AmRest Holdings SE
Consolidated annual financial statements
as at and for the twelve months ended
December 31, 2016

Contents

Consolidated annual income statement
for the period ended December 31, 2016

In thousands of Polish Zloty

	Notes	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Continuing operations			
Restaurant sales		3 947 314	3 123 773
Franchise and other sales		260 055	214 967
Total sales	2	4 207 369	3 338 740
Company operated restaurant expenses:			
Food and material		(1 180 839)	(972 180)
Payroll and employee benefits		(908 674)	(686 198)
Royalties		(197 991)	(153 366)
Occupancy and other operating expenses		(1 194 264)	(947 661)
Franchise and other expenses		(168 648)	(141 330)
General and administrative (G&A) expenses		(294 796)	(251 600)
Impairment losses	2,8,10	(16 329)	(16 848)
Total operating costs and losses	3	(3 961 541)	(3 169 183)
Other operating income	4	22 346	26 186
Profit from operations		**268 174**	**195 743**
Finance costs	2,6	(48 089)	(43 694)
Finance income	2,5	3 326	9 646
Income from associates	2,28	59	588
Profit before tax		**223 470**	**162 283**
Income tax expense	2,7	(32 726)	(4 944)
Profit for the period		**190 744**	**157 339**
Profit attributable to:			
Non-controlling interests		180	(2 697)
Equity holders of the parent		190 564	160 036
Profit for the period		**190 744**	**157 339**
Basic earnings per share in Polish zloty	26	8,98	7,54
Diluted earnings per share in Polish zloty	26	8,98	7,54

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, 2016

In thousands of Polish Zloty	**Notes**	**For the 12 months ended December 31, 2016**	**For the 12 months ended December 31, 2015**
Profit for the period		190 744	157 339
Other comprehensive income:			
Currency translation differences from conversion of foreign entities		113 659	(21 283)
Net investment hedges	17	(22 386)	(476)
Income tax concerning net investment hedges	7,17	4 253	91
Total items that may be reclassified subsequently to profit or loss		95 526	(21 668)
Other comprehensive income for the period, net of tax		**95 526**	**(21 668)**
Total comprehensive income for the period		**286 270**	**135 671**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		287 291	135 420
Non-controlling interests		(1 021)	251

The consolidated annual 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, 2016

In thousands of Polish Zloty	Notes	31.12.2016	31.12.2015 (after adjustments)*
Assets			
Property, plant and equipment	8	1 343 738	1 060 019
Goodwill	2,11	769 063	585 378
Other intangible assets	10	604 139	574 109
Investment properties	9	22 152	22 152
Investments in associates	28	888	828
Other non-current assets	12	62 503	51 801
Deferred tax assets	7	49 674	33 352
Total non-current assets		**2 852 157**	**2 327 639**
Inventories	13	82 086	63 550
Trade and other receivables	14,31	99 384	91 929
Corporate income tax receivables	7	12 797	5 458
Other current assets	15	102 898	43 355
Cash and cash equivalents	16	291 641	317 871
Total current assets		**588 806**	**522 163**
Total assets	2	**3 440 963**	**2 849 802**
Equity			
Share capital		714	714
Reserves	17	648 886	678 306
Retained earnings		655 020	464 456
Translation reserve	17	4 413	(110 447)
Equity attributable to shareholders of the parent		**1 309 033**	**1 033 029**
Non-controlling interests	17	**67 577**	**71 045**
Total equity		**1 376 610**	**1 104 074**
Liabilities			
Interest-bearing loans and borrowings	18	1 039 033	1 035 946
Finance lease liabilities	23	7 880	7 921
Employee benefit liability	19	19 850	26 677
Provisions	20	23 717	4 245
Deferred tax liability	7	117 818	90 492
Other non-current liabilities	21	8 429	14 901
Total non-current liabilities		**1 216 727**	**1 180 182**
Interest-bearing loans and borrowings	18	223 255	89 418
Finance lease liabilities	23	1 636	1 323
Trade and other accounts payable	22	614 929	461 774
Corporate income tax liabilities	7	7 806	13 031
Total current liabilities		**847 626**	**565 546**
Total liabilities	2	**2 064 353**	**1 745 728**
Total equity and liabilities		**3 440 963**	**2 849 802**

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

* The adjustment resulted from final purchase price allocation process of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) described in note 1cc).

Consolidated annual cash flow statement
for period ended December 31, 2016

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Cash flows from operating activities			
Profit before tax	2,7	223 470	162 283
Adjustments for:			
Share of profit of associates	28	(59)	(588)
Amortization	2,10	33 341	26 947
Depreciation	2,8	237 732	196 934
Interest expense, net	5,6	33 864	33 285
Foreign exchange result	5,6	2 903	(5 204)
Loss on disposal of property, plant and equipment and intangibles	8	1 642	(320)
Impairment of property, plant and equipment and intangibles	2,8,10	16 958	13 249
Equity-settled share-based payments expenses	19	22 415	26 240
Working capital changes:	16		
Change in receivables		(2 829)	(27 373)
Change in inventories		(9 575)	(12 890)
Change in other assets		(3 926)	(28 412)
Change in payables and other liabilities		(45 486)	111 401
Change in other provisions and employee benefits		12 879	(5 431)
Income tax paid		(31 754)	(14 988)
Interest paid		(36 939)	(36 508)
Interest received	5	3 084	3 223
Dividends received from associates		-	158
Other		(823)	(251)
Net cash provided by operating activities		**456 897**	**441 755**
Cash flows from investing activities			
Expenses on acquisition of subsidiaries, decreased by cash	2	(155 147)	(64 025)
Proceeds related to the acquisition of subsidiaries		14 330	-
Proceeds from the sale of property, plant and equipment, and intangible assets	8,10	4 192	5 599
Acquisition of property, plant and equipment		(372 822)	(256 527)
Acquisition of intangible assets	10	(29 684)	(20 296)
Expense on loans given to other entities		-	198
Net cash used in investing activities		**(539 131)**	**(335 051)**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		11 056	9 332
Expense on acquisition of own shares (employees options)		(50 079)	(49 779)
Expense on settlement of employee stock option in cash		(4 134)	(8 740)
Proceeds from loans and borrowings		202 922	12 018
Repayment of loans and borrowings		(91 085)	(7 211)
Dividends paid to non-controlling interest owners		(2 205)	(1 470)
Proceeds related to the acquisition of non-controlling interest		1 111	-
Proceeds/(repayment) of finance lease payables		(1 439)	1 102
Net cash provided by/(used in) financing activities		**66 147**	**(44 748)**
Net change in cash and cash equivalents		**(16 087)**	**61 956**
Balance sheet change of cash and cash equivalents		(26 230)	60 700
Cash and cash equivalents, beginning of period		317 871	257 171
Effect of foreign exchange rate movements		(10 143)	(1 256)
Cash and cash equivalents, end of period		**291 641**	**317 871**

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, 2016

	Attributable to equity holders							
		Reserved capital (note 17)						
	Issued capital	Treasury shares	Other 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 1, 2015	**714**	**(4 014)**	**696 638**	**304 420**	**(86 216)**	**911 542**	**64 100**	**975 642**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	160 036	-	**160 036**	(2 697)	**157 339**
Currency translation differences (note 17)	-	-	-	-	(24 231)	**(24 231)**	2 948	**(21 283)**
Valuation impact of net investment hedging instruments	-	-	(476)	-	-	**(476)**	-	**(476)**
Deferred income tax concerning net investment hedges (note 7)	-	-	91	-	-	**91**	-	**91**
Total Comprehensive Income	**-**	**-**	**(385)**	**160 036**	**(24 231)**	**135 420**	**251**	**135 671**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Takeover of full control over the subsidiary	-	-	(8 006)	-	-	(8 006)	8 006	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(1 312)	**(1 312)**
Total transaction with non-controlling shareholders	**-**	**-**	**(8 006)**	**-**	**-**	**(8 006)**	**6 694**	**(1 312)**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(49 779)	-	-	-	**(49 779)**	-	**(49 779)**
Proceeds from treasury shares	-	32 581	(32 581)	-	-	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	18 180	-	-	**18 180**	-	**18 180**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	9 332	-	-	**9 332**	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	12 624	-	-	**12 624**	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	3 716	-	-	**3 716**	-	**3 716**
Total transaction with shareholders	**-**	**(17 198)**	**11 271**	**-**	**-**	**(5 927)**	**-**	**(5 927)**
As at December 31, 2015	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
As at January 1, 2016	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	190 564	-	**190 564**	180	**190 744**
Currency translation differences (note 17)	-	-	-	-	114 860	**114 860**	(1 201)	**113 659**
Valuation impact of net investment hedging instruments	-	-	(22 386)	-	-	**(22 386)**	-	**(22 386)**
Deferred income tax concerning net investment hedges (note 7)	-	-	4 253	-	-	**4 253**	-	**4 253**
Total Comprehensive Income	**-**	**-**	**(18 133)**	**190 564**	**114 860**	**287 291**	**(1 021)**	**286 270**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Payments from non-controlling interest	-	-	-	-	-	-	5 928	5 928
Takeover of control over the subsidiary	-	-	(3 677)	-	-	(3 677)	(6 170)	**(9 847)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(2 205)	**(2 205)**
Total transaction with non-controlling shareholders	**-**	**-**	**(3 677)**	**-**	**-**	**(3 677)**	**(2 447)**	**(6 124)**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(50 079)	-	-	-	**(50 079)**	-	**(50 079)**
Proceeds from treasury shares	-	60 168	(60 168)	-	-	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	19 687	-	-	**19 687**	-	**19 687**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	11 056	-	-	**11 056**	-	**11 056**
Employee stock option plan – value of unexercised employee benefits	-	-	(4 457)	-	-	**(4 457)**	-	**(4 457)**
Efect of modification of employee stock option plan	-	-	13 515	-	-	**13 515**	-	**13 515**
Change of deferred tax related to unexercised employee benefits	-	-	2 668	-	-	**2 668**	-	**2 668**
Total transaction with shareholders	**-**	**10 089**	**(17 699)**	**-**	**-**	**(7 610)**	**-**	**(7 610)**
As at December 31, 2016	**714**	**(11 123)**	**660 009**	**655 020**	**4 413**	**1 309 033**	**67 577**	**1 376 610**

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.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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).

Here after, 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, 2016 cover the Company, its subsidiaries and the Group’s shares in associates.

These consolidated financial statements were approved by the Company’s Management Board on March 16, 2017.

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, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany and Spain, on the basis of franchises granted. In Spain, France, Germany and China the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. 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”).

As at December 31, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 16, 2017 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%
FCapital Dutch B.V.*	13 121 152	61.85%	13 121 152	61.85%
Nationale-Nederlanden OFE**	2 034 893	9.59%	2 034 893	9.59%
Gosha Holding S.à.r.l.***	1 242 056	5.85%	1 242 056	5.85%
Other shareholders	4 815 792	22.70%	4 815 792	22.70%

* FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.) (holding 6 394 362 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of AmRest.

** The previous name: ING OFE

*** Gosha Holding S.à.r.l. is the entity which is connected with Mr Henry McGovern and Mr Steven Kent Winegar, Supervisory Board members of AmRest.

Pizza Hut and KFC

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.

Burger King

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 "Strategic Development Agreement" was signed partially amending "Development Agreement" and franchise agreement was signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, in Poland and Czech, respectively.

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 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.

The agreement was concluded for a fixed term until 30 June 2015. Provided that the duration of the contract will be extended until the end of the development agreements concluded with AmRest Sp. z o.o and AmRest s.r.o. On

November 13, 2015 an ammendment letter to Strategic Development Agreement was signed extending its terms till December 31, 2016.

From January 1, 2017 any new restaurant is opened in accordance with a separate standard franchise agreement for each new opened unit, without general area-wide development agreements in place.

Starbucks

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. ("Starbucks") relating to the development of Starbucks cafés in Poland, 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. 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. From the ninth year of operation of the agreement Starbucks has 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 is 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 June 24, 2015 Group has started operations of Starbucks in Romania and Bulgaria after 100% share acquisition of sole operators on those markets (note 2).

On September 29, 2015 AmRest Group entities in writting confiremd with Starbucks EMEA Ltd opening obligations in years 2015 – 2020 for 5 markets: Poland, Czech Republic, Romania and Bulgaria.

On January 22, 2016 an area development and operation agreement and supply agreement was signed by AmRest Group regarding the rights and license to develop, to own and operate Starbucks stores in Slovakia.

On May 23, 2016 operations of Starbucks in Germany have been started after 100% share acquisition of one of the operators on this market.

La Tagliatella

Group is running proprietary brands from La Tagliatella group since April 28, 2011, when controlling interests of Spanish AmRestTAG S.L. were acquired, and Blue Frog and KABB since December 21, 2012, when Group acquired controlling interests in Blue Horizon Hospitality PTE Ltd. Group.

La Tagliatella proprietary brands are run as equity stores mostly on Spanish market and heavily developed new markets, additionally in Spain are present franchise activities together with well developed supply chain management processes. In franchise activities entities within Spanish Group are signing agreements with third parties to run restaurant under proprietary brand of AmRest, according to agreement terms they are expected to follow set standards, use common supply chain and pay agreed intital fee and monthly franchise fee based as percentage of net sales. This agreeements are long term with restricted terms of notice. La Tagliatella restaurants are places with unique décor, serving Italian food, based on fresh, high quality and original ingridients, served in fast casual form.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Blue Frog and KABB

Proprietary brands of Blue Frog and KABB are only located within China. In modern interriors dishes from contemporary western cuisine are served meeting high demand from mid and upper class. KABB brand is perceived as premium one with high quality of service and food offered.

Pizza Hut development

On August 16th, 2016 AmRest informed about signing on August 15th, 2016 the Master Franchise Agreement (“MFA”) and Development Agreement (“DA”) (collectively: the “Agreements”) with Pizza Hut Europe Sarl (US Branch) (“PH Europe”). The Agreements determine the rights and license to develop, own and operate Pizza Hut restaurants in countries of Central and Eastern Europe: Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia. The provisions of the Agreements apply from October 1st, 2016.

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

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

The DA was concluded for a period of 5 years and will be prolonged for another 5 years on terms and conditions to be determined by the parties. In order to facilitate the growth of scale of Pizza Hut business, PH Europe will introduce an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the DA.

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

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

Group structure

As at December 31, 2016 , the Group comprised the following subsidiaries:

Company name	**Seat**	**Parent/non-controlling undertaking**	**Ownership interest and total vote**	**Date of effective control**
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U.	16.52%	April 2011
		AmRest TAG S.L.U.	83.48%	
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
Blue Horizon Hospitality Group PTE Ltd*	Singapore, China	AmRest Holdings SE	67.56%	December 2012
		WT Equities	14.10%	
		BHHG	14.10%	
		MJJP	4.24%	
Bigsky Hospitality Group Ltd	Hong Kong, Chiny	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

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Kai Fu Restaurant Management (Shanghai) Co., Ltd.	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100,00%	December 2016
		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. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.22% 99.78%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	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
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH**	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	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
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Group Consultants (BVI)	100.00%	December 2012
AmRest Skyline GmbH	Cologne, Germany	AmRestavia S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd.	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp.z o.o.	100.00%	June 2015
AmRest Coffe S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	December 2015

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
AmRest Coffee Deutschland	Munich, Germany	AmRest Kaffee Sp. z o.o.	85.00%	May 2016
Sp. z o.o. & Co. KG		AmRest Capital Zrt	15.00%	
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	December 2016
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 Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012
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
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC, LLC	Wilmington, USA	AmRest Holdings SE	100,00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2016
Supply services for restaurants operated by the Group				
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Activita Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100,00%	October 2014

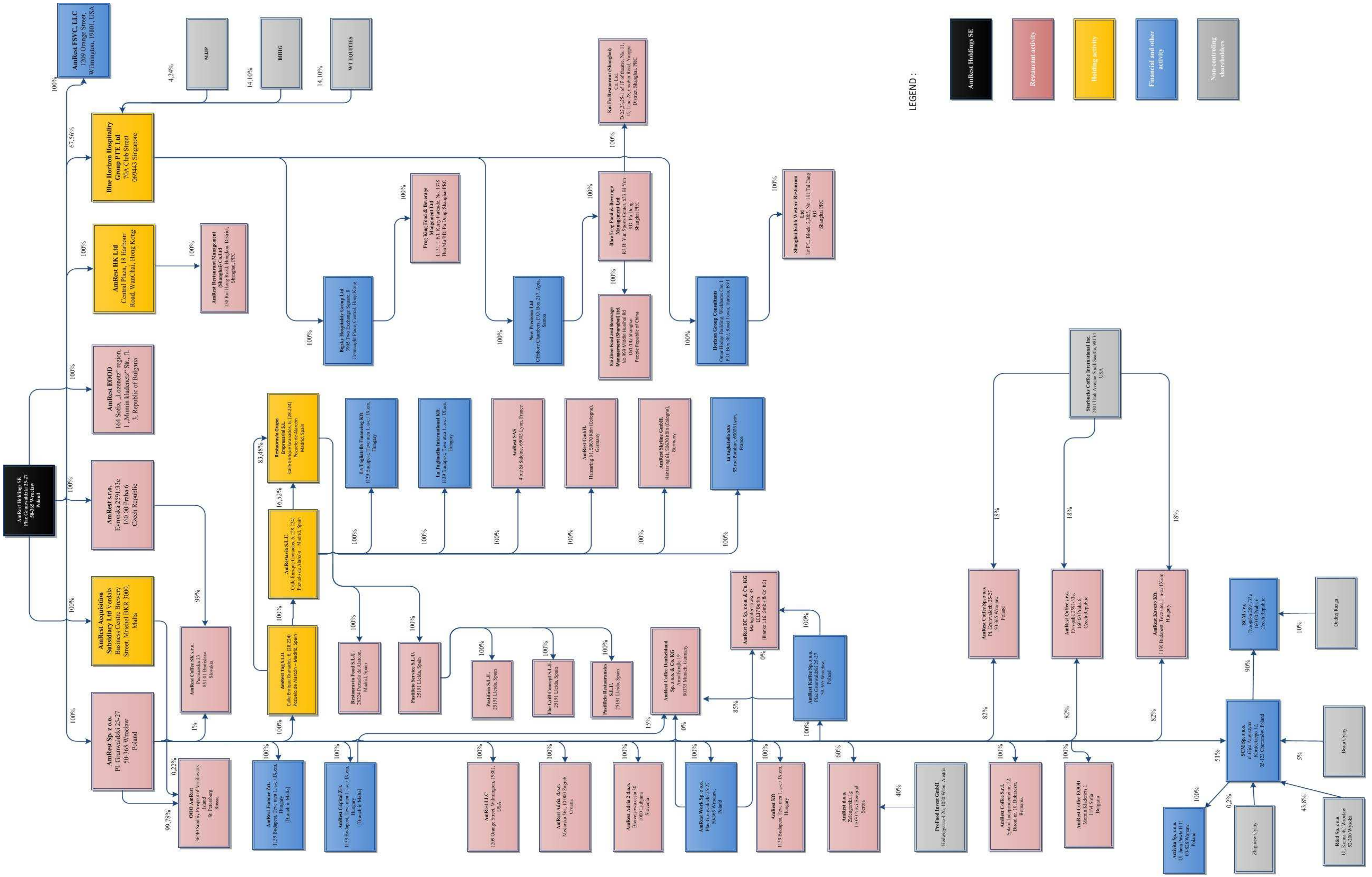
* On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

** On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company.

As at December 31, 2016 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 acquisition**
SCM s.r.o.	Prague, Czech	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007

The Group's office is in Wroclaw, Poland. At December 31, 2016 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Slovakia, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.



Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

At December 31, 2016 and December 31, 2015 the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

Summarised balance sheet

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	24 882	24 211	5 457	32 403	17 579	3 897
Liabilities	(54 109)	(11 639)	(6 704)	(15 864)	(5 707)	(1 913)
Total current net assets	(29 227)	12 572	(1 247)	16 539	11 872	1 984
Non-current assets	89 503	31 605	17 607	45 018	4 257	3 257
Liabilities	(9 282)	(276)	(72)	(86)	(1 019)	(7)
Total non-current net assets	80 221	31 329	17 535	44 932	3 238	3 250
Net assets	50 994	43 901	16 288	61 471	15 110	5 234

2015	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	27 770	16 872	7 193	7 446	16 129	2 678
Liabilities	(42 954)	(10 856)	(5 447)	(11 186)	(4 986)	(1 373)
Total current net assets	(15 184)	6 016	1 746	(3 740)	11 143	1 305
Non-current assets	90 866	29 537	12 368	36 208	3 594	2 919
Liabilities	(12 765)	(180)	(1)	(4)	(381)	(7)
Total non-current net assets	78 101	29 357	12 367	36 204	3 213	2 912
Net assets	62 917	35 373	14 113	32 464	14 356	4 217

Summarised income statement

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	229 028	76 779	35 749	85 026	46 118	14 472
Profit before tax	(10 507)	9 120	2 103	(3 930)	6 755	954
Income tax expense/income	(11)	(2 053)	(597)	-	(1 560)	-
Profit/loss for the period	(10 518)	7 067	1 506	(3 930)	5 195	954
Profit/loss for the period allocated to Non-controlling interests	(3 583)*	1 272	271	(707)	2 546	382

2015	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	208 017	60 352	25 885	73 918	36 377	13 484
Profit before tax	(13 021)	6 407	946	(6 707)	5 421	674
Income tax expense/income	2 285	(1 379)	(375)	-	(1 191)	-
Profit/loss for the period	(10 736)	5 028	571	(6 707)	4 230	674
Profit/loss for the period allocated to Non-controlling interests	(4 102)**	905	103	(1 207)	2 073	270

* On November 15, 2016 Company passed a resolution on purchase share from Coralie Danks in Blue Horizon Hospitality PTE LTD which resulted additional 5.23% of shares. On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

** On January 30, 2015 Company passed a resolution of increase share capital in Blue Horizon Hospitality PTE LTD in amount of TUSD 4 454 which resulted additional 2.78% of shares. On July 13, 2015 the process of issuing shares has finished and resulted in reduction of shares by 0.63%.

The subsidiaries in which they have non-controlling interest, there are no significant restrictions on the possibility of accesses to the assets or their use and settlement of obligations.

As at the date of publication of this report, Group companies with non-controlling interests did not prepare the separated cash flows in accordance with the International Financial Reporting Standards. From the point of view of the Group, they would not be meaningful, because to a large extent they would be driven by transactions with related parties.

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") as adopted by the European Union for annual financial reporting, in force as at December 31, 2016.

As at December 31, 2016 there are no discrepancies between the accounting policies adopted by the Group according to IFRS standards accepted to use in European Union and the IFRS standards published by the International Accounting Standards Board ("IASB").

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 30 describes the assessments made by the Management Board which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date, on which such control ends. The parent controls an entity, if the parent has:

- power over this entity,
- exposure, or rights, to variable returns from its involvement with the entity, and
- the ability to use its power over the entity to affect the amount of its returns.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where an investor has less than a majority of voting rights in the given entity, but the voting rights held are sufficient for the investor to have the practical ability to direct the relevant activities of the given entity unilaterally, it means that the investor has the power over this entity. When assessing whether the Company's voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Any changes in the shareholding structure of the parent company that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, in order to reflect changes in the relative interest in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interest. All differences between the value of the adjustment to the non-controlling interest and the fair value of the consideration paid or received are taken to the shareholders' equity and allocated to the owners of the parent.

Associates

An associate is an entity on which the parent has, directly or indirectly through subsidiary companies, a significant influence, and which is neither its subsidiary nor joint venture, 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. Its share in other comprehensive income and 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 32 and 18, describing accordingly: significant post balance sheet events after December 31, 2016 and borrowings.

The consolidated annual financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

As it was described in note 18 "Borrowings", financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (currently Bank BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2016 and available financing scenarios. In note 30 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, France and Slovakia 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 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 concerning 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 made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs and elements of other comprehensive income 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 presented in other comprehensive income and accumulated under a separate component of equity as translation differences of foreign operations. Upon the disposal of the operations, the exchange differences accumulated in equity that relate to the given foreign entity are recognized in the income statement.
- Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

The Group uses National Bank of Poland's exchange rates for currency translations.

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

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2016.

g) Property, plant and equipment

Property, plant and equipment owned by the Group

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.

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.

The Group does not capitalize costs of external financing, as those assets do not meet definition of qualified assets under IAS 23.

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

* lease term

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

h) 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.

i) Franchise, licence agreements and other fees

As described in note 1a), the Group operates restaurants on the basis of franchise agreements. In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable initial fee upon opening each new restaurant and further fees over the period of the agreement (in the amount of % of sales revenues, usually 5-6%), and to allocate % of revenues (usually 5%) 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 initial fees are in fact 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 are in reality fees for the right to use eg. 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.

A fixed licence fee equal to % of sales revenues is recognized in the income statement when as incurred in category continuing franchise fees.
The local marketing fee is recognized in the income statement as incurred in category direct marketing costs.

Group owns brands and is a franchisor in franchisee agreements. Following policies apply:

- 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.

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 recognized on the acquisition of subsidiaries that provide for lease fees lower than market fees 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 at fair value as at the date of transaction. The economic useful life is assessed individually. Trademark of La Tagliatella has indefinite economic useful life and is not subject of amortization, but of annual impairment tests. Blue Frog brand has its economic useful life and is amortized.

Relationships with Franchisees, relationships with clients (clients' database)

Relationships with Franchisees and with clients recognized at mergers and acquisitions are measured at fair value at the acquisition date. Useful life is determinated for each asset separately.

Rights to the Pizza Hut, KFC, Burger King, Starbucks trademark

See note 1i) of the accounting policies.

Other intangible assets

Other intangible assets are recognized at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (see note 1p) of the accounting policies below). The exclusivity rights of brand operators on particular markets are presented within other intangible assets.

Amortization

Intangible assets are amortized on 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*
• Trademarks	5-10 years
• Own trademark Blue Frog	20 years
• Rights to Pizza Hut, KFC, Burger King and Starbucks trademark	10 years
• Relations with franchisees	20-24 years**
• Clients' database	2 years
• Exclusivity rights brand operator	6-12 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
*** period of exclusivity agreement

k) Goodwill

Business combinations are accounted for under the acquisition method.

Goodwill on acquisition of a business entity is initially measured at acquisition cost which is an excess of:

- the sum total of:
    - the consideration paid,
    - the amount of all non-controlling interest in the acquiree, and
    - in the case of a business combination achieved in stages, the fair value, at the acquisition-date, of an interest in the acquiree,
- over the net fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill on consolidation is disclosed in a separate line in statement of financial position and measured at cost net of accumulated impairment write-downs. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired (refer to the point p) of accounting policy). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated 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. A financial asset is classified as held for trading if it is: acquired principally for the purpose of selling it in the near term; part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative unless they are designated as hedges. 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 included financial assets held to maturity are quoted in an active market non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

The carrying amount of investments are measured at amortised cost using the effective interest rate.

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 purchase and sale transactions of financial assets 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 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 (point p) of the accounting policies). An estimate for doubtful debts is made when collection of the full amount is no longer probable.

n) Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

o) Cash and cash equivalents

Cash reported in the statement of financial position comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (overdraft facilities).

p) Impairment

The Group assesses at each reporting date whether there is any objective evidence of assets impairment. Group verifies the carrying value of inventories (See note n) of the accounting policies) and deferred income tax assets (note x) 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.

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 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.

An assessment is made at each reporting date to determine whether there is any indication that a non-financial asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised 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 (cash-generating unit).

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 concerning 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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

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 associated with the borrowing. 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

Equity inludes equity Equity attributable to shareholders of the parent and non-controlling interests.

Equity attributable to shareholders of the parent inludes:

- Share capital

- Reserves
- Retained earnings
- Translation reserve

Within reserves position effect of following transactions are presented:

- 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 valuation
- Effect of accounting for share based payments
- Treasury shares
- Hedges valuation
- Transactions with non controlling interests

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 both equity-settled share-based programs and cash settled share- based programs.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to award fair value at the grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the parent's Management Board at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

Cash-settled transactions

Cash-settled transactions were started to be accounted in 2014 as a result of modification introduced int exisiting share based programs. Programs were modified so that it may be settled in cash instead of shares. As a result the group re-measures the liability related to cash settled transaction.

The liability is subsequently be measured at its fair value at every balance sheet date and recognised to the extent the service vesting period passed, with changes in liability valuation recognized in income statement. Cumulatively, at least the original grant date fair value of the equity instruments is recognised as an expense (share-based payment expense).

At the date of settlement, the Group shall remeasure the liability to its fair value. The actual settlement method selected by the employees, will dictate the accounting treatment:

- if cash settlement is chosen, the payment reduces the entirely recognised liability;
- if the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any equity component previously recognised shall remain within equity.

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 the same period as the related remuneration, under “Payroll and employee benefits”.

Management incentive program for Group employees in local markets

During acquisition of the 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 33%. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

After acquisition of the Chinese business, AmRest Group has issued management incentive program towards employees of Chinese group based on financial result for Chinese market. This plan provides minimal hurdle rate of Chinese business value increase, which surplus in comparison to reference value in the moment of plan reconciliation, will be subject of benefit settlement. 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 1g) of accounting policies.

x) Income tax expense

The income tax shown in the income statement comprises the current and deferred part. 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.

For financial reporting purposes, deferred tax is recognised, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax relating to items recognised outside profit or loss is also recognized outside profit or loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

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 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

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.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss for the period.

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.

Movements on the hedging reserve in other comprehensive income are shown in note 17.

Cash flow hedge

The effective part 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 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 the Executive Committee while making strategic decisions. The Executive Committee (Exec) analyzes 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. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition.

bb) 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.

cc) Adjustments

Comparable data were restated as a consequence of following adjustments:

Fair value of acquired net assets of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) was presented in annual consolidated financial statements for the year ended December 31, 2015 in value of PLN 48.240 thousands and, due to the adjustments in purchase price allocation process, was adjusted by PLN 2.287 thousand. This adjustment consisted of decreased value of current assets by PLN 1.609 thousand (RON 1.708 thousand), increased provisions by PLN 565 thousand (RON 600 thousand) and increased current liabilities by PLN 113 thousand (RON 120 thousand).

Schedules of effects of above mentioned adjustments and the reconciliations between data published for the year ended December 31, 2015 and reported in current period statements as data for the year ended December 31, 2015 are presented below.

Consolidated annual statement of financial position as at December 31, 2015

In thousands of Polish zloty	**According to the published financial statement**	Adjustment	**After adjustments**
Assets			
Property, plant and equipment	1 060 019		1 060 019
Goodwill	583 091	2 287	585 378
Other intangible assets	574 109		574 109
Investment property	22 152		22 152
Investments in associates	828		828
Other non-current assets	51 801		51 801
Deferred tax assets	33 352		33 352
Total non-current assets	**2 325 352**	**2 287**	**2 327 639**
Inventories	64 346	(796)	63 550
Trade and other receivables	92 090	(161)	91 929
Corporate income tax receivables	5 458		5 458
Other current assets	44 007	(652)	43 355
Cash and cash equivalents	317 871		317 871
Total current assets	**523 772**	**(1 609)**	**522 163**
Total assets	**2 849 124**	**678**	**2 849 802**
Equity			
Share capital	714		714
Reserves	678 306		678 306

In thousands of Polish zloty	**According to the published financial statement**	Adjustment	**After adjustments**
Retained earnings	464 456		464 456
Translation reserve	(110 447)		(110 447)
Equity attributable to shareholders of the parent	**1 033 029**	**-**	**1 033 029**
Non-controlling interests	**71 045**	**-**	**71 045**
Total equity	**1 104 074**	**-**	**1 104 074**
Liabilities			
Interest-bearing loans and borrowings	1 035 946		1 035 946
Finance lease liabilities	7 921		7 921
Employee benefit liability	26 677		26 677
Provisions	3 680	565	4 245
Deferred tax liability	90 492		90 492
Other non-current liabilities	14 901		14 901
Total non-current liabilities	**1 179 617**	**565**	**1 180 182**
Interest-bearing loans and borrowings	89 418		89 418
Finance lease liabilities	1 323		1 323
Trade and other accounts payable	461 774		461 774
Income tax liabilities	12 918	113	13 031
Total current liabilities	**565 433**	**113**	**565 546**
Total liabilities	**1 745 050**	**678**	**1 745 728**
Total equity and liabilities	**2 849 124**	**678**	**2 849 802**

dd) Changes in accounting policies

The accounting policies applied in the preparation of the attached consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015 with the exception of the amendments presented below. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, did not apply to the the Group’s transactions, or the Group decided not to apply a newly introduced approach or model:

- **Defined Benefit Plans: Employee Contributions - Amendments to IAS 19**

The amendment changes to IAS 19 Employee Contributions was issued in November 2013.
The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Amendments to IFRS 2010-2012**

International Accounting Standards Board has published in December 2013 “Improvements to IFRSs 2010-2012” which amend 7 standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41**

The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 11 on the purchase of a share in a common activity**

This amendment to IFRS 11 requires the investor when he acquires a share in a common business activity which is as defined in IFRS 3 application to acquire its share of the accounting rules on businesses connections in accordance with IFRS 3 and the rules under other standards, unless they are in contrary to the guidelines contained in IFRS 11.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IAS 16 and IAS 38 concerning depreciation**

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate because the revenues generated in the business, which uses data assets also reflect factors other than the consumption of economic benefits from the asset.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 2012-2014**

International Accounting Standards Board published in September 2014 “Improvements to IFRSs 2012-2014”, that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after 1 January 2016.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IAS 1**

In December 2014 in result of the works on so-called initiative on disclosure, the International Accounting Standards Board an amendment to IAS 1 issued. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The revised IAS 1 explained that the items presented in the statement of financial position and statement of results and other comprehensive income may be aggregated or disaggregated according to their relevance. It also introduced additional guidance relating to the presentation of subtotals in these statements.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Amendments to IAS 27 concerning the equity method in the separate financial statements**

The amendments in IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 concerning deconsolidation of investment units**

On December 18, 2014 the IASB published the so-called amendment to a limited extent. Amendment to IFRS 10, IFRS 12 and IAS 28 'Investment Units: deconsolidation' clarifies requirements for investment entities and introduces some facilitations.
The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.
The standard clarifies that an entity should measure at fair value through profit or loss all of its subsidiaries, which are units of investment. In addition, clarified that the exemption from preparing consolidated financial statements if the parent company prepares a higher degree of financial statements available to the public concerns made regardless of whether the subsidiaries are consolidated or at fair value through profit or loss in accordance with IFRS 10 in the report of the ultimate parent or senior management.

Amendments had no impact on the consolidated financial statements of Group.

The Group has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

ee) New standards and interpretations that have been issued but have not yet become effective

The following standards and interpretations were published by the International Accounting Standards Board, but have not yet become effective:

- **IFRS 9 "Financial Instruments"**

IFRS 9 replaces IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.
IFRS 9 introduces one model, according to which financial as sets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost.
Classification on initial recognition is driven by the entity's business model for managing the financial assets and the contractual cash flows characteristics. IFRS 9 introduces a new model for the recognition of impairment loss es – the expected credit losses (ECL) model.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
The Group will apply these amendments to IFRS from 1 January 2018.
The Group considers this change will not have a significant impact on the consolidated financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"**

IFRS 14 is effective for annual periods beginning on or after 1 January 2016 or after that date. This standard allows individuals who produce financial statements in accordance with IFRS for the first time, to the recognition of the amounts resulting from the activities of regulated prices in accordance with the previously applied accounting principles. To improve comparability with units which already apply IFRS and do not show such amounts in accordance with the published IFRS 14, the amounts resulting from the activities of regulated

prices, should be subject to the presentation in a separate location, either in the statement of financial position as well as in the income statement and statement of other comprehensive income.
IFRS does not apply to Group.
The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **IFRS 15 “Revenue from Contracts with Customers”**

IFRS 15 was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018 or after that date.
The principles set out in IFRS 15 will apply to all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the time of the transfer of goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished in the package, should be recognized separately, moreover, any discounts and rebates on the transaction price should in principle be allocated to the various elements of the package. If the amount of revenue is variable, according to the new standard for the amount of variables are included in the income, if there is a high probability that in the future there will be no reversal of the recognition of income as a result of revaluation. Furthermore, in accordance with IFRS 15 costs incurred to acquire and secure a contract with the customer must be activated and deferred for a period of consumption of the benefits of this contract.
The Group will apply IFRS 15 from 1 January 2018. The Group considers this change will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 15 Revenue from Contracts with Customers**

Amendments were issued on 12 April 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

Amendments are not yet endorsed by EU at the date of approval of these financial statements. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 10 and IAS 28 concerning sales or transfers of assets between the investor and its associates or joint ventures**

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss, considering the interests of other investors, is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
The amendments were published on 11 September 2014 and will be effective for annual periods beginning on or after a date to be determined by the IASB.

At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **IFRS 16 "Leases"**

IFRS 16 "Leases" was issued on January 13, 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the change accordingly to IASB resolutions.
The Group is currently assessing the impact of the amendments on its financial statements. Taking into considaration large scale and value of signed lease agreements, the Group expects a significant impact of the implementation of standard on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

- **Recognition of Deferred Tax Assets for Unrealised Losses - amendments to IAS 12**

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.
The amendments are effective for annual periods beginning on or after 1 January 2017.
At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Disclosure Initiative - Amendments to IAS 7**

Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.
At the ate of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 2 Share-based Payment – classification and valuation of share based payments**

Amendments were issued on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility in insurance sector.
At the ate of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers those amendments will not have a significant impact on the consolidated financial statements.

- **Annual Improvements to IFRSs 2014-2016 cycle**

Amendments were issued on 8 December 2016 and impact three standards IFRS 12, IFRS 1 and IAS 28.
The amendments include claryficationad and changes to the scope, valuation, recognition of standards and editorial improvements.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **Amendments to IAS 40 Transfers of Investment Property**

The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Changes are effective for annual periods beginning on or after 1 January 2018.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Interpretation applies for annual periods beginning on or after 1 January 2018.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2. Segment reporting

AmRest as a Group of dynamic developing entities running operations at many markets and various restaurant business segments is under constant analysis of the Executive Committee. This Committee is also constantly reviewing the way how business is analysed and adjust it accordingly to changing Group Structure as a consequence of strategic decisions. Operating segments are set on the basis of management reports used by the Executive Committee during making strategic decisions. The Executive Committee verifies group performance while deciding of owned resources allocations in breakdown AmRest Group for divisions.

Due to the acquisition of a company operating Starbucks coffeehouses in Germany and effect of Group management structure changes initialised on the turn of 2015 and 2016, Group has revised names and a way of reporting segment aggregation continuously based on geographical criterium. The segment “Spain” was allocated to segment “Western Europe”. “New Markets” was split into “China” and “Western Europe”.

The approach is current valid solution for strategic analysis and capital allocation decision making process by Executive Committee. As for the balance sheet date Executive Committee defines segments in presented below layout.

Segment	Description
Central and East Europe (CEE)	Poland, Czech, Hungary, Bulgaria, Croatia, Romania, Slovakia and Serbia.
Western Europe	KFC and La Tagliatella restaurant operations in Spain, France, Germany, together with suply chain and franchise activity in Spain. Starbucks activity in Germany.
China	Blue Frog and KABB restaurants in China.
Russia	KFC and Pizza Hut activity in Russia.
Unallocated	Consolidation adjsutments, asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of SCM sp. z o.o., AmRest Holdings SE and subsidiary located in the Ukraine and following companies AmRest Capital Zrt, AmRest Finance Zrt and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

Below are presented data relating to operating segments for the 12 months period ended December 31, 2016 and for the comparative period ended December 31, 2015.

for the 12 months ended December 31, 2016	CEE	Western Europe	Russia	China	Unallocated	Total
Revenue from external customers	2 254 328	1 212 674	465 222	229 028	46 117	4 207 369
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	177 186	113 925	17 812	(8 547)	(32 202)	268 174
Finance income	-	-	-	-	3 326	3 326
Finance costs	-	-	-	-	(48 089)	(48 089)
Share of profit of associates	-	-	-	-	59	59
Income tax	-	-	-	-	(32 726)	(32 726)
Profit for the period	-	-	-	-	190 744	190 744
Segment assets	1 155 144	1 605 837	349 756	208 186	121 152	3 440 075
Investments in associates	-	-	-	-	888	888
Total assets	1 155 144	1 605 837	349 756	208 186	122 040	3 440 963
Goodwill	35 639	542 519	95 848	94 146	911	769 063
Deferred tax assets	32 343	6 930	-	-	10 401	49 674
Segment liabilities	326 449	243 131	33 782	39 984	1 421 007	2 064 353
Employee benefits	96 950	75 823	21 917	18 087	15 612	228 389
Depreciation (note 8)	133 572	57 175	28 256	17 935	794	237 732

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Amortization (note 10)	17 865	12 526	1 472	1 199	279	33 341
Capital investment	233 926	192 411	45 199	23 672	1 503	496 711
Impairment of fixed assets (note 8,10)	4 128	5 020	3 296	4 514	-	16 958
Impairment of trade receivables (note 3,31)	(159)	141	(205)	2	(392)	(613)
Impairment of inventories (note 3,13)	-	36	-	-	-	36
Impairment of other assets (note 3)	319	(371)	-	-	-	(52)

	CEE	**Western Europe**	**Russia**	**China**	**Unallocated**	**Total**
for the 12 months ended December 31, 2015						
Revenue from external customers	1 951 413	739 677	402 838	208 435	36 377	3 338 740
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	151 184	76 590	14 001	(12 392)	(33 640)	195 743
Finance income	-	-	-	-	9 646	9 646
Finance costs	-	-	-	-	(43 694)	(43 694)
Share of profit of associates	-	-	-	-	588	588
Income tax	-	-	-	-	(4 944)	(4 944)
Profit for the period	-	-	-	-	157 339	157 339
Segment assets	1 119 490	1 205 573	245 451	208 819	69 641	2 848 974
Investments in associates	-	-	-	-	828	828
Total assets	1 119 490	1 205 573	245 451	208 819	70 469	2 849 802
Goodwill	34 243	381 752	74 423	94 049	911	585 378
Deferred tax assets	23 521	2 100	-	-	7 731	33 352
Segment liabilities	320 941	107 696	20 109	35 050	1 261 932	1 745 728
Employee benefits (note 19)	81 306	35 917	19 052	17 218	18 905	172 398
Depreciation (note 8)	117 123	38 803	25 203	15 217	588	196 934
Amortization (note 10)	13 316	11 129	1 101	1 211	190	26 947
Capital investment (note 8,10)	228 497	71 753	38 094	2 862	390	341 596
Impairment of fixed assets (note 8,10)	1 785	8 039	153	3 272	-	13 249
Impairment of trade receivables (note 3, 31)	539	1 739	(1)	180	221	2 678
Impairment of inventories (note 3, 13)	(15)	81	-	64	-	130
Impairment of other assets (note 3)	1	507	-	285	(2)	791

Capital expenditure comprises increases and acquisition in property, plant and equipment (note 8), intangible assets (note 10), adjusted for change in investment liabilities.

The “CEE” column relates to companies located in Poland, Czech, Bulgaria, Romania, Slovakia, Serbia, Croatia and Hungary. Poland and Czech Republic as significant geographical regions have the key characteristics as disclosed below. Among the countries allocated into Western Europe segment, Spain and Germany is a significant geographical region with the key characteristics disclosed below.

		For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Revenue from external customers	Poland	1 413 526	1 331 156
	Czech Republic	487 444	415 848
	Spain	836 531	704 222
	Germany	356 998	11 857

		31.12.2016	31.12.2015
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	Poland	587 263	538 297
	Czech Republic	154 204	136 216
	Spain	1 112 892	1 039 513
	Germany	245 755	5 567

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. For goodwill testing purposes the Group complies with policy described in p).

Business combinations

Entrance into Romania restaurant market and strengthening Bulgaria presence – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

On June 24, 2015 Group has acquired by AmRest sp. z o.o. from Marinopoulos Coffee SEE B.V. 100% shares in both S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) for PLN 67.168 thousands (EUR 16.4 million). Transaction was based on agreement signed as at March 4, 2015.

AmRest Coffee S.r.l. and AmRest Coffee EOOD are the only Starbucks operators on Romania and Bulgaria territories owing at acquisition date 18 and 5 coffeeshops accordingly.

As a result of the transaction mentioned above the Group has strengthened its presence on Central European market and accelerated development of the Starbucks brand. Entrance into Romanian market, being the second in the Central Europe, with brand in which operations Group is experienced, echoes strategic directions. Expansion of existing business in Bulgaria facilitates expectations of economies of scale, improvements, offer enhancement and optimizations.

PROVISIONARY 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 (PLN thousands):

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Fair value**
Cash and cash equivalents	2 713
Property, plant and equipment	11 810
Other intangible assets	1 359
Other intangible assets - exclusivity right of Starbucks brand operator	49 412
Other non-current assets	1 311
Inventories	1 813
Trade and other receivables	694
Loans granted	6 054
Other current assets	1 010
Deferred tax liability	(7 768)
Provisions	(5 412)
Trade and other payables	(16 914)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Fair value**
Tax liabilities	(112)
Net assets acquired	45 970
Amount paid in cash	67 164
Purchase price adjustment (note 15)	(9 557)
Total payment for acquisition	57 607
The fair value of net assets	45 970
Goodwill	11 637
Amount paid in cash	(67 164)
Acquired cash and cash equivalents	2 713
Cash outflows on acquisition	(64 451)

Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Cofee EOOD)	**Fair value**
Cash and cash equivalents	430
Property, plant and equipment	1 114
Other intangible assets	274
Other intangible assets - exclusivity right of Starbucks brand operator	1 260
Other non-current assets	38
Inventories	606
Trade and other receivables	372
Other current assets	1
Loans and borrowings	(6 054)
Trade and other payables	(2 810)
Net assets acquired	(4 769)
Amount paid in cash	4
Purchase price adjustment (note 15)	(4 773)
Total payment for acquisition	(4 769)
The fair value of net assets	(4 769)
Goodwill	-
Amount paid in cash	(4)
Acquired cash and cash equivalents	430
Cash flow on acquisition	426

The purchase price allocation process has been completed.

Fair value adjustment are as follows:

	Title	**Methods/key assumptions**
Other intangible assets	Identification of exclusivity right of Starbucks brand operator in Romania and Bulgaria	Independent valuation based on MEEM method (accordingly for Romania and Bulgaria: significance of exclusivity right 46.7% and 22.4%; WACC 12.4% and 8.6%)
Property plant and equipment	Impairment provision on unused	Asset count

	Title	Methods/key assumptions
	assets	
Provisions	Potential long term tax exposures from previous periods	Management estimate - based on due dilligence report
Trade and other payables	Liabilities recognition	Assessment and review of liabilities recognition
Deferred tax liability	Deferred tax on net assets fair value	16 % income tax rate

The fair value and the other adjustments presented in the table above relate mainly to:
- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of provisions and trade and other payables;
- deferred tax liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Romanian coffeshop market clients, experienced management team and opportunity to develop other business concepts on Romania market.

IMPORTANT TERMS OF ACQUISITION AGREEMENT
All purchase price adjustments result from specific arrangements with the seller according to the Agreement. Agreement on 100% share acquisition in S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) required opening of escrow account for 18 months after transaction execution date. The escrow account covered part of the acquisition price in value of PLN 13.642 thousands (EUR 3.3 million) and was provided for settling of potential adjustments resulting from certain events after acquisition but caused before that.

In result of exercise the terms of acquisition agreement, on 26 February 2016 the Group received total amount from the escrow account, which confirms relevance of including asset from price adjustment in the settlement. Therefore the Group adjusted acquisition price in the consolidated financial statements for the year ended 31 Decemeber 2015.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT
As the acquisition of Marinopoulos Coffee Company Bulgaria EOOD (presently AmRest Coffee EOOD) and S.C. Marinopoulos Coffee Company III S.r.l. (presently AmRest Coffee S.r.l.) occurred in last days of June 2015, the results of acquired assets for the first six months of 2015 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2015 estimated consolidated revenues for the 12 months ended December 31, 2015 would grew by PLN 25.726 thousand and net profit would grew by PLN 1.759 thousand. In 2015 the cost of PLN 720 thousand related to the transaction has been recognized as general and administrative expense.

Entrance into German restaurant market – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at April 19, 2016 Group has acquired 100% shares in StarbucksCoffee Deutschland Ltd & Co. KG from companies of Starbucks Corporation Group. The take-over of control, based on agreement, began from May 23, 2016. The purchase price amounted to EUR 40 million (PLN 177.454 thousands) and was increased by EUR 1.5 million (PLN 6 997 thousands).

As part of this transaction Area Development and Operation Agreement and Supply Agreement were signed regarding the rights and license to develop, own and operate Starbucks stores in Germany for the period of 15 years that can be extended for 5 years.

As a result of the transaction mentioned above the Group has strengthened its presence on the market and accelerated development of the Starbucks brand.

PRELIMINARY ALLOCATION OF THE ACQUISITION PRICE

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

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Fair value**
Cash and cash equivalents	29 304
Property, plant and equipment	74 022
Other intangible assets	4 154
Other intangible assets – exclusivity right	11 073
Inventories	6 029
Trade and other receivables	3 424
Other current assets	9 961
Asset related to right to compensation resulting from the acquisition agreement	50 221
Deferred tax assets	4 844
Provisions	(9 794)
Pre-acquisition tax settlements liability	(50 221)
Trade and other payables	(94 926)
Net assets acquired	38 091
Amount paid in cash	177 454
Purchase price adjustment	6 997
Total payment for acquisition	184 451
The fair value of net assets	38 091
Goodwill	146 360
Amount paid in cash	184 451
Acquired cash and cash equivalents	29 304
Cash outflows on acquisition	155 147

The fair value of net asset presented in consolidated condensed interim financial statement at the end of 30 June 2016 was adjusted by PLN 829 thousand (EUR 187 thousand), in connection with the revaluation of provisions for receivables.

The fair value of asset and liabilities differ from the amount reported in consolidated condensed interim financial statement at the end of 30 June 2016 due to the identification of significant tax liability relating to the period before the acquisition. The adjustment influences on increase in liabilities by PLN 50.221 thousand (EUR 11.338 thousand). The acquisition agreement includes compensation clause, under which the Group may request from seller to cover expenses related to tax liability from the pre-acquisition period (but revealed after the acquisition). In result, the Group recognized additional asset amounting to PLN 50.221 thousand, that reflects estimated tax liability. In Management Board’s opinion the recoverability of the asset, is highly probable.

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

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of certain risks, especially tax settlements and owned business assets portfolio. Due to this fact fair values of assets and liabilities, purchase price and goodwill was presented provisionary.

Fair value adjustment characteristics are following:

	Title	Methods/key assumptions
Other intangible assets	Valuation of customer base from loyalty program	Independent DCF valuation
Exclusivity right of Starbucks brand operator	Identification of exclusivity right of Starbucks brand operator in Germany.	Independent DCF valuation with income approach (WACC 12.0%)
Property plant and equipment	Valaution of property, plant and equipment together with impairment provision	Independent valuation on depreciated replacement / reproduction cost with DCF based impairment tests
Other non-current assets, Trade and other receivables, Other current assets, Trade and other payables	Other adjsutments related to book values adjustment to accounting policies of the Group and IFRS	Independent valuation and review of underlying book values
Deferred tax asset and liability	Deferred tax on net assets fair value	30% income tax rate

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

- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of other non-current assets, trade and other receivables, other current assets, trade and other payables
- deferred tax asset and liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was recognized on the settlement of the acquisition consists largely of unidentified separately synergies untapped market potential and opportunities offered by the economies of scale expected by combining the current activities of the Group Amrest and acquired business.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) occurred in last days of May 2016, the results of acquired assets for the first five months of 2016 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2016 estimated consolidated revenues for the 12 months ended December 31, 2016 would grew by PLN 216.215 thousand and net profit would be decreased by PLN 33.706 thousand. Non-audited internal reporting packages prepared according to US GAAP constituted the source of data. In the period for the 12 months ended December 31, 2016 the cost of PLN 2.168 thousand related to the transaction has been recognized as general and administrative expense.

3. Operating expenses

Operating expenses are as follows:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Depreciation (note 2, 8)	237 732	196 934
Amortization (note 2,10)	33 341	26 947
Food and materials	1 366 432	1 118 475
Utilities	157 873	126 063
External services, including marketing	340 093	265 180
Payroll	902 446	715 156
Social security and employee benefits	230 017	172 398
Operating leases (occupancy cost) (note 24)	413 092	315 097
Continuing franchise fees	197 991	153 366
Insurance	3 300	3 042
Business travel	23 469	16 855
Other	37 784	43 142
	3 943 570	**3 152 655**
The costs of food	1 180 839	972 180
Payroll and employee benefits	908 674	686 198
Cost of license fees (franchise)	197 991	153 366
Occupancy and other operating expenses (without result from fixed asset disposal)	1 192 622	947 981
Total restaurant expenses	**3 480 126**	**2 759 725**
Depreciation and amortization expenses (franchise and other expenses)	12 078	11 173
Total franchise and other expenses - other	156 570	130 157
Depreciation and amortization expenses (G&A)	20 899	14 520
Other general and administrative expenses - other	273 897	237 080
	3 943 570	**3 152 655**
Gain/loss from fixed assets disposal (note 8)	1 642	(320)
Total impairment of assets	16 329	16 848
Total operating costs and losses	**3 961 541**	**3 169 183**

In current and previous period impairment costs (income) were as follows:	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Impairment on trade receivables (note 31)	(613)	2 678
Impairment on inventory (note 13)	36	130
Impairment on other assets	(52)	791
Total impairment of non-current assets	**(629)**	**3 599**
Impairment of property, plant and equipment (note 8)	16 249	13 081
Impairment of intangible asset (note 10)	709	168
Total impairment of non-current assets	**16 958**	**13 249**
Total impairment of assets	**16 329**	**16 848**

In 2016 marketing costs were incurred of the value of PLN 155.515 thousand, in 2015 they amounted to PLN 129.667 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

4. Other operating income

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Sublease income (note 24)	1 675	1 302
Marketing income	8 823	6 147
Sales of logistics services	-	427
Reversal of cost accruals	670	958
Income from recycling	2 184	1 535
Income from direct taxes correction	5 305	12 048
Other operating income	3 689	3 769
	22 346	**26 186**

5. Finance income

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Income from bank interest	3 084	3 223
Net income from foregin exchange differences	-	5 204
Other	242	1 219
	3 326	**9 646**

6. Finance costs

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Interest expense	(36 947)	(36 508)
Cost from arrangement fee	(3 758)	(3 555)
Net cost from foregin exchange differences	(2 903)	-
Other	(4 481)	(3 631)
	(48 089)	**(43 694)**

7. Income tax expense

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Current tax	(9 957)	(26 922)
Deferred income tax recognized in income statement	(22 769)	21 978
Income tax recognized in the income statement	**(32 726)**	**(4 944)**

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Deferred tax asset		
Opening balance	33 352	28 434
Closing balance	49 674	33 352

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Deferred tax liability		
Opening balance	90 492	103 591
Closing balance	117 818	90 492
Change in deferred tax assets/liabilities	**(11 004)**	**18 017**
of which		
Deferred income tax recognized in income statement	(22 769)	21 978
Deferred income tax regarding titles directly reported in goodwill (note 2)	4 844	(7 768)
Deferred tax assets/liabilities directly reported in equity – hedge instruments valuation	4 253	91
Deferred tax assets/liabilities directly reported in equity – liability valuation of employee options	2 668	3 716

	The income tax rates in force in the Group are as follows:		Deferred income tax assets and liabilities for were calculated using the following rates:	
	2016	**2015**	**2016**	**2015**
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	10.00%	10.00%	10.00%	10.00%
Ukraine	18.00%	18.00%	18.00%	18.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	37.44%	37.44%	37.44%	37.44%
Spain	25.00%	25.00%	25.00%	25.00%
Germany	15.00%	15.00%	29.83%	29.83%
France	33.33%	33.33%	33.33%	33.33%
Croatia	20.00%	20.00%	20.00%	20.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	16.00%	16.00%	16.00%
Slovakia	22.00%	-	22.00%	-

Basic income tax rate in Germany is 15%. Additional trade tax of 14.83% is in force.

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, 2016	**For the 12 months ended December 31, 2015**
Profit before tax	223 470	162 283
Income tax calculated according to domestic tax rates applicable to income in particular countries	39 498	26 611
Effect of permanent non tax deductible differences	(1 711)	(12 948)
Utilization of tax losses not recognized in the prior periods	(1 889)	(14 161)
Tax loss for the current period for which no deferred tax asset was recognized	253	1 428
Effect of the remaining differences	(3 425)	4 014
Corporate income tax in the income statement	**32 726**	**4 944**

The applicable weighted average tax rate amounted to 17.70% (for the period ended December 31, 2015: 16.40%).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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. The current financial situation and strategic plans allow to consider the level of recognized assets and deferred tax assets to be reasonable. The following amounts are disclosed in the consolidated financial statements:

	31.12.2016	31.12.2015
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	12 946	5 315
Deferred tax asset to be recovered within 12 months	36 728	28 037
	49 674	**33 352**
Deferred tax liability:		
Deferred tax liability to be used after more than 12 months	94 596	73 619
Deferred tax liability to be used within 12 months	23 222	16 873
	117 818	**90 492**

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

	Asset		Liability	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Property, plant and equipment and intangible assets	27 590	18 253	128 251	114 270
Receivables	528	2 515	931	238
Provisions, liability and impairments	28 016	19 516	4 202	-
Tax losses carried forward	12 002	10 966	2 527	2 013
Other differences	25 891	9 906	26 260	1 774
	94 027	**61 156**	**162 171**	**118 295**

Temporary differences after the offset are as follows:

	Asset		Liability	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Property, plant and equipment and intangible assets	12 863	3 999	113 524	100 018
Receivables	(403)	(238)	-	(2 515)
Provisions, liability and impairments	19 651	18 498	(4 163)	(1 018)
Tax losses carried forward	8 141	4 110	(1 334)	(4 843)
Other differences	9 422	6 983	9 791	(1 150)
	49 674	**33 352**	**117 818**	**90 492**

As at December 31, 2016 and December 31, 2015, tax loss carry forwards are as follows:

	31.12.2016	**31.12.2015**
Poland	59 954	35 287
Hungary	26 117	24 881
France	36 955	31 806
Germany	71 040	61 379
Croatia	2 464	2 348
Ukraine	-	518
China	4 715	7 751
Bulgaria	8 140	13 382
Serbia	1 053	1 848
Russia	30 187	23 440
	240 625	202 640

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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
2017	12 349	2 250	10 099
2018	17 043	12 143	4 900
2019	10 530	10 166	364
2020	15 090	14 794	296
2021	16 598	14 794	1 804
2024	30 188	2 799	27 389
No time limit	138 827	7 697	131 130
	240 625	64 643	175 982

As at December 31, 2016 the Group recognized a deferred tax asset from tax losses in the amount PLN 8.141 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses or no activity of some 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 July 28, 2016 a fiscal control began on VAT returns for 2014 in AmRest Sp. z o.o. On February 2, 2017 the company has received the tax protocol and on February 16, 2017 the Company has raised the qualifications. On February 28, 2017 Director of Lower Silesia Tax Office in Wroclaw initiated tax proceedings against the Company.

On May 24, 2016 the fiscal control began on VAT returns for March 2016 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On November 3, 2016 the fiscal control began on VAT returns for August and September 2016 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On September 15, 2016 the fiscal control began on VAT returns for the period January to September 2013 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On September 28, 2016 the fiscal control began on VAT returns for 2012 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG has identified the products that were sold with an incorrect VAT rate. This fact was presented to the tax officer who was responsible for the control of periods prior the acquisition the business by AmRest. The company undertook to correct the VAT calculation for not lapsed periods and then prepare corrective VAT returns. Currently the company expects for confirmation of proposed approach to possible tax returns from the German tax office. The maximum liability of this adjustments the company estimates to EUR 11 338 thousand.

In Management Board’s opinion there is no risk of occurrence of any additional tax obligations.

8. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2016 and 2015:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2016	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2016	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Acquisition	-	48 928	14 323	-	10 554	217	**74 022**
Additions	-	-	-	2 515	-	406 986	**409 501**
Transfers	-	195 651	127 548	-	48 857	(372 056)	**-**
Disposals	-	(17 343)	(26 477)	(555)	(9 796)	(3 245)	**(57 416)**
Foreign exchange differences	2 986	57 269	30 313	7	5 091	6 742	**102 408**
As at 31.12.2016	23 060	1 540 341	815 713	8 096	174 651	95 712	**2 657 573**
Accumulated depreciation							
As at 01.01.2016	-	525 176	351 889	2 302	56 469	-	**935 836**
Additions	-	122 949	85 767	1 480	27 536	-	**237 732**
Disposals	-	(9 010)	(16 549)	(327)	(9 046)	-	**(34 932)**
Foreign exchange differences	-	20 661	14 219	2	2 095	-	**36 977**
As at 31.12.2016	-	659 776	435 326	3 457	77 054	-	**1 175 613**
Impairment write-downs							
As at 01.01.2016	-	95 021	29 417	-	3 533	5 232	**133 203**
Additions	-	12 972	2 599	-	601	77	**16 249**
Disposals	-	(6 545)	(8 150)	-	(330)	(1 762)	**(16 787)**
Foreign exchange differences	-	3 720	1 190	-	152	495	**5 557**
As at 31.12.2016	-	105 168	25 056	-	3 956	4 042	**138 222**
Net book value As at 01.01.2016	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**
Net book value As at 31.12.2016	**23 060**	**775 397**	**355 331**	**4 639**	**93 641**	**91 670**	**1 343 738**

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2015	21 414	1 123 225	606 464	3 939	97 869	68 514	**1 921 425**
Acquisition	-	5 859	2 626	-	4 439	-	**12 924**
Additions	-	75 825	48 697	2 872	15 806	112 871	**256 071**
Transfers	-	77 418	36 217	-	9 565	(123 200)	**-**
Disposals	-	(20 576)	(20 555)	(691)	(7 352)	-	**(49 174)**
Foreign exchange differences	(1 340)	(5 915)	(3 443)	9	(382)	(1 117)	**(12 188)**
As at 31.12.2015	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Accumulated depreciation							
As at 01.01.2015	-	441 710	299 403	1 621	43 114	-	**785 848**
Additions	-	100 621	75 288	1 204	19 821	-	**196 934**
Disposals	-	(15 419)	(19 414)	(480)	(6 040)	-	**(41 353)**
Foreign exchange differences	-	(1 736)	(3 388)	(43)	(426)	-	**(5 593)**
As at 31.12.2015	-	525 176	351 889	2 302	56 469	-	**935 836**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Impairment write-downs							
As at 01.01.2015	-	86 538	26 961	-	2 226	3 523	**119 248**
Additions	-	7 616	1 990	-	1 254	2 221	**13 081**
Disposals	-	(1 055)	(605)	-	-	(912)	**(2 572)**
Foreign exchange differences	-	1 922	1 071	-	53	400	**3 446**
As at 31.12.2015	-	95 021	29 417	-	3 533	5 232	**133 203**
Net book value As at 01.01.2015	**21 414**	**594 977**	**280 100**	**2 318**	**52 529**	**64 991**	**1 016 329**
Net book value As at 31.12.2015	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**

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**
As at 31.12.2016						
Gross value	972	8 074	-	4 660	-	13 706
Accumulated depreciation	-	(2 288)	-	(1 939)	-	(4 227)
Impairment	-	(424)	-	-	-	(424)
Net value	972	5 362	-	2 721	-	9 055
As at 31.12.2015						
Gross value	935	7 777	36	3 223	-	11 971
Accumulated depreciation	-	(2 163)	(36)	(938)	-	(3 137)
Impairment	-	(756)	-	-	-	(756)
Net value	935	4 858	-	2 285	-	8 078

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the period of 12 months ended December 31, 2016 and 2015:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Proceeds from the sale of property, plant and equipment and intangible assets	4 192	5 599
Net cost of property, plant and equipment and intangible assets sold	(4 186)	(3 283)
Loss on sale of non-financial non-current assets and non-current assets held for sale	**6**	**2 316**
Net cost of property, plant and equipment and intangible assets disposal	(1 648)	(1 996)
Loss on disposal and sales of non-financial non-current assets and non-current assets held for sale	**(1 642)**	**320**

The depreciation was charged to the costs of restaurant operations – PLN 228.061 thousand (prior period: PLN 188.575 thousand), franchise expenses and other – PLN 4.223 thousand (prior period: PLN 3.629 thousand) and general expenses PLN 5.448 thousand (prior period: PLN 4.730 thousand).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets / groups of assets.

The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate for each individual country.

	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results
		Year 2016			Year 2015	
Poland	10.64%			10.17%		
Czech	7.89%			7.95%		
Hungary	11.18%			11.61%		
Russia	21.02%			22.59%		
Serbia	16.35%			14.76%		
Bulgary	9.48%	Determined individually for each individual restaurant		10.16%	Determined individually for each individual restaurant	
USA	10.58%			10.28%		
Spain	10.47%			11.13%		
Germany	7.42%			7.83%		
France	9.36%			9.49%		
Croatia	12.17%			13.28%		
China	11.12%			11.40%		
Romania	11.54%			11.86%		

9. Investment property

The table below presents changes in the value of investment property in 2016 and 2015:

	31.12.2016	**31.12.2015**
Gross value		
At the beginning of the period	22 152	22 152
Increases	-	-
At the end of the period	22 152	22 152
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	**22 152**	**22 152**
Net value at the end of the period	**22 152**	**22 152**

The valuation of fair value performed with discounted cash flows method did not differ materially to the balance sheet amount. In Management Board’s opinion there have not occured any indicators for update of valuation in 2016.

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Sublease income	1 865	2 297
Investment property costs	(947)	(1 007)
Operating profit	**918**	**1 290**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

10. Other intangible assets

The table below presents changes in the value of intangible assets in 2016 and 2015:

2016	Proprietary brands	Favourable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2016	299 697	6 257	73 271	154 947	183 244	**717 416**
Acquisition	-	-	-	15 227	-	**15 227**
Increases	-	-	22 574	7 110	-	**29 684**
Decreases	-	-	(655)	(133)	-	**(788)**
Foreign exchange differences	10 974	(1 200)	3 542	4 870	6 988	**25 174**
As at 31.12.2016	310 671	5 057	98 732	182 021	190 232	**786 713**
Accumulated amortization						
As at 01.01.2016	3 711	5 261	35 592	60 260	35 632	**140 456**
Increases	1 120	-	8 883	15 529	7 809	**33 341**
Decreases	-	-	(555)	(39)	-	**(594)**
Foreign exchange differences	(252)	(204)	1 169	3 358	1 477	**5 548**
As at 31.12.2016	4 579	5 057	45 089	79 108	44 918	**178 751**
Impairment write-downs						
As at 01.01.2016	101	-	1 532	1 218	-	**2 851**
Increases	-	-	691	18	-	**709**
Decreases	-	-	(56)	(1)	-	**(57)**
Foreign exchange differences	-	-	13	307	-	**320**
As at 31.12.2016	101	-	2 180	1 542	-	**3 823**
Net value as at 01.01.2016	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**
Net value as at 31.12.2016	**305 991**	**-**	**51 463**	**101 371**	**145 314**	**604 139**

2015	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2015	298 441	6 260	64 926	95 754	183 278	**648 659**
Acquisitions	-	-	1 627	50 678	-	**52 305**

Increases	-	-	7 687	12 609	-	**20 296**
Decreases	-	-	(299)	(4 910)	-	**(5 209)**
Foreign exchange differences	1 256	(3)	(670)	816	(34)	**1 365**
As at 31.12.2015	299 697	6 257	73 271	154 947	183 244	**717 416**
Accumulated amortization						
As at 01.01.2015	2 253	4 193	31 158	49 183	28 000	**114 787**
Increases	1 326	1 053	5 254	11 819	7 495	**26 947**
Decreases	-	-	(838)	(866)	-	**(1 704)**
Foreign exchange differences	132	15	18	124	137	**426**
As at 31.12.2015	3 711	5 261	35 592	60 260	35 632	**140 456**
Impairment write-downs						
As at 01.01.2015	101	-	1 414	4 287	-	**5 802**
Increases	-	-	112	56	-	**168**
Decreases	-	-	-	(3 480)	-	**(3 480)**
Foreign exchange differences	-	-	6	355	-	**361**
As at 31.12.2015	101	-	1 532	1 218	-	**2 851**
Net value as at 01.01.2015	**296 087**	**2 067**	**32 354**	**42 284**	**155 278**	**528 070**
Net value as at 31.12.2015	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**

Other intangible assets cover mainly computer software and exclusivity rights.
Own brands value (La Tagliatella) with indefinite useful life as at December 31, 2016 was equal PLN 287.560 thousand and as at December 31, 2015 PLN 277.050 thousand.
The amortization was charged to the costs of restaurant operations – PLN 10.036 thousand (prior period: 9.613 PLN thousand), franchise expenses and other – PLN 7.854 thousand (prior period: PLN 7.544 thousand) and administrative expenses - PLN 15.451 thousand (prior period: PLN 9.790 thousand).

Impairment testing of own brands

As at December 31, 2016, the Group conducted own brand value (La Tagliatella) impairment tests with respect to the acquisitions of businesses in Spain. The tests have shown no need to create an impairment.

The cash generating units is activity connected with La Tagliatella brand. The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate in Spain.

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.

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:

	2016	2015
Discount rate before tax	10.47%	11.13%
Budgeted average EBITDA margin	19.34%	19.34%
Expected mid-term growth rate used for the calculation of planned future results	19.73%	19.73%
Residual growth rate	2.00%	2.00%

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If discount rates are presented at December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

If Ebitda in period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

11. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2016	31.12.2015 after adjustments
Gross value		
At the beginning of the period	586 753	579 769
Acquisition (note 2)	146 360	11 637
Foreign exchange differences	37 519	(4 653)
At the end of the period	770 632	586 753
Impairment write-downs		
At the beginning of the period	1 375	1 447
Foreign exchange differences	194	(72)
At the end of the period	1 569	1 375
Net book value as at the beginning of the period	**585 378**	**578 322**
Net book value as at the end of the period after adjustment	**769 063**	**585 378**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2016 and December 31, 2015.

	Acquisition date	**As at 01.01.2016**	Acquisition	Foreign exchange differences	**As at 31.12.2016**
miklik's food s.r.o.	May 2005	5 650	-	215	5 865
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 868	-	773	17 641
OOO AmRest (previously: OOO Pizza Nord)	July 2007	58 120	-	16 732	74 852
9 restaurants RostiksKFC	April 2008	14 436	-	4 156	18 592
5 restaurants RostiksKFC	June 2008	1 867	-	537	2 404
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 751	-	14 557	396 308
Blue Horizon Hospitality PTE Ltd.	December 2012	94 049	-	97	94 146
AmRest Coffee S.R.L.	June 2015	11 726	-	408	12 134
AmRest Coffee Deutschland Sp. z o.o. &Co. KG	May 2016	-	146 360	(150)	146 210
		585 378	**146 360**	**37 325**	**769 063**

	Acquisition date	**As at 01.01.2015**	Acquisition	Foreign exchange differences	**As at 31.12.2015 after adjustments**
miklik's food s.r.o.	May 2005	5 506	-	144	5 650
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 790	-	78	16 868
OOO AmRest (previously: OOO Pizza Nord)	July 2007	66 204	-	(8 084)	58 120
9 restaurants RostiksKFC	April 2008	16 514	-	(2 078)	14 436
5 restaurants RostiksKFC	June 2008	2 136	-	(269)	1 867
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 823	-	(72)	381 751

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Blue Horizon Hospitality PTE Ltd.	December 2012	88 438	-	5 611	94 049
AmRest Coffee S.R.L.	June 2015	-	11 637	89	11 726
		578 322	**11 637**	**(4 581)**	**585 378**

Impairment testing

As at December 31, 2016, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain, Romania, China and Germany, where goodwill is significant. The tests have shown no need to create an additional impairment.

The recoverable value of the cash generating units is based on calculations of their fair value. The calculation includes 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 generating cash units are a combination of data described in this 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 consumer behaviors.

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	China	Romania	Germany
			Year 2016			
Discount rate before tax	10.06%	16.82%	7.86%	8.34%	9.69%	5.08%
Budgeted average EBITDA margin	17.77%	12.74%	19.34%	11.69%	26.56%	9.57%
Expected mid-term growth rate used for the calculation of planned future results	16.52%	17.41%	19.73%	17.70%	16.08%	26.81%
Residual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			Year 2015			
Discount rate before tax	10.45%	18.07%	8.02%	8.55%	9.97%	-
Budgeted average EBITDA margin	15.46%	12.75%	19.34%	9.03%	26.62%	-
Expected mid-term growth rate used for the calculation of planned future results	16.77%	18.72%	19.73%	26.34%	14.75%	-
Residual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	-

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 (usually 10 years) results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding given cash generating unit and takes into account all applicable factors influencing this ratio.

If discount rates in period of 12 months ended December 31, 2016 were bigger by 3 percentage points, it would not result in recognition of additional impairment provision, except for Germany. In the case if discount rates increased by 3 percentage points, the possible impairment provision would amount to PLN 63 milion. Management believes this scenario is remote, because the current analysis is based on using the most current strategic plans of effectiveness improvement and development plans for the German market. Development plans involve costs of both new openings and capital expenditures. Group analysis shows that the limitation of these plans provides additional factors keeping up defending against adverse market conditions underlying the calculation of the discount factor. The assumed economies of scales, benefits from integration and purchase process optimization have been included in the model with significant prudency, which, in Management Board's opinion, may provide additional arguments of risk mitigation in relation to impairment of goodwill, particularly when the effort would be focused on those areas more than on development operation.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If EBITDA for the period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment.

12. Other non-current assets

As at December 31, 2016 and December 31, 2015, the balances of other non-current assets were as follows:

	31.12.2016	31.12.2015
Prepaid rental fees	1 035	2 412
Deposits in respect of rentals	55 974	43 467
Other	5 494	5 922
	62 503	**51 801**

13. Inventories

As at December 31, 2016 and December 31, 2015, 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.
Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials.
Inventories are presented in net value including write-downs.

Value of impairment provisions for inventory as at December 31, 2016 and December 31, 2015 is presented in table below:

	31.12.2016	31.12.2015
Value for the beginning of the period	257	278
Provision created (note 2, 8)	36	130
Provisions used	(247)	(151)
Value for the end of the period	**46**	**257**

14. Trade and other receivables

	31.12.2016	31.12.2015 after adjustments
Trade receivables from non-related entities	56 822	44 858
Trade receivables from related entities (note 29)	13	7
Other tax receivables	31 872	40 659
Deposits due above 3 months	-	9 214
Other	19 890	7 731
Write-downs of receivables (note 2, 31)	(9 213)	(10 540)
	99 384	**91 929**

15. Other current assets

	31.12.2016	31.12.2015 after adjustments

	31.12.2016	**31.12.2015 after adjustments**
Prepaid costs in respect of deliveries of utilities	1 804	238
Prepaid lease costs	19 126	9 698
Prepaid property insurance	2 160	1 105
Prepaid professional services cost	975	552
Prepaid marketing costs	419	336
Prepaid tax costs	3 345	497
Assets related to purchase price adjustment (note 2)	-	13 642
Assets related to a right to compensation resulting from the acquisition agreement (note 2)	50 161	-
Other	25 346	17 537
Write-downs of other current assets	(438)	(250)
	102 898	**43 355**

Other current assets are presented in net value taking into consideration impairment provisions.

16. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2016 and December 31, 2015 are presented in the table below:

	31.12.2016	**31.12.2015**
Cash at bank	245 608	293 553
Cash in hand	46 033	24 318
	291 641	**317 871**

Reconciliation of working capital changes as at December 31, 2016 and December 31, 2015 is presented in the table below:

2016	Change in receivables	Change in inventories	Change in other assets	Change in payables and other liabilities	Change in other provisions and employee benefits
The balance sheet change	(7 455)	(18 536)	(70 245)	146 683	19 472
Increase resulted from the acquisition (note 2)	3 424	6 029	60 182	(145 147)	(9 794)
Change of stock option plan liability	-	-	-	-	10 374
Elimination of acquisition transaction	-	-	14 330	-	-
Investment liability	-	-	-	(31 723)	-
Foreign exchange differences	1 202	2 932	(8 193)	(15 299)	(7 173)
Working capital changes	(2 829)	(9 575)	(3 926)	(45 486)	12 879

2015	Change in receivables	Change in inventories	Change in other assets	Change in payables and other liabilities	Change in other provisions and employee benefits
The balance sheet change	(25 745)	(12 708)	(29 564)	114 657	(18 554)
Increase resulted from the acquisition (note 2)	1 226	3 209	17 333	(19 725)	(4 851)
Change of stock option plan liability	-	-	-	-	13 310
Foreign exchange differences	(2 854)	(3 391)	(16 181)	16 469	4 664
Working capital changes	(27 373)	(12 890)	(28 412)	111 401	(5 431)

17. 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”).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2016, 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 valuation	Employee options	Treasury shares	Hedges valuation influence	Transactions with non controlling interests	Reserves total
As at 01.01.2015	**755 692**	**6 191**	**(176 536)**	**(2 674)**	**(4 014)**	**(10 736)**	**124 701**	**692 624**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(476)	-	**(476)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	91	-	**91**
Comprehensive income total	-	-	-	-	-	(385)	-	**(385)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(8 006)	**(8 006)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(8 006)	**(8 006)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(49 779)	-	-	**(49 779)**
Proceeds from treasury shares	-	-	-	(32 581)	32 581	-	-	**-**
Employee stock option plan – value of employee services excerised in the period	-	-	-	18 180	-	-	-	**18 180**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	-	9 332	-	-	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	-	12 624	-	-	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	-	3 716	-	-	-	**3 716**
Transactions with shareholders total	-	-	-	11 271	(17 198)	-	-	**(5 927)**
As at 31.12.2015	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
As at 01.01.2016	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(22 386)	-	**(22 386)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	4 253	-	**4 253**
Comprehensive income total	-	-	-	-	-	(18 133)	-	**(18 133)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(3 677)	**(3 677)**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Transactions with non-controlling interest total	-	-	-	-	-	-	(3 677)	**(3 677)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(50 079)	-	-	**(50 079)**
Proceeds from treasury shares	-	-	-	(60 168)	60 168	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	-	19 687	-	-	-	**19 687**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	-	11 056	-	-	-	**11 056**
Employee stock option plan – value of unexercised employee benefits	-	-	-	(4 457)	-	-	-	**(4 457)**
Effect of modification of employee stock option plan	-	-	-	13 515	-	-	-	**13 515**
Change of deferred tax related to unexercised employee benefits	-	-	-	2 668	-	-	-	**2 668**
Transactions with shareholders total	-	-	-	(17 699)	10 089	-	-	**(7 610)**
As at 31.12.2016	**755 692**	**6 191**	**(176 536)**	**(9 102)**	**(11 123)**	**(29 254)**	**113 018**	**648 886**

Within the bank loans as at December 31, 2016 loan for the amount of EUR 102.7 million was disclosed, 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 period for the 12 months ended December 31, 2016 hedge was fully effective.

In loans and borrowings as at December 31, 2016 loans for value of EUR 75 million are included 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 period for the 12 months ended December 31, 2016 hedge was fully effective.

As at December 31, 2016 acummulated value of currency revaluation recognized in reserve capital (resulted from net investment hedges) amounted to PLN 22.386 thousand and deferred tax concerning this revaluation PLN 4.253 thousand.

Impact of hedges valuation:	Net investemnt in EUR	Valuation effects of security, total
As at 01.01.2015	**(10 736)**	**(10 736)**
Impact of net investment hedges valuation	(476)	(476)
Deferred income tax	91	91
As at 31.12.2015	**(11 121)**	**(11 121)**
As at 01.01.2016	**(11 121)**	**(11 121)**
Impact of cash flow hedges valuation	(22 386)	(22 386)
Deferred income tax	4 253	4 253
As at 31.12.2016	**(29 254)**	**(29 254)**

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.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
At the beginning of the period	(110 447)	(86 216)
Foreign exchange differences from net assets revaluation in subsidiaries	114 860	(24 231)
At the end of the period	**4 413**	**(110 447)**

Non-controlling interest

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.

	31.12.2016	31.12.2015
Blue Horizon Hospitality Group PTE Ltd.	36 524	47 915
AmRest Coffee Sp. z o.o.	11 066	5 845
SCM Sp. z o.o.	7 153	6 813
AmRest Coffee s.r.o.	7 904	6 362
AmRest Kávézó Kft	2 944	2 553
AmRest d.o.o.	1 986	1 557
Non-controlling interests	**67 577**	**71 045**

18. Borrowings

Borrowings as at December 31, 2016 and December 31, 2015 are presented in the table below:

Long-term	31.12.2016	31.12.2015
Bank loans	759 550	756 790
Bonds	279 483	279 156
	1 039 033	**1 035 946**

Short-term	31.12.2016	31.12.2015
Bank loans	223 247	89 418
Bonds	8	-
	223 255	**89 418**

Bank loans and bonds

Currency	Lender/ bookbuilder	Interest rate	31.12.2016	31.12.2015
in PLN	Syndicated bank loan	WIBOR+margin	125 487	138 781
in EUR	Syndicated bank loan	EURIBOR+margin	786 419	637 183
in CZK	Syndicated bank loan	PRIBOR+margin	58 848	63 021
in PLN	Bonds 5 – years (issued in 2013 & 2014)	WIBOR+margin	279 486	279 156
in CNY	Bank loan – China	Constant	12 048	7 223
			1 262 288	**1 125 364**

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

On September 10, 2013 a Credit Agreement („the Agreement") between AmRest Holdings SE, AmRest Sp. z o.o. (AmRest Poland") and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Bank

Zachodni WBK S.A., Rabobank Polska S.A. (current name: BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. – jointly „the Lenders" was signed.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 250 million. The facility consists of four tranches: Tranche A, EUR 150 million, Tranche B, PLN 140 million, Tranche C, CZK 400 million and Tranche D granted as a revolving credit facility, PLN 200 million. The facility shall be fully repaid by September 10, 2018 and is dedicated for repayment of the obligations under the credit agreement signed October 11, 2010 along with further annexes, financing development activities of AmRest and working capital management. All Borrowers bear joint liability for any obligations resulting from the Agreement. Additionally, the following members of the group are guarantors of the facility: OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Finance Zrt and AmRest Capital Zrt. These entities secure Borrowers' repayment of borrowings until final repayment.

The loan is provided at a variable interest rate. AmRest is required to maintain liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest) at agreed levels. In particular net debt/EBITDA ratio is to be held at below 3.5 level and AmRest is required not to distribute dividend payments if the mentioned ratio exceeds 3.0 (see note 31).

On May 6, 2016 an Annex to the Agreement was signed introducing an amended and restated version of the credit agreement („the Amended Agreement").

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

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 option program for corporate bonds of AmRest was released, 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 the above mentioned agreement was replaced with the new one signed between AmRest Holding SE, AmRest Sp. z o.o. and Bank PEKAO S.A. for a defined period until December 31, 2019. Program extension is possible until redemption of all bonds issued.

On June 18, 2013 bonds in the amount of PLN 140 million were issued under the new agreement. The issue is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018. Interest is paid on semi-annual basis (June 30 and December 30), beginning December 30 2013. Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated June 18, 2013 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On September 10, 2014 AmRest made an early redemption of bonds for the total value of PLN 131,5m. At the same time, AmRest issued 14 000 bonds in the total nominal value of PLN 140m with maturity date September 10, 2019. The bonds have a variable interest rate of 6M WIBOR increased by margin. The interest is paid semi-annually (on June 30 and December 30). Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated September 10, 2014 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On December 30, 2014 AmRest made a redemption of bonds that reached maturity date on Dec 30, 2014 with the face value of PLN 18.5m. As at December 31, 2016 AmRest has two bond issues outstanding: PLN 140m with maturity date June 30, 2018 and PLN 140m maturing on September 10, 2019.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2016 the payables concerning bonds issued are PLN 279.491 thousand.

The maturity of long- and short-term loans as at December 31, 2016 and December 31, 2015 is presented in the table below:

	31.12.2016	**31.12.2015**
Up to 1 year	223 255	89 418
Between 1 and 2 years	899 033	156 110
Between 2 and 5 years	140 000	879 836
	1 262 288	**1 125 364**

The Group has the following unused, awarded credit limits as at December 31, 2016 and December 31, 2015:

	31.12.2016	**31.12.2015**
With floating interest rate		
- expiring within one year	-	28 333
- expiring beyond one year	300 000	200 000
	300 000	**228 333**

19. Employee benefits liabilities

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 options granted to employees is limited to 200 000 options. 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 prevoius note related to the number of options granted to employees is limited to 100 000 per annum.

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value (employee decides about settlement method).

For the grants after December 8, 2015 a change in regulations was implemented which eliminated a possibility of option settlement with cash method. Furthermore, group of employees made a unilateral statement about resignation from cash settlement possibility in relation to option granted also in previous periods.

Due to above changes, Employee option plan 2 comprises of both equity-settled options and cash-settled options. As a result of modification of some options from cash-settled into equity-settled, a reclassification was performed from liabilities into equity in amount of PLN 13.515 thousands. As at December 31, 2016 liability of PLN 11.255 thousands was recognized. As at December 31, 2015 liability amounted to PLN 21.629 thousands.

For equity-settled options as at December 31, 2016 a provision of PLN 14.043 thousands was recognized in reserve capital (modification described above included). As at December 31, 2015 this provision amounted to PLN 128 thousands.

Employee share option plan 3

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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 be increased by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

As at December 31, 2016 PLN 7.399 thousands of liabilities were presented in equity (note 17) according to group policy (note 1 s). As at December 31, 2015 PLN 12.496 thousands were presented in equity.

Value of liability for Employee share option plan as at December 31, 2016 and December 31, 2015 was presented below:

	31.12.2016	**31.12.2015**
Liability for Employee share option plan 2	11 255	21 629
Other	8 595	5 048
	19 850	**26 677**

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 2				
April 30, 2005	79 300	5 years, gradually, 20% per annum	24.0	10 years
April 30, 2006	75 000	5 years, gradually, 20% per annum	48.4	10 years
April 30, 2007	89 150	5 years, gradually, 20% per annum	96.5	10 years
April 30, 2008	105 250	5 years, gradually, 20% per annum	86.0	10 years
June 12, 2008	20 000	5 years, gradually, 20% per annum	72.5	10 years
August 22, 2008	1 000	5 years, gradually, 20% per annum	65.4	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
May 10, 2009	3 000	5 years, gradually, 20% per annum	73.0	10 years
April 30, 2010	119 375	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2010	7 975	5 years, gradually, 20% per annum	70.0	10 years
June 20, 2011	105 090	5 years, gradually, 20% per annum	78.0	10 years
September 5, 2011	1 000	5 years, gradually, 20% per annum	70.6	10 years
April 30, 2012	81 500	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2013	91 700	5 years, gradually, 20% per annum	81.0	10 years
April 30, 2014	79 830	5 years, gradually, 20% per annum	81.0	10 years
December 9, 2015	127 865	5 years, gradually, 20% per annum	130.9	10 years
April 30, 2016	142 960	5 years, gradually, 20% per annum	223.5	10 years
Total	1 232 365			
Plan 3				
December 13, 2011	616 000	3 years, gradually, 33% per annum	61.00	10 years
October 8, 2012	259 000	3 years, gradually, 33% per annum	64.89	10 years
January 16, 2014	215 000	3 years, gradually, 33% per annum	67.43	10 years
July 8, 2014	50 000	3 years, gradually, 33% per annum	61.00	10 years
October 1, 2014	90 000	3 years, gradually, 33% per annum	82.11	10 years
November 30, 2014	30 000	3 years, gradually, 33% per annum	61.00	10 years
Total	1 260 000			

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, 2016 and 2015:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2
		2016			2015	
At the beginning of the period	PLN 67.24	659 999	403 649	PLN 67.24	1 030 000	544 506
Utilized during the period	PLN 90.26	(254 997)	(111 575)	PLN 78.84	(260 001)	(241 179)
Redeemed during the period	PLN 110.74	-	(9 150)	PLN 65.97	(110 000)	(27 543)
Awarded during the period	PLN 223.50	-	142 960	PLN 130.90	-	127 865
At the end of the period	PLN 61.38	405 002	425 884	PLN 81.34	659 999	403 649
Available for exercising as at the end of the period	PLN 65.34	253 334	97 358	PLN 64.86	476 666	139 455

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 model)*	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 (from 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2014 to 31/12/2014	Plan 3	PLN 26.73	PLN 64.65	PLN 64.65	36%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012		PLN 22.57	PLN 61.00	PLN 61.00	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011		PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2016 to 31/12/2016	Plan 2	PLN 112,05	PLN 223,50	PLN 223,50	37%	10 years	-	2,23%
from 1/1/2015 to 31/12/2015		PLN 103.98	PLN195.95	PLN 130.90**	24%	10 years	-	2.37%
from 1/1/2014 to 31/12/2014		PLN 50,87	PLN 81.82	PLN 81.00	36%	10 years	-	3.50%
from 1/1/2013 to 31/12/2013		PLN 41.34	PLN 81.00	PLN 81.00	34%	10 years	-	3.50%
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		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%

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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%

* Due to the fact that before 2006 the Company was not listed on the WSE, 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 WSE (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.
**Option plan grant price are set in April, when market price was in the range of grant price 130 PLN set in 2015. Grant date got postponed due the documentation issues.

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.

Other incentive programs

Key managers of the Spanish and Chinese market participate in motivation programs which bases on exceeding goals of the following businesses growth.

Employee benefits costs

The costs recognized in connection with the plans relating to incentive programs for the period of 12 months ending on December 31, 2016 and December 31, 2015 respectively are presented below:

	31.12.2016	**31.12.2015**
Value of employee benfits in employee stock option plan 2	20 042	21 458
Value of employee benfits in employee stock option plan 3	2 372	4 782
Value of employee benfits in local incentive program - Spain	5 400	2 730
Value of employee benfits in local incentive program - China	(535)	834
	27 279	**29 804**

Pension, health care and other contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2016 and December 31, 2015 respectively are presented below:

	31.12.2016	**31.12.2015**
Pension, health care contributions and other	201 110	142 594
	201 110	**142 594**

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

20. Provisions

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

2016	As at **01.01.2016**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2016**
Onerous contracts	3 149	-	4 735	(1 652)	435	6 667
Asset retirement obligation	-	9 794	-	-	(157)	9 637
Provision for court fees	615	-	881	(18)	(4)	1 474

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2016	As at **01.01.2016**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2016**
Provision for tax risks	479	-	6 386	(594)	(334)	5 937
Provision for other	2	-	-	-	-	2
Total	**4 245**	**9 794**	**12 002**	**(2 264)**	**(60)**	**23 717**

2015 (after adjustments)	As at **01.01.2015**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2015**
Onerous contracts	4 976	-	2 545	(4 630)	258	3 149
Provision for court fees	1 645	-	582	(1 587)	(25)	615
Provision for tax risks	2 524	-	118	(2 328)	165	479
Provision for other	160	-	-	(159)	1	2
Total	**9 305**	-	**3 245**	**(8 704)**	**399**	**4 245**

All provisions are treated as long-term liability.

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. It is expected that will be used during 2016 and 2017.

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 2016 and 2017.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments and often has to decide to create 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. It is expected that will be used during 2016 and 2017.

Asset retirement obligation

Taking into account characteristics of German market and Group’s accounting policy point t), the Group recognized on the acquisition of Starbucks in Germany a provision for costs of future asset restorations. The provision value is provisional and is currently under verification. Total value may change once final acquisition accounting will be made for Starbucks Germany. The provision consists of expected costs to bear at the end of rental agreement. The provision would be used for renovation work needed to restore rented properties, as required by rental agreements.

21. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 8.429 thousand and PLN 14.901 thousand respectively as at December 31, 2016 and December 31, 2015.

22. Trade and other payables

Trade and other payables as at December 31, 2016 and December 31, 2015 cover the following items:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	31.12.2015
Payables to non-related entities, including:	459 330	356 663
Trade payables	238 636	229 352
Payables in respect of uninvoiced lease fees and deliveries of food	31 688	16 946
Employee payables	31 849	31 662
Social insurance payables	37 267	23 757
Pre-acquisition tax settlements liability (note 2)	50 161	-
Other tax payables	19 929	16 678
Gift voucher liabilities	2 066	1 427
Other payables to non-related entities	47 734	36 841
Liabilities to related entities (note 29)	42	94
Accruals, including:	135 114	98 999
Employee bonuses	29 139	27 491
Marketing services	8 287	8 076
Holiday pay accrual	19 238	13 055
Professional services	16 067	7 315
Franchise fees	11 877	9 742
Lease cost provisions	16 147	15 662
Investment payables accrual	27 192	10 128
Other	7 167	7 530
Deferred income – short-term portion	19 498	5 173
Social fund	945	845
Total trade and other payables	**614 929**	**461 774**

23. Finance lease liabilities

Financial lease liabilities – present value:

	31.12.2016	31.12.2015
Payable within 1 year	1 636	1 323
Payable from 1 to 5 years	4 426	4 396
Payable after 5 years	3 454	3 525
	9 516	**9 244**

Finance lease liabilities – minimum lease payments:

	31.12.2016	31.12.2015
Payable within 1 year	2 507	2 242
Payable from 1 to 5 years	6 101	6 232
Payable after 5 years	4 728	5 131
Total minimum lease payments	13 336	13 605
Future finance costs in respect of finance leases	(3 820)	(4 361)
Present value of finance lease liabilities	**9 516**	**9 244**

24. 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 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:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	31.12.2015
Payable within 1 year	389 534	309 252
Payable from 1 to 5 years	1 109 743	1 051 701
Payable after 5 years	852 613	797 978
Total minimum lease payments	**2 351 890**	**2 158 931**

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 2016 and 2015 are as follows:

	For the 12 months ended December 31, 2016			For the 12 months ended December 31, 2015		
	Fixed fee	**Conditional fee**	**Total**	**Fixed fee**	**Conditional fee**	**Total**
Czech	37 563	4 870	42 433	33 476	4 058	37 534
Hungary	16 202	2 115	18 317	12 254	-	12 254
Poland	109 866	9 537	119 403	49 029	63 520	112 549
Russia	45 026	4 320	49 346	43 115	426	43 541
Bulgaria	2 525	58	2 583	1 622	-	1 622
Serbia	1 498	44	1 542	1 440	-	1 440
Croatia	1 280	-	1 280	1 163	-	1 163
Spain	70 988	3 825	74 813	67 481	136	67 617
China	36 184	2 926	39 110	33 604	-	33 604
Romania	8 303	917	9 220	3 773	-	3 773
Germany	50 228	4 260	54 488	-	-	-
Slovakia	450	107	557	-	-	-
Total	**380 113**	**32 979**	**413 092**	**246 957**	**68 140**	**315 097**

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

The Group is also a 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 2016 and 2015 are as follows:

	31.12.2016	31.12.2015
Russia	195	405
Czech	665	566
Poland	542	331
Germany	273	-
Total	**1 675**	**1 302**

25. 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 AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., 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. September 10, 2018.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

26. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2016 and 2015 were calculated as follows:

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Net profit from continued operations attributable to equity holders of the parent company	190 564	160 036
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share	8.98	7.54
Diluted earnings per ordinary share	8.98	7.54

On December 1, 2014 expired possibility for AmRest Holdings SE to make capital increases to the amount of EUR 5 thousand of the authorized capital (in accordance with paragraph 4.1 of the Articles of Association of the Company). This right was given by the resolutions of the AGM of shareholders No. 13 as at June 10, 2011. As at December 31, 2016 and 2015, the Company was not possible potential issuance of shares for the settlement of the stock option plans. Settlement of share option plans can be made in the form of own shares acquired from stock exchange or cash (please refer to note 19).

27. 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 with 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 with 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 the current and future franchise agreements were described in note 1a) and note 1i).

According to Group Management the 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.

As at December 31, 2016 no guarantees to third parties have been issued.

28. Investment in associates

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

	31.12.2016	31.12.2015
At the beginning of the period	828	403
Share in profits and losses of associates	59	588
Dividend payment	-	(163)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	**31.12.2015**
Other	1	-
Balance as at the end of the year	**888**	**828**

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, 2016						
SCM s.r.o.	Czech	2 241	345	2 188	825	45.90
December 31, 2015						
SCM s.r.o.	Czech	1 216	193	1 602	588	45.90

29. Transactions with related entities

Transactions with related parties are held in accordance with market regulations.
Trade and other receivables from related entities

	31.12.2016	**31.12.2015**
MPI Sp. z o. o.	11	7
Associates	2	-
	13	**7**

Trade and other payables to related entities

	31.12.2016	**31.12.2015**
MPI Sp. z o. o.	38	94
Associates	4	-
	42	**94**

Sales of goods for resale and services

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
MPI Sp. z o. o.	75	69
Associates	31	39
	106	**108**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
MPI Sp. z o. o.	1 432	1 575
Associates	-	-
	1 432	**1 575**

Other related entities

Metropolitan Properties International Sp. z o. o.

As at December 31, 2016 Metropolitan Properties International Sp. z o.o. was a company owned by Henry McGovern. Henry McGovern entered on December 31, 2016 Supervisory Board of AmRest Holdings SE.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company Metropolitan Properties International Sp. z o.o is involved in activities related to real estate. The Group leases from Metropolitan Properties International Sp. z o.o three restaurants on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid MPI amounted to PLN 1.432 thousand and PLN 1.575 thousand a period of twelve consecutive months ending December 31, 2016 and December 31, 2015.

Group shareholders

As at December 31, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch 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, 2016	For the 12 months ended December 31, 2015
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	13 318	9 620
Total remuneration paid to the Management Board and Supervisory Board	**13 318**	**9 620**

The Group's key employees also participate in an employee share option plan (note 19). The costs relating to the employee option plan in respect of management amounted to PLN 2.166 thousand and PLN 10.078 thousand respectively in the 12 month period ended December 31, 2016 and December 31, 2015.

		For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Number of options awarded		358 420	637 869
Number of available options		305 353	352 115
Fair value of options as at the moment of awarding	PLN	11 954 180	20 176 377

As at December 31, 2016 and December 31, 2015, there were no liabilities to former employees.

30. 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 11). As at December 31, 2016 and December 31, 2015 goodwill impairment was not recognized.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according to the accounting policy described in note 1p). This value is compared with assets value and in case of identification of gap in coverage there is impairment loss recognized. In the period of 12 months ended December 31, 2016 and December 31, 2015 were recognized impairment losses according to information presented in note 8 and 10.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis of technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the 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, 2016 by ca. PLN 24.643 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, 2015 by ca. PLN 20.070 thousand.

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 used estimations to establish fair value of assets and liabilities on acquisiton. Details of those estimations are described in note 2.

The Group uses different methods and assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which are not in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument.

The following fair value valuations concerning 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).

Fair value of investment property, which was not in turnover on active market, was calculated with use of valuation techniques.

	Note	**Level 1**	**Level 2**	**Level 3**	**31.12.2016**
Investment property	9	-	22 152	-	22 152

Investment property belongs to the "CEE" segment.

For the purpose of the risk management related to certain transaction within the Group, forward currency contracts are used. Open contracts 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. As at December 31, 2016 the Group was not in possession of open contracts.

Provisions

Key uncertainties and estimates are described in note 20.

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 industry 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 22.

Deferred income tax

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

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – notes 23 and 24 and recognition of deferred tax on tax loss carryforwards – note 7. In classification of agreements for operating lease and finance categories critical judgments are made allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

31. Financial instruments

Fair value

The table below presents financial instruments in the Group, which are not measured at fair value, in their book value and fair value, in division on classes and categories of assets and liabilities:

In thousands of Polish Zloty				**31.12.2016**		**31.12.2015**	
Financial instrument	**IAS 39 cate-gory**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current assets, except for prepayments	A	3	12	61 468	61 468	49 389	49 389
Trade and other receivables	A	*	14	67 512	67 512	51 431	51 431
Other current assets, except for prepayments	A	*	15	24 908	24 908	14 330	14 330
Cash and cash equivalents	A	*	16	291 641	291 641	317 871	317 871
Interest-bearing loans and borrowings (long term)	B	3	18	759 550	759 550	756 790	756 790
Bonds	B	3	18	279 491	279 491	279 156	279 156
Finance lease liabilities (long term)	B	3	23	7 880	7 880	7 921	7 921
Employee benefits financial liability	B	3	19	8 595	8 595	3 564	3 564
Other non-current financial liabilities	B	3	21	608	608	700	700
Interest-bearing loans and borrowings (short term)	B	*	18	223 225	223 225	89 418	89 418
Finance lease liabilities (short term)	B	*	23	1 636	1 636	1 323	1 323
Trade and other accounts payable (short term)	B	*	22	436 686	436 686	373 348	373 348

A - loans and receivables measured at amortised cost

B - financial liabilities measured at amortised cost

** It is assumed, that fair value almost equals the book value, therefore no fair value measurement techniques have been used to valuation of these items.*

Book values of short-term: receivables, other assets, payables, loans and liabilities are similar to their fair values due to their short term settlement. According to the estimations of the Group, fair values of non-current assets and liabilities immaterially differs from their respective book values.

As at December 31, 2016 the Group did not possess financial instruments measured at fair value. As at December 31, 2016 the Group did not recognize the transfers between levels of fair value valuations.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Risk management

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 613 thousand for the Group's receivables exposed to credit risk. The maximum credit risk exposure amounts to PLN 392.299 thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2016 is presented in the table below:

	current	overdue in days				Total
		less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	87 386	4 821	9 400	80	6 910	108 597
Receivable write-downs	(2 050)	(318)	-	-	(6 845)	(9 213)
Total	85 336	4 503	9 400	80	65	99 384

Value of impairment provisions for receivables as at December 31, 2016 and December 31, 2015 is presented in table below:

	31.12.2016	**31.12.2015**
Value for the beginning of the period	10 540	7 464
Provision created	1 096	2 678
Provisions released	(1 709)	-
Provisions used	(1 141)	(98)
Other	427	496
Value for the end of the period	**9 213**	**10 540**

The Group did not recognize impairment on overdue trade and other receivables of PLN 14.048 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 18). As at December 31, 2016 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 is analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2016 30 base points higher/lower, the profit before tax for the period would have been PLN 1.248 thousand lower/higher (2015: PLN 1.257 thousand).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2016 been 30 base points higher/lower, the profit before tax for the period would have been PLN 188 thousand lower/higher (2015: PLN 184 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2016 been 30 base points higher/lower, the profit before tax for the period would have been PLN 2.264 thousand lower/higher (2015: PLN 1.878 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 EUR or USD. 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 EUR or to USD.

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 in foreign currencies. This risk is hedged for key positions with use of net investment hedge.

In 2016 Group applies hedging accounting for revaluation of borrowings, in EUR constituting net investment hedges in Hungarian and Spanish entities. Details concerning hedging on currency risk are described in note 17.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of Russian subsidiaries into PLN. As of the balance sheet date the official exchange rate of Russian Rouble against Polish zloty was PLN 0,0680 per RUB 1, compared to PLN 0,0528 per RUB 1 as at 31 December 2015. Significant change in exchange rates may have a negative or positive effect on the value and results of the businesses in Russia. The Group does not use specific tools to hedge against foreign exchange risks related to valuations of business operations in Russia.

Sensitivity analysis

As at December 31, 2016 and December 31, 2015, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2016 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would not influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 78.637 thousand (2015: PLN 63.922 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, 2016 and December 31, 2015 is presented in the table below:

	31.12.2016			31.12.2015		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Up to 1 year	223 255	56 719	279 974	91 754	52 165	143 919

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016			31.12.2015		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Between 1 and 2 years	903 349	47 942	951 291	157 850	44 090	201 940
Between 2 and 5 years	140 082	35 957	176 039	880 164	39 736	919 900
More than 5 years	-	-	-	-	-	-
Payable gross value	1 266 686	140 618	1 407 304	1 129 768	135 991	1 265 759
Not amortized loan cost	(4 398)	-	(4 398)	(4 404)	-	(4 404)
Payable net value	1 262 288	140 618	1 402 906	1 125 364	135 991	1 261 355

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, 2016 and December 31, 2015 is as follows:

	31.12.2016	**31.12.2015**
Total borrowings (note 18)	1 262 288	1 125 364
Finance lease liabilities (note 23)	9 516	9 244
Less: cash and cash equivalents (note 16)	(291 641)	(317 871)
Net debt	980 163	816 737
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment (adjusted EBITDA)	541 950	440 365
Gearing ratio	**1.81**	**1.85**

The relative decrease in the gearing ratio as at December 31, 2016 results from combined effect of higher operating income and increase of debt.

32. Events after the Balance Sheet Date

On January 24, 2017 AmRest Holdings SE was signed a Share Purchase Agreement ("SPA") between AmRest and Top Brands NV ("Seller"). Pursuant to SPA AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction. Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. Currently Pizza Topco operates 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. Both parties intend to close the transaction within couple of months ("Completion"). Completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner).

On January 31, 2017 Mr. Jacek Trybuchowski resigned from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation is due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

On March 1, 2017 AmRest Holdings SE announced the completion of the assets sale and transfer agreement (the “APA”) between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. As a result of the Completion AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million). All the approvals and conditions the Completion was contingent upon in accordance with the APA have been obtained and fulfilled.

On March 15, 2017 the Management Board of AmRest Holdings SE informed about signing the Binding Head of Terms (“HoT”) determining the key terms and conditions on, and subject to which, KFC France SAS (“KFC France”) would be willing to proceed with a potential transaction with AmRest, whereby AmRest would buy 42 equity restaurants run by KFC France in the French market, and the parties would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant. The purchase price is subject to the results of a due diligence to be carried out by AmRest. It is the intention of AmRest and KFC France that the final agreements shall be signed no later than April 30, 2017, and closing of the transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30, 2017. If the parties fail to sign the final agreements by August 1, 2017 the HoT shall terminate immediately, unless otherwise agreed in writing by both parties.

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

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Wrocław, March 16, 2017