010". At the moment of preparing financial statement the proceeding is still in progress.

8. Discontinued operation

a) Rodeo Drive

In 2009 was taken the decision concerned excluding from AmRest Group portfolio proprietary brand Rodeo Drive. Negotiation concerned excluding Rodeo Drive from the Group were finalized, the transaction wasn't realized. Rodeo Drive Brand suspended its operating activity on April 19, 2011. Till June 30, 2012 significant assets concerning Rodeo Drive brand were liquidated and results of their for the period from January 1, 2011 to April 19, 2011 were classified as discontinued according to IFRS 5.

Results of own brand, Rodeo Drive, for the reporting years is presented below:

In thousands of Polish Zloty	**For the 12 months ended December 31, 2012**	**For the 12 months ended December 31, 2011**
Restaurant sales	-	634
Total sales	-	634
Company operated restaurant expenses:		
Food and material	-	(303)
Payroll and employee benefits	-	(560)
Occupancy and other operating expenses	-	(515)
General and administrative (G&A) expenses	-	(52)
Other operating income	-	73
Total operating cost and expenses	-	(1 357)
Loss from operation	-	(723)
Loss before tax	-	(723)
Income tax	-	-
Loss from discontinued operations	**-**	**(723)**

Own brand Rodeo Drive was as at December 31, 2011 operated fully in CEE segment.
The table below presents value of assets available for sale:

In thousands of Polish Zloty	**31.12.2011**
Assets available for sale	
As at 01.01.2011	1 405
Increases	-
Disposals – liquidation of the Rodeo Drive brand	(641)
Disposals – movement to investment property	(764)
As at 31.12.2011	-

Proprietary brand Rodeo Drive approximately generated PLN 1.357 thousands of operating expenses for the period from January 1, 2011 to April 19, 2011.

b) Applebee's®

On June 7, 2012 was signed agreement concerning the sale of Applebee's brand assets. On October 10, 2012 as a result of the agreement 99 from 102 Applebee's restaurants managed by the Group were sold. As at December 31, 2012 final settlement of the transaction was made based on the best estimation of the last 3 restaurants settlement.

According to above approach all data for the 12-months period ended Decmeber 31, 2012 were adjusted by values concerned discontinued operation and differ from published data.
Results of brand Applebee's for the reporting years are presented below:

In thousands of Polish Zloty	**For the 12 months ended December 31, 2012**	**For the 12 months ended December 31, 2011**
Restaurant sales	640 445	702 392
Total sales	640 445	702 392
Company operated restaurant expenses:		

Food and material	(175 288)	(191 492)
Payroll and employee benefits	(227 880)	(253 418)
Royalties	(26 351)	(28 093)
Occupancy and other operating expenses	(164 151)	(185 392)
General and administrative (G&A) expenses	(34 797)	(32 544)
Other operating income	149	728
Total operating costs and losses	(628 318)	(690 211)
Profit from operation	**12 127**	**12 181**
Financial costs	(257)	(288)
Financial income	-	32
Profit before tax	**11 870**	**11 925**
Income tax	(986)	696
Profit from discontinued operations	**10 884**	**12 621**

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Other comprehensive income:		
Currency translation differences from conversion of foreign entities	(22 571)	12 870
Reclasiffication of profit from assets sold in USA into income statement	(40 719)	-
Net investment hedges	11 159	(21 737)
Cash flow hedges	7 754	-
Income tax concerning net investment and cash flow hedges	(3 594)	4 130
Other comprehensive income for the period, net of tax	**(47 970)**	**(4 737)**
Total comprehensive income for the period	**(37 086)**	**7 884**

Brand Applebee's was operated fully in USA segment.

Brand Applebee's approximately generated PLN 628 thousands of operating expenses in 12 months of 2012 and in 12 months of 2011 it was about PLN 690 thousand.

Profit from sold assets in USA is as follows:

	For the 12 months ended December 31, 2012
Profit from sold assets in USA	285 580
Costs concerned sale of assets in USA	(261 205)
Income from cash flow hedge	2 527
Foreign exchange differences	40 719
Profit from sale before tax	**67 621**
Income tax	(9 870)
Profit from sale afer tax	**57 751**

9. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2012 and 2011:

2012	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 1.01.2012	10 478	811 361	514 265	2 091	101 181	74 987	**1 514 363**
Acquisition (note 2)	-	7 144	3 418	397	-	1 197	**12 156**
Additions	10	148 319	102 336	1 025	46 154	17 675	**315 519**
Disposals	-	(85 502)	(133 757)	(68)	(10 108)	(12 347)	**(241 782)**
Foreign exchange differences	(351)	(25 157)	(18 281)	(52)	(4 523)	(2 439)	**(50 803)**
As at 31.12.2012	10 137	856 165	467 981	3 393	132 704	79 073	**1 549 453**
Accumulated depreciation							
As at 1.01.2012	-	267 220	237 446	1 119	33 275	**-**	**539 060**
Additions	-	64 762	66 414	430	27 167	**-**	**158 773**
Disposals	-	(32 125)	(88 642)	(68)	(9 702)	-	**(130 537)**
Foreign exchange differences	-	(6 222)	(8 577)	(26)	(1 289)	-	**(16 114)**
As at 31.12.2012	-	293 635	206 641	1 455	49 451	-	**551 182**
Impairment write-downs							
As at 1.01.2012	-	15 919	4 774	-	581	719	**21 993**
Additions	-	14 505	1 810	-	-	(652)	**15 663**
Disposals	-	414	(89)	-	(171)	-	**154**
Foreign exchange differences	-	(265)	(104)	-	(2)	(9)	**(380)**
As at 31.12.2012	-	30 573	6 391	-	408	58	**37 430**
	-	-	-	-	-	-	**-**
Net book value as at 1.01.2012	**10 478**	**528 222**	**272 045**	**972**	**67 325**	**74 268**	**953 310**
Net book value as at 31.12.2012	**10 137**	**531 957**	**254 949**	**1 938**	**82 845**	**79 015**	**960 841**

2011	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 1.01.2011	4 729	566 812	371 218	1 467	49 008	52 387	**1 045 621**
Acquisition (note 2)	3 162	77 427	23 343	516	25 108	2 718	**132 274**
Additions	2 118	145 723	103 472	212	25 497	19 355	**296 377**
Disposals	-	(13 273)	(10 910)	(182)	(3 054)	(1 341)	**(28 760)**
Foreign exchange differences	469	34 672	27 142	78	4 622	1 868	**68 851**
As at 31.12.2011	10 478	811 361	514 265	2 091	101 181	74 987	**1 514 363**
	-	-	-	-	-	-	**-**
Accumulated depreciation							
As at 1.01.2011	-	206 110	174 774	850	20 368	-	**402 102**
Additions	-	64 180	59 578	425	15 393	-	**139 576**
Disposals	-	(10 641)	(9 085)	(182)	(3 485)	-	**(23 393)**
Foreign exchange differences	-	7 571	12 179	26	999	-	**20 775**
As at 31.12.2011	-	267 220	237 446	1 119	33 275	-	**539 060**

	-	-	-	-	-	-	**-**
Impairment write-downs							
As at 1.01.2011	-	9 118	2 205	-	363	-	**11 686**
Additions	-	6 896	2 484	-	219	734	**10 333**
Disposals	-	(513)	-	-	(2)	-	**(515)**
Foreign exchange differences	-	418	85	-	1	(15)	**489**
As at 31.12.2011	-	15 919	4 774	-	581	719	**21 993**
	-	-	-	-	-	-	**-**
Net book value as at 1.01.2011	**4 729**	**351 584**	**194 239**	**617**	**28 277**	**52 387**	**631 833**
Net book value as at 31.12.2011	**10 478**	**528 222**	**272 045**	**972**	**67 325**	**74 268**	**953 310**

The property, plant and equipment listed below cover assets in finance lease, where the Group is the lessee:

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	**Total**
Gross value as at 31.12.2012	967	3 204	-	781	61	5 013
Accumulated depreciation	-	(1 882)	-	(40)	(61)	(1 983)
Net value as at 31.12.2012	967	1 322	-	741	-	3 030
Gross value as at 31.12.2011	1 016	3 364	17 653	91	514	22 638
Accumulated depreciation	-	(1 808)	(10 691)	(56)	(365)	(12 920)
Net value as at 31.12.2011	1 016	1 556	6 962	35	149	9 718

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets, and a summary of impairment write-downs of property, plant and equipment in the period of 12 months ended December 31, 2012 and 2011:

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Proceeds from the sale of property, plant and equipment and intangible assets	190 124	1 232
Net cost of property, plant and equipment and intangible assets sold	(128 905)	(4 826)
Loss on sale of non-financial non-current assets and non-current assets held for sale	**61 219**	**(3 594)**

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
Loss on disposal of non-financial non-current assets	(6 402)	(3 594)
Gain on sale of non-financial non-current assets in USA	67 621	-
Gain/(loss) on disposal of non-financial non-current fixed and intangible assets	**61 219**	**(3 594)**

The depreciation was charged to the costs of restaurant operations – PLN 150.868 thousand (prior period: PLN 130.556 thousand), franchise expenses and other – PLN 3.089 thousand (prior period: PLN 2.126 thousand) and

administrative expenses PLN 4.826 thousand (prior period: PLN 6.894 thousand). The depreciation increased discontinued operation costs by PLN 9.790 thousand (prior period: - PLN 19.690 thousand).

The increases of impairment provisions both for continued and discontinued operations are fully for provisions created in 2012 (prior period: also only created). The decreases of impairment provisions are for provisions reversed in 2012 – PLN 154 thousands (prior period: PLN 515 thousands).

Center generating cash is a restaurant. Regarding Spanish market in connection to ongoing integration Group classifies as cash generating units following types of business: operating KFC franchised restaurants, operating proprietary brands restaurants, and franchise and other activities. Recoverable value of particular centers generating cash is calculated on the basis of value in use and discount rate 9.87%.

10. Investment property

The table below presents changes in the value of investment property in 2012 and 2011:

	31.12.2012	31.12.2011
Gross value		
At the beginning of the period	22 081	21 317
Increases	71	764
At the end of the period	22 152	22 081
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	**22 081**	**21 317**
Net value at the end of the period	**22 152**	**22 081**

Investment properties are stated at fair value, which has been determined by market value as at November 26, 2012 based on independent valuation.

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Sublease income (note 28)	1 907	2 012
Investment property costs	(923)	(614)
Operating profit	**984**	**1 398**

11. Other intangible assets

The table below presents changes in the value of intangible assets in 2012 and 2011:

2012	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, Applebee's, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2012	287 092	7 914	60 788	86 684	189 922	**632 400**
Acquisition (note 2)	18 755	-	-	4	-	**18 759**
Increases	-	240	8 920	9 562	-	**18 722**
Decreases	-	(1 240)	(13 387)	(14 787)	-	**(29 414)**
Foreign exchange differences	(21 359)	(510)	(1 938)	(3 927)	(14 129)	**(41 863)**
As at 31.12.2012	284 488	6 404	54 383	77 536	175 793	**598 604**
Accumulated amortization						
As at 1.01.2012	-	1 914	28 969	32 140	5 330	**68 353**
Increases	30	1 241	4 369	7 498	7 500	**20 638**
Decreases	-	(412)	(8 255)	(2 952)	-	**(11 619)**
Foreign exchange differences	2	(123)	(1 031)	(1 055)	(628)	**(2 835)**
As at 31.12.2012	32	2 620	24 052	35 631	12 202	**74 537**
Impairment write-downs						
As at 1.01.2012	-	-	837	17	-	**854**
Increases	102	-	586	761	-	**1 449**
Decreases	-	-	(289)	-	-	**(289)**
Foreign exchange differences	(1)	-	(6)	(22)	-	**(29)**
As at 31.12.2012	101	-	1 128	756	-	**1 985**
Net value as at 1.01.2012	**287 092**	**6 000**	**30 982**	**54 527**	**184 592**	**563 193**
Net value as at 31.12.2012	**284 355**	**3 784**	**29 203**	**41 149**	**163 591**	**522 082**

2011	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, Applebee's, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2011	-	2 634	49 278	46 705	-	**98 617**
Acquisition (note 2)	257 868	4 535	1 484	32 698	170 590	**467 175**
Increases	-	-	7 565	1 937	-	**9 502**

Decreases	-	-	(600)	(54)	-	**(654)**
Foreign exchange differences	29 224	745	3 061	5 398	19 332	**57 760**
As at 31.12.2011	287 092	7 914	60 788	86 684	189 922	**632 400**
Accumulated amortization						
As at 1.01.2011	-	930	23 973	15 171	-	**40 074**
Increases	-	875	3 918	16 689	5 020	**26 502**
Decreases	-	-	(474)	(5)	-	**(479)**
Foreign exchange differences	-	109	1 552	285	310	**2 256**
As at 31.12.2011	-	1 914	28 969	32 140	5 330	**68 353**
Impairment write-downs						
As at 1.01.2011	-	-	282	8	-	**290**
Increases	-	-	556	9	-	**565**
Foreign exchange differences	-	-	(1)	-	-	**(1)**
As at 31.12.2011	-	-	837	17	-	**854**
Net value as at 1.01.2011	**-**	**1 704**	**25 023**	**31 526**	**-**	**58 253**
Net value as at 31.12.2011	**287 092**	**6 000**	**30 982**	**54 527**	**184 592**	**563 193**

Other intangible assets cover mainly computer software.
Own brands value with indefinite useful life as at December 31, 2012 was equal PLN 265.649 thousand and as at December 31, 2011 PLN 287.092 thousand.
The amortization was charged to the costs of restaurant operations – PLN 7.709 thousand (prior period: - PLN 5.944 thousand), franchise expenses and other – PLN 7.537 thousand (prior period: PLN 5.361 thousand) and administrative expenses - PLN 5.392 thousand (prior period: PLN 15.197 thousand). The amortization increased discontinued operation costs by PLN 542 thousand (prior period: PLN 655 thousand).

12. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2012	31.12.2011
Gross value		
At the beginning of the period	722 348	293 347
Acquisition (note 2)	77 870	355 385
Decreases (note 8b)	(139 673)	-
Foreign exchange differences	(47 118)	73 616
At the end of the period	613 427	722 348
Impairment write-downs		
At the beginning of the period	-	-
Increases	1 936	-
Foreign exchange differences	(36)	-
At the end of the period	1 900	-
Net book value as at the beginning of the period	**722 348**	**293 347**
Net book value as at the end of the period	**611 527**	**722 348**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2012 and December 31, 2011.

	Acquisition date	**As at 01.01.2012**	Increase (note 2)	Decrease (note 8)	Impairment	Foreign exchange differences	**As at 31.12.2012**
miklik's food s.r.o.	May 2005	6 130	-	-	-	(291)	5 839
AmRest Kft (previously: Kentucky System Kft)	June 2006	18 476	-	-	(890)	(249)	17 337
OOO AmRest (previously: OOO Pizza Nord)	July 2007	117 878	-	-	(1 046)	(4 885)	111 947
9 restaurants RostiksKFC	April 2008	29 008	-	-	-	(1 203)	27 805
5 restaurants RostiksKFC	June 2008	3 752	-	-	-	(156)	3 596
AppleGrove Holdings LLC	July 2008	150 537	-	(139 673)	-	(10 864)	-
SCM Sp.z o.o.	October 2008	911	-	-	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	395 656	-	-	-	(29 434)	366 222
Blue Horizon Hospitality PTE Ltd.	December 2012	-	77 870	-	-	-	77 870
		722 348	**77 870**	**(139 673)**	**(1 936)**	**(47 082)**	**611 527**

	Acquisition date	**As at 01.01.2012**	Increase (note 2)	Decrease (note 8)	Impairment	Foreign exchange differences	**As at 31.12.2012**
miklik's food s.r.o.	May 2005	5 660	-	-	-	470	6 130
AmRest Kft (previously: Kentucky System Kft)	June 2006	18 489	-	-	-	(13)	18 476
OOO AmRest (previously: OOO Pizza Nord)	July 2007	107 768	-	-	-	10 110	117 878
9 restaurants RostiksKFC	April 2008	26 520	-	-	-	2 488	29 008
5 restaurants RostiksKFC	June 2008	3 430	-	-	-	322	3 752
AppleGrove Holdings LLC	July 2008	130 570	-	-	-	19 967	150 537
SCM Sp.z o.o.	October 2008	911	-	-	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	-	355 386	-	-	40 270	395 656
		293 348	**355 386**	**-**	**-**	**73 614**	**722 348**

Impairment testing

As at December 31, 2012, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia and Spain.

Individual restaurants constitute cash generating units on the Hungarian, Russian and American markets. However, goodwill is allocated to groups of restaurants acquired in particular countries. Regarding Spanish market in connection to ongoing integration Group classifies as cash generating units following types of business: operating KFC franchised restaurants, operating proprietary brands restaurants, and franchise and other activities.

The recoverable value of the cash generating units is based on calculations of their value in use. The calculation uses expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Values of particular centers generating cash are combination of data described in current note together with information from note 2.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in client behaviors.

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	USA
	Year 2012			
Discount rate before tax	15.11%	15.31%	14.10%	-
Budgeted average EBITDA margin	12.78%	15.54%	16.56%	-
Expected long-term growth rate used for the calculation of planned future results	10.00%	12.00%	14.89%	-
	Year 2011			
Discount rate before tax	20.14%	17.34%	15.88%	11.12%
Budgeted average EBITDA margin	13.02%	14.85%	22.02%	13.02%
Expected long-term growth rate used for the calculation of planned future results	10.00%	12.00%	14.64%	10.00%

Changes in key factor, when comparing to 2011, results mainly from influence of starting base decrease and interpretation of market trends. Expected future cash flows are analyzed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business.

When discount rates in period of 12 months ended December 31, 2012 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

13. Other non-current assets

As at December 31, 2012 and December 31, 2011, the balances of other non-current assets were as follows:

	31.12.2012	**31.12.2011**
Prepaid rental fees	8 548	6 650
Deposits in respect of rentals	25 001	22 832
Trust fund	6 199	-
Other	2 590	3 051
	42 338	**32 533**

14. Inventories

As at December 31, 2012 and December 31, 2011, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Inventories are presented in net value including write-downs. Inventory write-downs as at December 31, 2012 and December 31, 2011 amounted to PLN 1.454 thousand and PLN 89 thousand. In the income statement for the year ended December 31, 2012 new inventory write-down was recorded in the value of PLN 1.365 thousand.

15. Trade and other receivables

	31.12.2012	**31.12.2011**
Trade receivables from non-related entities	61 766	61 987
Trade receivables from related entities (note 33)	8	119
Other tax receivables	27 360	25 480

Other	7 316	2 978
Write-downs of receivables	(5 467)	(5 641)
	90 983	**84 923**

16. Leasing receivables

Group in year 2009 has signed finance lease agreement for restaurant appliances. Agreement is denominated in EUR. Finance lease cycle covered by agreement is 5 years.

Receivables for finance lease liability – value of current minimal lease payments:

	31.12.2012	31.12.2011
Up to 1 year	163	199
From 2 to 5 years included	175	365
More than 5 years	-	-
	338	**564**

Receivables from finance lease – value of minimal lease payments:

	31.12.2012	31.12.2011
Up to 1 year	154	161
From 2 to 5 years included	163	309
More than 5 years	-	-
Total minimal lease payments	317	470
Future un-received finance income from finance lease	21	94
Current value of minimal lease payments	**338**	**564**

17. Other current assets

	31.12.2012	31.12.2011
Prepaid costs in respect of deliveries of utilities	5 469	4 768
Prepaid lease costs	4 169	2 935
Prepaid property insurance	977	1 259
Prepaid professional services cost	69	557
Prepaid marketing costs	280	48
Prepaid costs of financial services	-	72
Prepaid costs of outside services	1 604	842
Prepaid investment costs	-	1 018
Trust fund	6 199	-
Other	5 578	4 217
	24 345	**15 716**

Other current assets are presented in net value taking into consideration impairment provisions. There were no impairment provisions as at December 31, 2012 and December 31, 2011.

18. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2012 and December 31, 2011 are presented in the table below:

	31.12.2012	31.12.2011
Cash at bank	166 507	121 682
Cash in hand	40 572	22 278
	207 079	143 960

Reconciliation of working capital changes as at December 31, 2012 and December 31, 2011 is presented in the table below:

2012	The balance sheet change	Increase from acquisition (note 2)	Decrease due to sale of assets in USA	Put option valuation	Foreign exchange differen-ces	Reclasifi-cation to oher lines in cash flow	Working capital changes
Change in receivables	(6 060)	10 795	-	-	(4 157)	82	660
Change in inventories	(1 266)	1 311	(5 478)	-	(2 179)	-	(7 612)
Change in other assets	(18 434)	402	(12 398)	-	(628)	-	(31 058)
Change in payables and other liabilities	(7 381)	(15 333)	-	6 211	13 733	-	(2 770)
Change in other provisions and employee benefits	1 860	-	-	-	625	-	2 485

2011	The balance sheet change	Increase from acquisition (note 2)	Decrease due to sale of assets in USA	Put option valuation and recognition	Foreign exchange differences	Working capital changes
Change in receivables	(39 916)	22 185	-	-	(501)	(18 232)
Change in inventories	(21 150)	11 691	-	-	2 692	(6 767)
Change in other assets	(17 405)	2 591	-	-	3 247	(11 567)
Change in payables and other liabilities	310 548	(75 098)	-	(195 592)	(42 232)	(2 374)
Change in other provisions and employee benefits	(5 915)	5 369	-	-	4 342	3 796

19. Other financial assets

	31.12.2012	31.12.2011
Derivative financial instruments	-	1 662
Other financial assets	-	1 662
Other current financial assets	-	1 662
Other non-current financial assets	-	-
Cash flow hedges (foreign currency contracts)		
contract forward HUF/PLN	196	209
contract forward CZK/PLN	-	992
contract forward USD/PLN	471	-
contract forward EUR/PLN	14	-
Derivative financial instruments total	681	1 201
Derivative financial instruments current	681	1 201
Derivative financial instruments non current	-	-
Other financial assets total	**681**	**2 863**

Other current financial assets total	681	2 863
Other non-current financial assets total	-	-

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren't in turnover on active market is calculated by using valuation techniques. The Group uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets available for sale, which aren't in turnover on active market, is calculated with using sector indexes and last available financial information concerned investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument. Balance sheet value of trade receivables including impairment and balance sheet value of trade payables are similar to their fair values due to short term capacity.

Following fair value valuations concerned financial instruments were used by the Group:

- quoted prices (not adjusted) from active markets for the same assets and liabilities (Level 1),
- input data different from quoted prices included in Level 1, which are observed for assets and liabilities directly (as prices) or indirectly (based on prices) (Level 2),
- input data for valuation of assets and liabilities , which don't base on possible to observe market data (input data not observed) (Level 3).

	Level 1	**Level 2**	**Level 3**	**31.12.2011**
Assets from derivatives	-	1 662	-	1 662
Total other financial assets	**-**	**1 622**	**-**	**1 662**

Financial assets available for sale belong to the "CEE" segment, their fair value was based on valid stock exchange quoting being on active market. As at December 31, 2012 the Group didn't possess financial instruments valuated at fair value.

For the purpose of the risk management related to certain transaction within the Group are used forward currency contracts. Opened contracts as at December 31, 2012 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to tvelve months.

20. Equity

Share capital

As described in note 1a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange ("WSE").

As at December 31, 2012, the Company held 21 213 893 issued, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

Holders of ordinary shares are authorized to receive dividend and have voting rights at the Group's General Shareholders' Meetings ("AGM") proportionate to their holdings.

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option value-tion	Emplo-yee Options	Hedges valuation influence	Trans-actions with non control-ling interests	Reserves total
As at 01.01.2011	**586 857**	**6 191**	**-**	**12 641**	**2 508**	**(12 746)**	**595 451**
COMPREHENSIVE INCOMES							
Impact of net investment hedges valuation	-	-	-	-	(21 737)	-	(21 737)
Impact of put option valuation	-	-	(26 371)	-	-	-	(26 371)
Deferred income tax concerning net investment hedges	-	-	-	-	4 130	-	4 130
Comprehensive income total	-	-	(26 371)	-	(17 607)	-	(43 978)
TRANSACTIONS WITH NON-CONTROLLING INTERESTS							
Put option recognition	-	-	(232 694)	-	-	-	(232 694)
Transactions with non-controlling interests total	-	-	(232 694)	-	-	-	(232 694)
TRANSACTIONS WITH SHAREHOLDERS							
Share issue	168 835	-	-	-	-	-	168 835
Employees share option scheme – value of service	-	-	-	1 282	-	-	1 282
Employees share option scheme – value realized options	-	-	-	377	-	-	377
Transactions with shareholders total	168 835	-	-	1 659	-	-	170 494
As at 31.12.2011 according to published financial statement	755 692	6 191	(259 065)	14 300	(15 099)	(12 746)	489 273
Restated (note 1cc))	-	-	78 981	-	-	-	78 981
As at 31.12.2011	**755 692**	**6 191**	**(180 084)**	**14 300**	**(15 099)**	**(12 746)**	**568 254**
As at 01.01.2012 according to published financial statement	755 692	6 191	(259 065)	14 300	(15 099)	(12 746)	489 273
Restated (note 1cc))	-	-	78 981	-	-	-	78 981
As at 01.01.2012	**755 692**	**6 191**	**(180 084)**	**14 300**	**(15 099)**	**(12 746)**	**568 254**
COMPREHENSIVE INCOMES							
Impact of net investment hedges valuation	-	-	-	-	20 028	-	20 028
Impact of cash flow hedges valuation	-	-	-	-	7 754	-	7 754
Impact of put option valuation as net investment hedges	-	-	14 781	-	-	-	14 781
Deferred income tax concerning net investment hedges	-	-	-	-	(5 279)	-	(5 279)
Comprehensive income total	-	-	14 781	-	22 503	-	37 284
TRANSACTIONS WITH SHAREHOLDERS							
Own shares purchase	-	-	-	(442)	-	-	(442)
Employees share option scheme – value of service	-	-	-	5 668	-	-	5 668
Transactions with shareholders total	-	-	-	5 226	-	-	5 226
As at 31.12.2012	**755 692**	**6 191**	**(165 303)**	**19 526**	**7 404**	**(12 746)**	**610 764**

Within the bank loans as at December 31, 2012 was disclosed loan for the amount of USD 42.5 million, which is hedging net investment in US operations – subsidiary AmRest LLC, it hedges Group against the foreign currency risk resulting from revaluations of net assets. Moreover after signing AmRest LLC asset sale deal Group decided to hedge part of revenues resulting from this sale transaction with use of forward contract for USD 35 million and applied hedging accounting in order to properly record both transactions. In year 2012 positive value of foreign exchange valuation recorded in equity resulting from net investment and cash flow hedges in AmRest LLC with use of financial derivative instruments denominated in USD amounted to PLN 21.440 thousand and deferred tax value on this valuation was PLN 4.073 thousand. At the moment of AmRest LLC equity redistribution to Group parent entity cumulative positive net value of foreign exchange valuation in equity was PLN 2.267 thousand (PLN 2.799 thousand and deferred tax PLN 532 thousand). According to hedge accounting policy prevailing part of this equity reserve (PLN 2.527 thousand and deferred tax PLN 480 thousand) was recognized in income statement at the moment of AmRest LLC asset gain recognition. As at December 31, 2012 cumulative value of positive foreign currency revaluation reserve in equity from net investment hedge of investment in AmRest LLC with use of derivative financial instruments for investments in USD amounted PLN 272 thousand and value of deferred tax connected with it amounted to PLN 52 thousand. From the moment of AmRest LLC equity redistribution Group is not applying hedge for investments in USD, and foreign currency risk connected to USD 42,5 million loan in consortium facility was secured with forward contracts.
As at December 31, 2011 cumulative value of foreign exchange valuation recognized in equity resulting from cash-flow hedges based on forward transactions amounted PLN 21.737 thousand and value of applicable deferred taxes on this revaluation was PLN 4.130 thousand.

As well within the bank loans as at December 31, 2012 was disclosed loan for the amount of EUR 68 million, which is hedging net investment in Hungarian subsidiary AmRest Capital Zrt, it hedges Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the 12-month period ended December 31, 2012 hedge was fully effective. As at December 31, 2012 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in AmRest Capital Zrt with use of financial forward derivative instruments denominated in EUR accounted for PLN 6.536 thousand and value of deferred income tax connected with this revaluation was PLN 1.242 thousand.

In loans and borrowings as at December 31, 2012 are included loans for value of EUR 30 million and EUR 10 million, that are net investment hedges in Spanish subsidiary AmRest TAG S.L., hedging Group from currency exchange risk resulting from revaluation of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the 12-month period ended December 31, 2012 hedge was fully effective. As at December 31, 2012 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in AmRest TAG S.L. with use of financial forward derivative instruments denominated in EUR accounted for PLN 2.333 thousand and value of deferred income tax connected with this revaluation was PLN 443 thousand.

Group applies hedging accounting for revaluation of put option liability constituting net investment hedges in Spanish related party. As at December 31, 2012 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in Spanish related party with use of financial forward derivative instruments denominated in EUR accounted for PLN 14.781 thousand. As at December 31, 2011 cumulated value of currency revaluation recognized in reserve capital from cash flow hedges forward PLN 19.991 thousand.

Retained Earnings

Retained Earnings of a Group according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50 million for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2012 year (as it was disclosed in statement of changes in equity) were realized transaction on treasury shares for existing stock option plans (note 23) amounting PLN 442 thousand.

Foreign exchange differences on translation

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group's foreign operations into Polish zloties.

	For the 12 months ended December 31, 2012	**For the 12 months ended December 31, 2011**
At the beginning of the period	136 373	38 216
Reclasiffication of profit from assets sold in USA into income statement	(40 719)	-
Foreign exchange differences from net assets revaluation in subsidiaries	(77 538)	98 157
At the end of the period	**18 116**	**136 373**

21. Borrowings

Borrowings as at December 31, 2012 and December 31, 2011 are presented in the table below:

Long-term	**31.12.2012**	**31.12.2011**
Bank loans	461 610	689 454
Bonds	149 497	149 492
	611 107	838 946

Short-term	**31.12.2012**	**31.12.2011**
Bank loans	181 975	77 956
	181 975	77 956

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2012	31.12.2011
in PLN	Syndicated bank loan	7.40%	20 253	189 724
in USD	Syndicated bank loan	3.21%	129 956	162 327
in EUR	Syndicated bank loan	3.86%	440 150	353 344
in CZK	Syndicated bank loan	5.68%	52 307	61 253
in RUB	Raiffeisen Bank Austria	-	-	762
in PLN	Bonds 5 years	8.41%	149 497	149 492
other	Overdraft- China	-	919	-
			793 082	916 902

Bank loans comprise mainly investment loans bearing a variable interest rate based on reference rates WIBOR, PRIBOR, USD-LIBOR and EURIBOR. Exposure of the loans to interest rate risk and contractual dates for changing the interest rates occur in 3-month cycles.

On 11 October 2010, a credit agreement was signed between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. ('Borrowers') and Bank PEKAO S.A., RBS Bank (Polska) S.A., The Royal Bank of Scotland plc (formerly The Royal Bank of Scotland N.V.) and Bank Zachodni WBK S.A. Under the above-mentioned agreement the Group was granted a loan amounting to PLN 440 million. The loan should be repaid by October 11, 2015. It covers two tranches and is earmarked for repayment of liabilities resulting from the credit agreement dated December 15, 2008 and further financing of the development of AmRest. All the Borrowers are jointly and severally responsible for discharging the obligations resulting from the credit agreement. Additionally, Group companies – OOO AmRest, AmRest LLC, AmRest TAG S.L., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Services Sp. z o.o. S.K.A., AmRest Finance Zrt and AmRest Capital Zrt – 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.

According to the appendix to the credit agreement, dated April 18, 2011, loan value was increased by EUR 80 million within tranches C1 and C2. Additional funds were assigned for financing the acquisition of majority shares in Restauravia Grupo Empresarial S.L. The final repayment of tranches C1 and C2 falls due on October 11, 2015.

As at August 8, 2011 all parties of credit agreement signed with Rabobank Polska S.A. the appendix according to which Rabobank Polska S.A. joined the consortium as the additional lender and took over part of debt from RBS Bank (Polska) S.A. and The Royal Bank of Scotland plc (formerly The Royal Bank of Scotland N.V.). Loan value, interests, repayment date and other crucial terms of the agreement remained unchanged.

According to the appendix to the credit agreement, dated February 28, 2012, loan value was increased by EUR 50 million within tranche D. Additional funds were assigned for further financing of the development of AmRest restaurant chain in European countries. The final repayment falls due on November 11, 2015. As at December 31, 2012 AmRest Sp. z o.o. used EUR 40 million within tranche D. The rest of the tranche D of EUR 10 million was utilised on January 25, 2013.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), net gearing modified by operational leases effect (net debt increased by annual operational leases multiplied by 6 times to annualized EBITDAR), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at December 31, 2012, the above ratios were not exceeded.

The effective interest rates are similar to the market rates for specific borrowings. Therefore, the fair value of the liabilities presented above does not differ significantly from their carrying amounts.

As at December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance ("5years bonds"), on the basis of which was released option program for corporate bonds of AmRest, allowing to issue bonds in total maximum value of PLN 300 million, where bonds in the value of PLN 150 million were issued already. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

On August 22, 2012 above mentioned agreement was replaced with the new one between AmRest Holding SE, AmRest Sp. z o.o. and Bank Pekao S.A. for the fixed date till December 31, 2019. The prolongation option is till redemption of all bonds issued. The total maximum value of the program remained the same and is equal to PLN 300 million. As at December 31, 2012 were issued PLN 150 million and the payable concerned bonds issued is PLN 149.497 thousand.

The maturity of long- and short-term loans as at December 31, 2012 and December 31, 2011 is presented in the table below:

	31.12.2012	31.12.2011
Up to 1 year	181 975	77 956
Between 1 and 2 years	200 671	163 572
Between 2 and 5 years	410 436	675 374
More than 5 years	-	-
	793 082	**916 902**

The Group has the following unused, awarded credit limits as at December 31, 2012 and December 31, 2011:

	31.12.2012	31.12.2011
With floating interest rate		
- expiring within one year	64 384	23 483
- expiring beyond one year	350 000	190 704
	414 384	**214 187**

22. Other financial liabilities

	31.12.2012	31.12.2011
Derivative financial instruments	224	1 764
Derivative financial instruments total	**224**	**1 764**
Other current financial liabilities total	224	1 764
Other non-current financial liabilities total	-	-

For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Opened contracts as at Decemeber 31, 2012 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months.

23. Liabilities in respect of wages and salaries and employee benefits

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-off amount of USD 300 after five years in service, and USD 1.000 after 10 years in service, translated in both cases into the currency of the given country. In year 2009 Group has added to this service benefit package jubilee gift for 15 years of work, which is equal to value of 100 AmRest Holdings SE shares. Due to unification of jubilee gift policy this system will be valid till the end of 2013. The change resulted in reversal of jubilee gift provision in amount PLN 371 thousands as at December 31, 2012 and PLN 791 thousands as at December 31, 2011.

Employee share option plan 1

The Plan was launched in 1999 as a cash-settled plan and covered the group of selected employees of the Group. Upon the Group's flotation on the GPW – on April 27, 2005 – the plan was modified to be share-based instead of cash-based. Additionally, all the obligations in respect of the plan were taken over by ARC (note 1a)). ARC assumed responsibility for the redemption of all the units (which could already be and which could not yet be exercised). The carrying amount of the liability as at that date of PLN 1.944 thousand was charged to capital. As at December 31, 2012 the Plan was fully settled.

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board, however, it may not exceed 3% of all the outstanding shares. Moreover, the number of shares purchased by employees through exercising options is limited to 200 000 per annum. In accordance with the provisions of the Plan, the Group, following approval by the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of awarding the option, and the vesting period will be 3 to 5 years. The Employee Option Plan was approved by the Company's Management Board and the General Shareholders' Meeting.

In January 2010, Supervisory Board of Group parent entity approved resolution confirming and systemizing total amount of shares for which may be issued options that will not exceed allowed 3% of shares in market.

In June 2011, Supervisory Board of Group parent entity approved and changed the pervoius note related to the number of shares purchased by employees through exercising options is limited to 100 000 per annum.

Employee share option plan 3

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1 041 000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will increase by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

The terms and conditions for the share options awarded to employees are presented in the table below:

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
Plan 1				
April 30, 1999	75.250	5 years, gradually, 20% per annum	6.4	10 years
April 30, 2000	53.750	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2001	76.300	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2002	74.600	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2003	55.100	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2004	77.800	5 years, gradually, 20% per annum	19.2	10 years
Total	412.800			
Plan 2				
30 April 2005	79.300	5 years, gradually, 20% per annum	24.0	10 years
30 April 2006	75.000	5 years, gradually, 20% per annum	48.4	10 years
30 April 2007	89.150	5 years, gradually, 20% per annum	96.5	10 years
30 April 2008	105.250	5 years, gradually, 20% per annum	86.0	10 years
12 June 2008	20.000	5 years, gradually, 20% per annum	72.5	10 years
22 August 2008	1.000	5 years, gradually, 20% per annum	65.4	10 years
30 April 2009	102.370	5 years, gradually, 20% per annum	47.6	10 years
10 May 2009	3.000	5 years, gradually, 20% per annum	73.0	10 years
30 April 2010	119.375	5 years, gradually, 20% per annum	70.0	10 years
30 April 2010	7.975	5 years, gradually, 20% per annum	70.0	10 years
20 June 2011	105.090	5 years, gradually, 20% per annum	78.0	10 years

5 September 2011	1.000	5 years, gradually, 20% per annum	70.6	10 years
30 April 2012	81.500	5 years, gradually, 20% per annum	70.0	10 years
Total	790.010			
Plan 3				
13 December 2011	616.000	3 years, gradually, 33% per annum	61.00	10 years
8 October 2012	259.000	3 years, gradually, 33% per annum	64.89	10 years
Total	875.000			

In the table below we present the number and weighted average of the exercise price of the options from all plans for the 12 months period ended December 31, 2012 and 2011.

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1
	2012				2011			
At the beginning of the period	PLN 64.60	616 000	524 999	10 300	PLN 66.11	-	436 260	10 300
Utilized during the period	PLN 30.59	-	(12 200)	(10 300)	PLN 48.52	-	(7 704)	-
Redeemed during the period	PLN 66.27	(120 000)	(61 096)	-	PLN 67.03	-	(17 622)	-
Awarded during the period	PLN 66.11	259 000	81 500	-	PLN 63.55	616 000	114 065	-
At the end of the period		755 000	533 203	-		616 000	524 999	10 300
Available for exercising as at the end of the period	PLN 68.40	-	304 288	-	PLN 65.57	-	249 069	10 300

The fair value of the work performed in consideration for the options issued is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using the trinomial model and a model based on the Monte-Carlo method. One of the input data used in the above model is the term to maturity of the options (10 years). The possibility of early exercising of the option is taken into consideration in the trinomial model.

The fair value of the options as at the moment of awarding was determined on the basis of the following parameters:

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011	Plan 3	PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2012 to 31/12/2012		PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.36%

from 1/1/2011 to 31/12/2011	Plan 2	PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010		PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009		PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008		PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007		PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%
from 1/1/2006 to 31/12/2006		PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005		PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%
till the end of 2004	Plan 1	PLN 6.8	n/a	PLN 18.6	40%	7.0 years	19.40%	4.50%
		PLN 6.6	n/a	PLN 18.6	40%	7.5 years	19.40%	5.80%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of comparable companies quoted on the GPW (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.

Options are awarded after the terms and conditions relating to the period of employment have been met. The Plan does not provide for any additional market conditions on which the exercising of the options would depend except of plan 3 which assumes minimal annual growth rate

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. For the 12 months ended December 31, 2012 the Group recognized costs concerned the program in amount of PLN 3.461 thousand (EUR 829 thousand) (accordingly for the 8 months from the acquisition date to December 31, 2011 PLN 4.419 thousand (EUR 1.000 thousand)).

The costs recognized in connection with the plans relating to share-based payments for the period of 12 months ending on December 31, 2012 and December 31, 2011 respectively are presented below:

	31.12.2012	**31.12.2011**
Value of employee services	5 668	1 282
	5 668	**1 282**

Retirement benefit contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2012 and December 31, 2011 respectively are presented below:

	31.12.2012	**31.12.2011**
Retirement benefit contributions	97 486	112 487
	97 486	**112 487**

Apart from those specified above, there are no other liabilities in respect of employee benefits.

24. Provisions

Changes in the balance of provisions are presented in the table below:

2012	As at **01.01.2012**	Increases	Utilization	Foreign exchange differences	As at **31.12.2012**
Onerous contracts	2 104	2 616	(738)	(132)	3 850
Provision for court fees	3 452	1 782	(4 486)	(63)	685
Provision for tax risks	2 017	615	-	(80)	2 552
Total	**7 573**	**5 013**	**(5 224)**	**(275)**	**7 087**

2011	As at **01.01.2011**	Increases	Utilization	Foreign exchange differences	As at **31.12.2011**
Onerous contracts	2 292	657	(1 093)	248	2 104
Provision for court fees	1 335	4 513	(2 489)	93	3 452
Provision for tax risks	1 855	-	-	162	2 017
Total	**5 482**	**5 170**	**(3 582)**	**503**	**7 573**

Provision for onerous contracts

As at the balance sheet date, the Group showed a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms.

Provision for court fees

Periodically, the Group is involved in disputes and court proceedings resulting from the Group's on-going operations. As presented in the table above, as at the balance sheet, the Group showed a provision for the costs of court proceedings which reflects the most reliable estimate of the probable losses expected as a result of the said disputes and legal proceedings. According to the nature of this provision final settlement is expected within 2013.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additional realizes its growth within new investments, often have to decide to created or modify value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimate is used.

25. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 9.675 thousand and PLN 18.582 thousand respectively as atDecember 31, 2012 and December 31, 2011.

26. Trade and other payables

Trade and other payables as at December 31, 2012 and December 31, 2011 cover the following items:

	31.12.2012	**31.12.2011**
Payables to non-related entities, including:	251 530	247 561
Trade payables	154 905	153 587
Payables in respect of uninvoiced lease fees and deliveries of food	4 860	18 835
Employee payables	21 241	22 253

Social insurance payables	12 627	8 675
Other tax payables	14 561	17 670
Payables concerned differed sales settlement of 3 Applebees restaurants	12 268	-
Gift voucher liabilities	317	9 620
Payables concerned mergers and acquisitions	3 901	-
Other payables to non-related entities	26 850	16 921
Liabilities to related entities (note 33)	64	38
Accruals, including:	67 889	65 010
Employee bonuses	21 448	16 724
Marketing services	4 956	2 631
Holiday pay accrual	8 803	9 358
Professional services	3 914	1 825
Franchise fees	6 927	5 229
Lease cost provisions	11 565	4 496
Investment payables accrual	8 853	19 734
Other	1 423	5 013
Deferred income – short-term portion	955	81
Social fund	47	58
Total trade and other payables	**320 485**	**312 748**

27. Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2012	31.12.2011
Payable within 1 year	372	252
Payable from 1 to 5 years	2 337	1 485
Payable after 5 years	2 139	1 944
	4 848	**3 681**

Finance lease liabilities – minimum lease payments:

	31.12.2012	31.12.2011
Payable within 1 year	1 138	888
Payable from 1 to 5 years	4 977	4 618
Payable after 5 years	3 895	2 577
Total minimum lease payments	10 010	8 083
Future finance costs in respect of finance leases	(5 162)	(4 402)
Present value of finance lease liabilities	**4 848**	**3 681**

28. Operating leases

The Group concluded many irrevocable operating lease agreements, mainly relating to leases of restaurants. In respect of restaurants, lease agreements are concluded on an average for a period of 10 years and require a minimum notice period on termination.

The expected minimum lease fees relating to operating leases without the possibility of earlier notice are presented below:

	31.12.2012	**31.12.2011**
Payable within 1 year	138 435	190 811
Payable from 1 to 5 years	514 543	722 773
Payable after 5 years	458 944	1 081 026
Total minimum lease payments	**1 111 922**	**1 994 610**

In respect of many restaurants (especially those in shopping malls) lease payments comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee usually constitutes from 2.5% to 9% of a restaurant's revenue.

Lease costs relating to operating leases (broken down by the fixed and conditional portion) for the 12 months of 2012 and 2011 are as follows:

	For the 12 months ended December 31, 2012			For the 12 months ended December 31, 2011		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech	29 161	4 120	33 281	26 853	4 484	31 337
Hungary	7 561	-	7 561	8 831	-	8 831
Poland	39 242	45 854	85 096	30 877	40 989	71 866
Russia	27 946	4 195	32 141	20 462	2 588	23 050
Bulgaria	1 021	-	1 021	1 154	-	1 154
Serbia	1 460	-	1 460	1 323	-	1 323
USA	63	-	63	-	-	-
Croatia	314	-	314	42	-	42
Spain	42 747	-	42 747	23 984	-	23 984
Total	149 515	54 169	203 684	113 526	48 061	161 587

The Group signes agreements for the definite period without the opportunity to terminate the contract. The prolongation of the agreement bases on market conditions.

The Group is also party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2012 and 2011 are as follows:

	31.12.2012	**31.12.2011**
Russia	887	646
Czech	140	140
USA	-	88
Poland	2 712	3 541
Total	**3 739**	**4 415**

29. Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and American Restaurants s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – OOO AmRest, AmRest LLC, AmRest TAG S.L., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U. and Pastificio Service S.L.U., AmRest Services Sp. z o.o. S.K.A., AmRest Finance Zrt and AmRest Capital Zrt – 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, i.e. October 11, 2015.

30. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2012 and 2011 was calculated as follows:

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Net profit from continued operations attributable to equity holders of the parent company	80 043	42 771
Net profit from discontinued operations attributable to equity holders of the parent company	10 884	11 898
Net profit attributable to equity holders of the parent company	90 927	54 669
Weighted average number of ordinary shares in issue	21 213 893	20 598 233
Impact of share issuance	-	615 660
Impact of option of share issuance	-	-
Impact of share options awarded in 2005	19 098	21 135
Impact of share options awarded in 2006	11 865	20 571
Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	-	-
Impact of share options awarded in 2009	20 720	27 012
Impact of share options awarded in 2010	-	1 878
Impact of share options awarded in 2011	105 034	-
Impact of share options awarded in 2012	44 162	-
Weighted average number of ordinary shares for diluted earnings per share	21 414 772	21 284 489
Basic earnings per ordinary share	4.29	2.65
Diluted earnings per ordinary share	4.25	2.57
Basic earnings from continued operations per ordinary share	3.77	2.08
Diluted earnings from continued operations per ordinary share	3.74	2.01
Basic earnings from discontinued operations per ordinary share	0.52	0.57
Diluted earnings from discontinued operations per ordinary share	0.51	0.56

Appearance of diluting factor concerning option for share issuance in 2009, according to terms in share subscription agreement with z WP Holdings VII B.V. signed April 22, 2010, results from change in AmRest Group Management assessment of option realization probability.

31. Future commitments and contingent liabilities

In accordance with the franchise agreements signed, the Group is obliged to periodically improve the standard, modify, renovate and replace all or parts of its restaurants or their installations, marking or any other equipment, systems or inventories used in restaurants to make them compliant to the current standards. The agreements require no more than one thorough renovation of all installations, markings, equipment, systems and inventories stored in the back of each restaurant to comply to the current standards, as well as no more than two thorough renovations of all installations, markings, equipment, systems and inventories stored in the dining rooms of each of the restaurants during the period of a given franchise agreement or the period of potential extension of the agreement. The expenses for the purpose forecast by the Group amount to ca. 1.5% of annual sales form the restaurants' operations in the future periods.

Other future commitments resulting from the agreements with the Burger King, Starbucks and Applebee's and the current and future franchise agreements were described in note 1a) and note 1g).

According to Group Management above mentioned requirements are fulfilled and any discrepancies are communicated to third parties, mitigating any potential risks affecting business and financial performance of the Group.

32. Investment in associates

Changes to the value of investments in associates in consecutive periods are presented in the table below:

	31.12.2012	31.12.2011
At the beginning of the period	140	129
Share in profits and losses of associates	39	72
Dividend payment	(61)	(61)
Purchase of shares in associated companies.	316	-
Balance as at the end of the year	**434**	**140**

On March 15, 2012 it was set BTW Sp. z o.o. in which SCM Sp. z o.o. has 50% of shares. Its core business is restaurant activity.

The Group's share in associates and the basic financial data of the entities are as follows:

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2012						
SCM s.r.o.	Czech	493	160	1 036	217	45.90
BTW Sp.z o.o.	Poland	570	190	-	(240)	25.50
December 31, 2011						
SCM s.r.o.	Czech	463	196	425	157	45.90

33. Transactions with related entities

Trade and other receivables from related entities

	31.12.2012	31.12.2011
MPI Sp. z o. o.	4	22
Associates	4	97
	8	**119**

Trade and other payables to related entities

	31.12.2012	31.12.2011
MPI Sp. z o. o.	33	32
Associates	31	6
	64	**38**

Sales of goods for resale and services

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
MPI Sp. z o. o.	43	73
Associates	39	21
	82	**94**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
MPI Sp. z o. o.	1 384	1 429
Associates	-	1
	1 384	**1 430**

Other related entities

ARC, IRI, Metropolitan Properties International Sp. z o. o.

In accordance with the description in note 1a), as at December 31, 2012, ARC and its subsidiaries – IRI, Metropolitan Properties International Sp. z o.o. are treated as related entities, as at December 31, 2012 Metropolitan Properties International Sp. z o.o. was a company owned by Mr Henry McGovern.

ARC company was established by Donald M. Kendall Sr., Donald M. Kendall Jr., Cristian R. Eisenbeiss and Henry J. McGovern. Henry J McGovern was a member of AmRest Holdings SE supervisory board as at December 31, 2012.

Starting from April 27, 2005 year ARC is fully responsible for settlement of all future obligations of a Group related to stock option plan (note 23).

Metropolitan Properties International Sp. z o.o. is involved in operations related to real estate. The Group leases three restaurants from Metropolitan Properties International Sp. z o.o. on the terms and conditions similar to the lease agreements concluded with non-related entities.

Lease fees and other fees paid to MPI amounted to PLN 1.384 thousand and PLN 1.429 thousand respectively in the 12 months periods ending December 31, 2012 and December 31, 2011.

Group shareholders

As at December 31, 2012, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.99% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

Transactions with the management/Management Board, Supervisory Board

The remuneration of the Management Board of AmRest Holdings SE paid by the Group was as follows:

	For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	5 933	4 902
Total remuneration paid to the Management Board and Supervisory Board	**5 933**	**4 902**

On February 18, 2011 Wojciech Mroczyński signed sabbatical agreement with AmRest Sp. z o.o. According to the agreement, the remuneration for sabbatical leave period from March 1, 2011 to February 29, 2012 will be offset with bonus payable for first 3 years between 2012, 2013 and 2014. In the event of Wojciech Mroczyński voluntarily leaving the Company or being terminated for cause during the period between March 1, 2012 and February 28, 2018 he will reimburse the Company the unamortized portion of sabbatical remuneration net of income taxes and other statutory charges withheld from the remuneration received for the sabbatical period pro-rata based on the amortization period mentioned above, referred to as net sabbatical remuneration. Wojciech

Mroczyński was re-appointed as a Management Board Member of the Company on March 31, 2012. As at December 31, 2012 the balance of net sabbatical remuneration is PLN 283 thousand decreased about PLN 127 thousand from base level PLN 410 thousand.

The Group's key employees also participate in an employee share option plan (note 23). The costs relating to the employee option plan in respect of management amounted to PLN 2.316 thousand and PLN 291 thousand respectively in the 12 month period ended December 31, 2012 and December 31, 2011.

		For the 12 months ended December 31, 2012	For the 12 months ended December 31, 2011
Number of options awarded		650 750	446 200
Number of available options		114 300	95 147
Fair value of options as at the moment of awarding	PLN	15 887 751	10 795 257

As at December 31, 2012 and 2011, there were no liabilities to former employees.

34. Critical accounting estimates and judgments

Key sources of uncertainties relating to estimates

Estimates and judgments are continually verified, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are exposed to a significant risk of introducing a significant adjustment of the carrying amount of assets and liabilities during another financial year relate mainly to the impairment tests in respect of property, plant and equipment and goodwill, amortization and depreciation, provisions and calculation of deferred tax.

Estimated impairment of goodwill

The Group each year tests goodwill for impairment in accordance with its accounting policies described in note 1p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (note 12). As at December 31, 2012 was recognised goodwill impairment in the value of PLN 1.936 thousand.

No goodwill impairment was recognized as at December 31, 2011.

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according with accounting policy described in note 1p). For restaurants as cash generating units operating for at least year and a half and incurring negative results there is performed analysis of current value of future cash flows according to actual budgets. Regarding Spanish market Group classifies as cash generating assets following types of business: operating KFC franchised restaurants, operating proprietary brands restaurants, and franchise and other activities.

This value is compared with assets value and in case of identification of gap in coverage there is recognized impairment loss. In the period of 12 months ended December 31, 2012 and December 31, 2011 were recognized impairment losses according to information presented in note 9 and 11.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis technical abilities of given asset, together with planned form and intensity of usage with simultaneous consideration of experience and legal obligations influencing usage of given asset.

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2012 of ca. PLN 17.159 thousand. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2011 of ca. PLN 21.654 thousand.

Provisions

Key uncertainties and estimates are described in note 24.

Gift card liability estimates

Subsidiaries of the Group are performing operations also within sales and realization of gift cards. Group records a liability in the period in which gift cards are issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. The liability for gift cards not redeemed after two years is recognized as revenue. Following own and branch experience, historical and legal analysis this approach should be treated as best available estimate regarding gift cards. Value of gift card liability is presented in note 26.

Deferred income tax

Uncertainties and estimates related to deferred taxes covers mainly to recognizing a deferred tax asset in respect of unused tax losses carried forward (note 7).

Significant judgments and estimates in relation to recognized liability for purchase of Non-Controlling Intrest in Restauravia Group (currently AmResTAG)

As a result of the business combination described in details in note 2 the Group issued put option to non-controlling shareholders and received call option from the non-controlling shareholders to acquire the remainder of shares which are not controlled by the Group as at the acquisition date. AmRest Group has rights to exercise options after 3 and 6 years from April 28, 2011 in days 1 May and 1 December each year after this period. Simultaneously non-controlling interests owners have option to sell all or part of shares. Option can be executed after 3 and 6 year from April 28, 2011. Exercise price of both above mentioned shares is equal to 8,2 multiple of EBITDA for last 12 months, adjusted by the net debt as at option exercise day.

The management has analyzed whether entering into put and call agreement has transferred the risks and rewards relating to the underlying non-controlling shares to the Group. Based on the fact that agreement settlement has symmetrical character, linked to formula based market dependent factors with significant influence of non-controlling interests owners, Management considered that risk and rewards relating to ownership has not been transferred to the Group and therefore recognized nono-controlling intrest (further NCI) at amount PLN 111.081 thousand (EUR 28.000 thousand, note 2), being the fair value of NCI at the acquisition date, established by the independent valuator.

Following the requirement of IAS32, as at the acquisition date the Group recognized a liability for the amount of PLN 160.093 thousand (EUR 40.681 thousand) with respect of liabilities towards the non-controlling shareholders. The amount of liability represent the best estimate of the amount required to settle the liability and has been established by the independent valuator. The entire amount of the liability (including the excess over the fair value if NCI as at the date of acquisition) has been recorded as deduction of equity.

The accounting over the liability to purchase the non-controlling interest is not specifically regulated by IFRS and therefore requires management to develop an accounting policy and apply it consistently. Also, significant judgment is required to determine whether risk and rewards relating to NCI are retained with non-controlling shareholders or transferred to the Group. In case, the risk and rewards were considered to be transferred to the Group, the amount of recognized goodwill and equity would have increased by PLN 61.980 thousand (EUR 14.453 thousand, being the difference between the fair value of liability and fair value of NCI without impact of possible changes in valuation after acquisition date). The amount of liability recognized is a subject to a significant degree of uncertainty. The key factors of uncertainty relate to planned EBITDA and net debt levels. As at the balance sheet date the amount of liability has been estimated at the level of PLN 189.382 thousand (EUR 46.324 thousand) with the difference of PLN 8.572 thousand (EUR 2.043 thousand) recorded to net profit

for the period and the value of PLN 14.781 thousand concerned foreign exchange differences was recognized in reserved capital (note 20). Future changes of key factors will affect the amount of liability and be recognized in profit for the period. Following above 10% increase/decrease of key factors would cause increase/decrease of liability by PLN 18.938 thousand (EUR 4.632 thousand).

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – notes 27 and 28 and recognition of deferred tax on tax loss carryforwards – note 7. In classification of agreements for operating lease and finance categories are made critical judgments allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

35. Financial instruments

The Group is exposed to several financial risks in connection with its activities, including: the risk of market fluctuations (covering the foreign exchange risk and risk of changes in interest rates), risk related to financial liquidity and – to a limited extent – credit risk. The risk management program implemented by the Group is based on the assumption of the unpredictability of the financial markets and is used to maximally limit the impact of negative factors on the Company's financial results.

Risk management is based on procedures approved by the Management Board.

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 218 thousand for the Group's receivables exposed to credit risk and additionally reversed previous impairment in value of PLN 815 thousand in the 12 month period ended December 31, 2012. The maximum credit risk exposure amounts to PLN 295.264 thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2012 is presented in the table below:

	current	overdue in days				Total
		less than 90	91 - 180	181 - 365	more than 360	
Trade and other receivables	65 450	12 261	3 834	3 505	11 400	96 450
Receivable write-downs	-	-	-	-	(5 467)	(5 467)
Total	65 450	12 261	3 834	3 505	5 933	90 983

Value of impairment provisions for receivables as at December 31, 2012 and December 31, 2011 is presented in table below:

	31.12.2012	**31.12.2011**
Value for the beginning of the period	5 641	4 024
Provision created	1 033	4 872
Provisions released	(815)	(21)
Provisions used	(518)	(3 286)
Other	126	52
Value for the end of the period	**5 467**	**5 641**

The Group did not recognize impairment on overdue trade and other receivables of PLN 25.533 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 21). As at December 31, 2012 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results are analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2012 been 30 base points higher/lower, the profit before tax for the period would have been PLN 1.018 thousand lower/higher (2011: PLN 855 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2012 been 30 base points higher/lower, the profit before tax for the period would have been PLN 175 thousand lower/higher (2011: PLN 187 thousand).

Had the interest rates on loans denominated in US dollars during the 12 months ended December 31, 2012 been 30 base points higher/lower, the profit before tax for the period would have been PLN 450 thousand lower/higher (2011: PLN 442 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2012 been 30 base points higher/lower, the profit before tax for the period would have been PLN 743 thousand lower/higher (2011: PLN 688 thousand).

Foreign exchange risk

The Group is exposed to foreign exchange risk related to transactions in currencies other than the functional currency in which the business operations are measured in particular Group companies. Foreign exchange risk results from future business transactions, recognized assets and liabilities. Moreover, lease payments related to a significant part of the Group's lease agreements are indexed to the exchange rate of the American dollar or the euro. Nevertheless, the Group is trying to sign lease agreements in local currencies whenever possible, but many landlords require that the lease payments be indexed to the euro or to the American dollar.

For hedging transactional risk and risk resulting from revaluation of recognized assets and liabilities Group uses derivative forward financial instruments.

Net investment foreign currency valuation risk

Group is exposed to risk of net investment valuation in subsidiaries valued at foreign currencies. This risk is hedged for key positions with use of net investment hedge.

Group applies hedging accounting for revaluation of borrowings, forwards and put option liability in EUR and USD which constitutes net investment hedges in American, Hungarian and Spanish related parties. Details concerning hedging on currency risk are described in note 20.

Sensitivity analysis

As at December 31, 2012 and December 31, 2011, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2012 if foreign exchange rates would increase by 10% effect of net investment hedge valuation wouldn't influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 63.091thousand (2011: PLN 16.233 thousand).

Liquidity risk

Prudent financial liquidity management assumes that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines.

The table below shows an analysis of the Group's financial liabilities which will be settled in net amounts in particular ageing brackets, on the basis of the term to maturity as at the balance sheet date. The amounts shown in the table constitute contractual, undiscounted cash flows.

The maturity break-down of long- and short-term borrowings as at December 31, 2012 and December 31, 2011 is presented in the table below:

	31.12.2012			31.12.2011		
	Loan installments	Interest and other charges	Total	Loan installments	Interest and other charges	Total
Up to 1 year	185 326	32 965	218 291	79 997	48 026	128 022
Between 1 and 2 years	350 760	26 634	377 394	140 807	44 035	184 843
Between 2 and 5 years	263 243	6 697	269 940	702 538	53 594	756 131
More than 5 years	-	-	-	-	-	-
Payable gross value	799 329	66 296	865 625	923 342	145 655	1 068 996
Not amortized loan cost	(6 246)	-	(6 246)	(6 439)	-	(6 439)
Payable net value	793 083	66 296	859 379	916 903	145 655	1 062 557

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3,5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

The Group monitors capital using the gearing ratio. The ratio is calculated as net debt to the value of EBITDA. Net debt is calculated as the sum of borrowings (comprising loans and advances, and finance lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The Group's gearing as at December 31, 2012 and December 31, 2011 is as follows:

	31.12.2012	**31.12.2011**
Total borrowings (note 21)*	793 082	916 902
Finance lease liabilities (note 27)	4 848	3 681
Less: Cash and cash equivalents (note 18)*	(200 402)	(143 960)
Net debt	597 528	776 623
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment after adjustment of profit from sold assets in USA (adjusted EBITDA)	304 828	322 793
Gearing ratio	**1 ,96**	**2,41**

*excluding data concerned Blue Horizon

The decrease in the gearing ratio as at December 31, 2012 results from temporary repayment of revolving credit line from AmRest LLC assets sale and higher cash level at the end of 2012.

36. Events after the Balance Sheet Date

On February 20, 2013 was signed appendix to the shareholders agreement of AmRest TAG S.L. The appendix extends from 9 to 11 months the period when minority shareholders of AmRest TAG S.L have the right to exercise put option and sell their shares in case of AmRest stock price drops below PLN 65.

On February 15, 2013 the share capital of AmRest HK Limited subsidiary was increased. After the change registration share capital of AmRest HK Limited equals to USD 8.750.000. It influence change in the

shareholder structure. As at the publication date AmRest Holdings SE and Stubbs Asia Limited own accordingly 78.8% and 21.2% of shares (previous shareholder structure was as follows: 65% and 35%).

On January 11, 2013 was signed the agreement concern sale of shares in FP SPV Sp. z o.o. to individuals.

Signatures of Board Members

Drew O'Malley
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Wrocław, March 19, 2013