AmRest Holdings SE

Annual Separate Financial Statements as at and for the twelve months ended December 31st, 2017

Contents:

Annual Separate Income Statement for the 12 months ended December 31, 2017

In thousands of Polish Zloty	**Note**	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
General and administrative expenses (G&A)		(12 028)	(1 919)
Other operating costs	9	(7 738)	(7 829)
Other operating income	9	35 248	35 564
Finance income	9	45 617	32 367
Finance cost	9	(18 074)	(12 001)
Profit before tax		**43 025**	**46 182**
Income tax expense	10	1 964	(383)
Profit for the period		**44 989**	**45 799**
Basic profit per share in Polish zloty	14	2,12	2,16
Diluted profit per share in Polish zloty	14	2,12	2,16

The Annual Separate Income Statement has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Comprehensive Income for the 12 months ended December 31, 2017

In thousands of Polish Zloty	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
Profit for the period	**44 989**	**45 799**
Other comprehensive income	-	-
Total comprehensive income for the period	**44 989**	**45 799**
Total items that may be reclassified subsequently to profit or loss	44 989	45 799

The Annual Separate Statement of Comprehensive Income has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Financial Position as at December 31, 2017

In thousands of Polish Zloty	Note	December 31, 2017	December 31, 2016
Assets			
Other intangible assets		351	316
Investment in associates	2	1 369 850	898 093
Other non-current assets	3	56 119	174 314
Deferred tax assets	10	1 206	-
Total non-current assets		**1 427 526**	**1 072 723**
Trade and other receivables	5	11 847	42 554
Income tax receivables	5	601	-
Other current assets		82	79
Other financial assets	3	8 789	8 963
Cash and cash equivalents	8	102 112	11 139
Total current assets		**123 431**	**62 735**
Total assets		**1 550 957**	**1 135 458**
Equity			
Share capital		714	714
Reserves	7	675 731	733 667
Retained earnings	7	146 699	101 710
Total Equity attributable to shareholders of the parent		**823 144**	**836 091**
Liabilities			
Deferred tax liabilities	10	61	372
Trade and other payables	6	9 355	11 255
Non-current financial liabilities	4	561 029	279 483
Total non-current liabilities		**570 445**	**291 110**
Trade and other payables	6	6 548	7 918
Other financial liabilities	4	150 820	8
Liabilities from income tax		-	331
Total current liabilities		**157 368**	**8 257**
Total liabilities		**727 813**	**299 367**
Total equity and liabilities		**1 550 957**	**1 135 458**

The Annual Separate Statement of Financial Position has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Cash Flows for the 12 months ended December 31, 2017

In thousands of Polish Zloty	Nota	12 months ended December 31, 2017	12 months ended December 31, 2016
Cash flows from operating activities			
Profit/loss before tax		43 025	46 182
Adjustments for:			
Amortization		182	268
Interest, net		4 261	1 850
Unrealized foreign exchange differences		(543)	(585)
Change in receivables	8	24 284	(17 738)
Change in other current assets	8	(3)	65
Change in payables and other liabilities	8	(1 153)	4 578
The result of realized options	9	(34 601)	(35 560)
Income taxes paid		(485)	737
Interest paid	4	(5 843)	(11 666)
Interest received		13 053	9 454
Dividends received from subsidiaries		(30 895)	(21 750)
Impairment on investments	9	4 979	6 343
Other		(711)	267
Net cash provided by operating activities		**15 550**	**(17 555)**
Cash flows from investing activities			
Proceeds from repayment of loan given	3	438 100	-
Expense on loans given		(323 182)	(111)
Dividends received from subsidiaries	9	30 895	21 750
Acquisition of subsidiaries, net of cash acquired		(472 788)	(14 834)
Acquisition of property, plant and equipment		(434)	(92)
Net cash used in investing activities		**(327 409)**	**6 713**
Cash flows from financing activities			
Proceeds on issue debt securities		427 259	-
Commission for issue debt securities		(1 667)	-
Proceeds from share issuance (employees options)		56 538	58 048
Expense on acquisition of own shares (employees option)		(79 298)	(50 079)
Net cash provided by/(used in) financing activities		**402 832**	**7 969**
Net change in cash and cash equivalents		**90 973**	**(2 873)**
Balance sheet in cash and cash equivalents		**90 973**	**(2 873)**
Cash and cash equivalents, beginning of period		**11 139**	**14 012**
Cash and cash equivalents, end of period		**102 112**	**11 139**

The Annual Separate Statement of Cash Flows has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Changes in Equity for the 12 months ended December 31, 2017

	Issued capital	Own shares	Reserves	Retained Earnings	**Total Equity**
As at January 1, 2016	**714**	**(21 212)**	**765 315**	**55 911**	**800 728**
Comprehensive Income					
Profit for the period	-	-	-	45 799	**45 799**
Total Comprehensive Income	**-**	**-**	**-**	**45 799**	**45 799**
Transactions with shareholders					
Change in share option plan for employees	-	-	(20 525)	-	**(20 525)**
Transfer of own shares	-	60 168	-	-	**60 168**
Purchase of own shares	-	(50 079)	-	-	**(50 079)**
Total of transactions with shareholders	**-**	**10 089**	**(20 525)**	**-**	**(10 436)**
As at December 31, 2016	**714**	**(11 123)**	**744 790**	**101 710**	**836 091**
As at January 1, 2017	**714**	**(11 123)**	**744 790**	**101 710**	**836 091**
Comprehensive Income					
Profit for the period	-	-	-	44 989	**44 989**
Total Comprehensive Income	**-**	**-**	**-**	**44 989**	**44 989**
Transactions with shareholders					
Change in share option plan for employees	-	-	(24 049)	-	**(24 049)**
Transfer of own shares	-	45 411	-	-	**45 411**
Purchase of own shares	-	(79 298)	-	-	**(79 298)**
Total of transactions with shareholders	**-**	**(33 888)**	**(24 049)**	**-**	**(57 936)**
As at December 31, 2017	**714**	**(45 010)**	**720 741**	**146 699**	**823 144**

1 Company overview and significant accounting policies

(a) Background

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).

The Company's core activity is direct management of the following entities ("the Group"):

- AmRest Sp. z o.o. (Poland), the entity being a parent in an international group comprising of AmRest s.r.o. (The Czech Republic),
- AmRest EOOD (Bulgaria),
- AmRest Acqusition Subsidiary Inc (Malta),
- AmRest HK Limited (China),
- AmRest China Group PTE Ltd. (China), the entity being a parent in a group, comprising of entities located in China,
- AmRest FSVC LLC (USA),
- AmRest Topco (France),
- AmRest Opco SAS (France),
- Restaurant Partner Polska Sp. z o.o. (Poland).

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, France, Austria, Slovenia and Spain, on the basis of franchises granted. In Spain, France, Germany 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, Spain and Poland the Group operates its own brands Blue Frog and KABB (China).

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

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

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

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4 726 263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307.2 million. At June 10, 2010 was registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47 262.63 (PLN 195 374.26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share. On March 25, 2011, WP subscribed for 2 271 590 shares with the issuance price of PLN 75 per share. After decrease by all costs concern capital issue the growth was PLN 168 926 thousand.

As at December 31, 2017, FCapital Dutch B.V. was the largest shareholder of AmRest and held 56,38% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Finaccess.

These financial statements were authorized by the Management Board on March 8, 2018.

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

These separate 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, 2017. As at December 31, 2017 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").

- **IFRS 9 Financial instruments**

IFRS 9 replace IAS 39 and is effective for annual periods beginning on or after January 1, 2018.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). IFRS 9 introduces a new model for the recognition of impairment losses – 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 Company applies hedge accounting and from January 1, 2018 will also be in line with the requirements of new standard.

The Company applied the standard from January 1, 2018.

The impact of standard application is not significant.

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

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Company applied the standard for January 1, 2018.

The impact of standard application is not significant.

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

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.

The Company applied the standard for January 1, 2018.

- **IFRS 16 "Leases"**

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 Company will apply the standard from January 1, 2019.

The impact of standard application is not significant.

- **Amendments to IFRS 2, Share-based Payment**

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.

The Company applied the standard from January 1, 2018.

The impact of standard application is not significant.

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

The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction.

The Company will apply the standard once approve by UE.

- **Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28**

The amendments are effective for annual periods beginning January 1, 2019 or later. The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

The Company will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Company has not yet completed its assessment of the impact of the amendments on the separated financial statement.

At the date of preparation of these separated financial statements, this standard has not yet been approved by the European Union.

- **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. IFRIC is effective for annual periods beginning January 1, 2018 or later.

The Company will apply the standard once approved by UE.

- **IFRIC 23 "Uncertainty over Income Tax Treatments**

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC is effective for annual periods beginning January 1, 2019 or later

The Company will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Company has not yet completed its assessment of the impact of the amendments on the separated financial statement.

At the date of preparation of these separated financial statements, this standard has not yet been approved by the European Union.

- **Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23**

IASB issued in December 2017 annual improvements to IFRSs 2015-2017 cycle changing IFRS 3, IFRS 11, IAS 12 and IAS 23. Amendments contain clarifications and specification relating to recognition and valuation.

The Company will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Company has not yet completed its assessment of the impact of the amendments on the separated financial statement.

At the date of preparation of these separated financial statements, this standard has not yet been approved by the European Union.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments were issued on February 7, 2018 and are effective for annual periods beginning January 1, 2019 or later. The amendments specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan.

The Company will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Company has not yet completed its assessment of the impact of the amendments on the separated financial statement.

At the date of preparation of these separated financial statements, this standard has not yet been approved by the European Union.

- **IFRS 14, Regulatory Deferral Accounts**

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The standard was not endorsed by the IASB.

Other issued but not endorsed standards or interpretations do not affect the Company's activity.

(c) Basis of preparation of financial statements

Because of the fact that Company has moved its seat to Poland financial statements was prepared in polish zloty (PLN), after rounding to full thousands (TPLN).

The Company prepares separate financial statements of the Group for which it acts as a parent. The consolidated and separate financial statements have to be analyzed jointly in order to vies a full picture of the Company's financial.

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.

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

(d) Going concern assumption

Information presented below should be read together with information provided in Note 12 and 16, describing accordingly: contingencies, and significant post balance sheet events after December 31, 2017.

Annual separate financial statements for the period of 12 months ended December 31, 2017 were prepared in accordance with going concern assumption by the Entity in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of business operations. Annual separate financial statements does not account for adjustments, which would be essential in such events. As at the date of annual separate financial statements issuance in assessment made by Management Board Entity there are no circumstances indicating threats for business going concern of the Entity and any related party in AmRest Group as well.

(e) Property, plant and equipment

Property, plant and equipment owned by the Company

The initial value of the property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labor, 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.

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".

(f) 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.

Other intangible assets

Other intangible assets are recognized at cost (purchase price or manufacturing cost) less amortization and potential impairment.

Amortization

Intangible assets are amortized on a straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment 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

(g) Financial assets – investments in subsidiaries

Investments in subsidiaries

Investments in subsidiaries are valued at cost, net of impairment losses.

The value of shares is further adjusted by the amount of the costs arising from the share option plan (options granted to employees of subsidiaries).

Other than investments in subsidiaries the Company 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-derivatives that are either designated in this category or not classified in any other categories described below. The Entity does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these separate financial statements.

Financial assets at fair value profit or loss

This category has 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 in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Company 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 financial statements.

Financial assets held to maturity

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

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 carried at amortized cost less impairment losses and are classified as 'trade and other receivables' in the balance sheet for maturities not greater than 12 months after the balance sheet date (see note (h) of accounting policies below).

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

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value and subsequently measured at amortized cost less impairment losses.

(i) Cash and cash equivalents

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

(j) Impairment

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

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

Impairment on the investments in subsidiaries is recognized to the recoverable amount if the recoverable amount of these assets is lower than their book value. When tasting for impairment of investments in subsidiaries the Entity measures the value in use of an asset by determining the current present value of the estimated future cash flow expected to be derived from the continued use of these assets and their disposal at the end of useful life period. Value of the future cash flows is based on the most recent and approved by Management Board budget, which covers the period of following 5 years, while data for the period beyond the period covered by the most recent budget by extrapolating the projections using a steady growth rate at the level of 3%. A cash-generating unit is a separate subsidiary running business activity.

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.

Reversal of impairment write-downs

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

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

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

(k) Equity

Ordinary shares are classified as equity.

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

The supplementary capital comprises of:

- surpluses between income from share issue and nominal value of issued shares, less costs of issue,
- costs of employee benefits and share option plans.

(l) Financial liabilities - interest bearing loans and borrowings and bonds obligations

Interest-bearing loans and borrowings as well as bonds obligations are recognized initially at cost being their fair value, less attributable transaction costs. In subsequent periods, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest rate method.

If the loan is settled before the maturity date, any difference between the settled cost and the current cost is recognized in the income statement.

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

The zero coupons bonds obligations are classified as non-current liabilities if the maturity date is equal greater than 12 months after the balance sheet date.

(m) Employee benefits

Share-based compensation

The Company, having no own employees, provides two equity-settled, share-based compensation plans for the key employees of AmRest Group (see Note 6). The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which has to be taken to the income statements over the vesting period is based on the fair value of options received. As at each balance-sheet date entity verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

For share-based payment transactions in which the terms of the arrangement provide either the entity / the Company or the counterparty with the choice of whether the entity settles the transaction in cash or by issuing equity instruments, the entity / the Company shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

In 2014 the share-based payment plans (plan 2) were modified so that it may be settled in cash instead of shares. As a result the group re-measures the liability at the date of change using the modification date fair value of the equity-settled award or the present value of the future cash outflows, based on the elapsed portion of the vesting period.

The subsequent settlement of the liability follows the requirements for a cash-settled share-based payment.

The Company incurred a liability measured at fair value, taking into account the period of service / vesting period, and any changes in value are recognized in investments at the end of the period.

At the date of settlement, the Company 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 will reduce the entirely recognised liability; Any equity component previously recognised will remain within equity, but it could be reclassified to other components of equity;
- 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.

(n) Trade and other payables

They are recognized initially at fair value and subsequently measured at amortized cost.

(o) Currency and exchange differences

Entity presented its annual separate financial statements in Polish zloty. Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were recognized in the income statement, except incomes and losses concern hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

(p) Income tax expense

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

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

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

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

(r) Other operating income and expenses

Other operating income and expenses include recurrent, indirect revenue and costs related only to the actual operational business of the Company (ie. core, statutory activities). This kind of business include among others: revenue resulting from re-invoicing of costs of realized share options to the related entities, cost of impaired assets, cost of issued own shares, results on fixed assets disposed.

(s) Financial cost and income

Financial costs and income include any benefits incurred from the possession, lending or sales of the financial assets to third parties (dividends, interest, discounts, increase in the fair value of the financial assets) and any fees charged by third parties for any monetary assets or any equivalents of the monetary assets borrowed from these third parties resulting with the recognition of the financial liabilities (interest, provisions, discounts) as well as the loss resulting from the recognition of the decrease in the fair value of the financial assets.
Financial income and costs include also balance of positive and negative foreign exchange differences, both recognized in the repayments of the foreign currency liabilities as well as the valuation of the foreign currency assets and liabilities, excluding foreign exchange differences impacting the purchase price of the produced assets they relate to.

2 Investments in subsidiaries

As at each balance sheet date the Company verifies the carrying amount of finance assets (investments in subsidiaries) to determine whether the assets do not show signs of impairment. Impairment on the investments in subsidiaries is recognized to the recoverable amount if the recoverable amount of these assets is lower than their book value. When book value of the investment is lower than net assets of the Company, Company prepare analysis to identify needs of adjustment valuation of the investments of subsidiaries.

Company evaluates external and internal factors which can influence financial results of subsidiaries (e.g. evaluation of execution planed budgets for the year).What is more Company evaluates micro- and macro-economic factors including currency fluctuations and cost of capital in the markets in which subsidiaries operates.

Impairment of the investments in subsidiaries is determined as the difference between the current present value of these assets from books at the valuation date and present value of expected future cash flows, discounted at the effective interest rate. For such measured value of future discounted cash flows, Company also carried out a sensitivity analysis of the impact of changes in the effective interest rate and currency fluctuations. The value of assets is updated only when the loss of value of the investment is permanent and irreversible in long term.

As at December 31, 2017, Company carried test for entities: AmRest China Group PTE Ltd. and AmRest EOOD. There were no conditions for testing of shares in other companies. According to the assumptions mentioned above, Company did not carry test for AmRest Sp. z o.o.

The discount rate used to calculation is the average cost of capital before tax for particular currencies. As at December 31, 2017 the pre-tax discount rate was 11,49% for China and 7,49% for Bulgaria.

If discount rates in period of 12 months ended December 31, 2017 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, 2017 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

The discount rate adopted for the calculation is the average cost of capital before tax for the particular currencies.

The table below presents the number and value of the shares owned by the Company in its subsidiaries as at December 31, 2017 and as at December 31, 2016.

	December 31, 2017		**December 31, 2016**	
	Interest ownership	Value of Shares	Interest ownership	Value of Shares
AmRest Sp. z o.o. (Poland)[(a)]	100,00%	894 461	100,00%	590 513
AmRest s.r.o. (Czech Republik)	100,00%	33 573	100,00%	33 573
AmRest Acquisition Subsidiary (Malta) [(b)]	100,00%	147 620	100,00%	146 962
AmRest EOOD (Bulgaria)	100,00%	14 388	100,00%	14 388
AmRest Topco France[(c)]	100,00%	54 007	-	-
Restarurant Partner Polska Sp. z o.o.[(d)]	51,00%	12 641	-	-
AmRest Opco SAS[(e)]	100,00%	44 701	-	-
AmRest China Group PTE Ltd. (China)[(d)]	100,00%	168 459	67,56%	112 657
Total	**-**	**1 369 850**	**-**	**898 093**

(a) On December 15, 2017 Company passed a resolution of share capital increase in AmRest Sp. z o.o. in amount of 300 000 TPLN. Additionally, the value of investment in AmRest Sp. z o.o. was increased by 20 375 TPLN and decreased by 16 427 TPLN by capitalized costs of the share option plan (share options granted to the employees of the subsidiaries).

(b) On August 18, 2017 Company passed a resolution of share capital increase in AmRest Acquisition Subsidiary in amount of 180 TUSD.

(c) On May 16, 2017 Company passed a resolution of purchase share from Top Brands NV in Pizza Topco France SAS and from that date became a sole owner for the company.

(d) On August 31, 2017 Company passed a resolution of purchase share from Deliver Hero GmbH in Restaurants Partner Polska Sp z o.o. As a result of the agreement AmRest Holdings SE acquired 51% of shares. On November 29, 2017 Company passed a resolution of share capital increase in Restaurant Partners Polska Sp. z .o.o by 12 000 TPLN to the total amount 24 000 TPLN. As the result of agreement Company acquired 122 400 shares in the nominal value 50 PLN for each, so the total nominal value is 6 120 TPLN. The remaining 4 491 TPLN have not been available to Restaurant Partner Polska Sp. z .o.o by the date of publication of these financial statements.

(e) On October 4, 2017 Company passed a resolution of share capital increase in AmRest Opco SAS in amount of 15 000 TEUR. The remaining 4 500 TEUR have not been available to AmRest Opco SAS by the date of publication of these financial statements.

(f) On February 17, 2017 Company passed a resolution of purchase share from Blue Horizon Hospitality Group LTD, Macau Jiu Jia Partners LP and Wintrust New Zealand Limited in Blue Horizon Hospitality PTE LTD which resulted additional 32.44% of shares and from that date became a sole owner of the company. On April 6, 2017 Blue Horizon Hospitality PT LTD was renamed AmRest China Group PTE Ltd.

3 Other financial assets

As at December 31, 2017 and December 31, 2016, the balances of other financial assets were as follows:

Other long-term financial assets	**December 31, 2017**	**December 31, 2016**
Loans given	56 119	174 314
Total of other long-term financial assets	**56 119**	**174 314**

Other short-term financial assets	**December 31, 2017**	**December 31, 2016**
Loans given	8 789	8 963
Total of other short-term financial assets	**8 789**	**8 963**

The Entity provided subsidiaries with the loans specified as below:

Borrower	- AmRest Sp. z o.o.
Maximum loan amount	- 350 000 thousands PLN
Interest rate	- 3M WIBOR + margin

The loan agreement was signed on October 18, 2010. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. In 2017 AmRest Sp. z o.o. was repaid the loan with accrued interest. The balance at the end of December 2017 is 0,00 TPLN.

Borrower	- AmRest Sp. z o.o.
Maximum loan amount	- 180 000 thousands PLN
Interest rate	- 3M WIBOR + margin

The loan agreement was signed on July 3, 2017. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. In 2017 AmRest Sp. z o.o. was repaid the loan with accrued interest. The balance at the end of December 2017 is 0,00 TPLN.

Borrower	- AmRest Sp. z o.o.
Loan amount	- 20 000 thousands EUR
Interest rate	- 3M EURIBOR + margin

The loan agreement was signed on June 5, 2017. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. In 2017 AmRest Sp. z o.o. was repaid the loan with accrued interest. The balance at the end of December 2017 is 0,00 TEUR.

Borrower	- AmRest Acquisition Subsidiary Inc.
Loan amount	- 150 thousands EUR
Interest rate	- 3M EURIBOR + margin

The loan agreement was signed on December 22, 2016. In accordance with the agreement the interest will be paid on the quarterly basis. The principal amount of the loan with all accrued interest will be repaid till December 31, 2018. In 2017 AmRest Acquisition Subsidiary Inc. was repaid the loan with accrued interest. The balance at the end of December 2017 is 0,00 TEUR.

Borrower	- AmRest HK Ltd.
Loan amount	- 1 000 thousands USD
Interest rate	- 3M LIBOR + margin

The loan agreement was signed on November 19, 2012. By December 31, 2017 the principal amount of the loan with all accrued interest was not repaid. The company recognized an impairment at the end of the 2015 in the value of the loan including accrued interest. The company recognized an impairment at the end of the 2017 in the value of accrued interest in 2017.

Borrower	- AmRest HK Ltd.
Loan amount	- 210 thousands USD
Interest rate	- 3M LIBOR + margin

The loan agreement was signed on September 5, 2013. By December 31, 2016 the principal amount of the loan with all accrued interest was not repaid. The company recognized an impairment at the end of the 2015 in the value of the loan including accrued interest. The company recognized an impairment at the end of the 2017 in the value of accrued interest in 2017.

(in PLN thousands unless stated otherwise)

Borrower	- AmRest China Group PTE. LTD
Loan amount	- 1 085 thousands USD
Interest rate	- fixed

The loan agreement was signed on June 24, 2014. In accordance with the agreement the interest will be calculated and paid on a quarterly basis till 25-th day of the last month of the quarter. The principal amount of the loan will be pay back till December 31, 2018. By December 31, 2017 the principal amount of the loan with all accrued interest was not repaid.

Borrower	- AmRest China Group PTE. LTD
Loan amount	- 844 thousands USD
Interest rate	- fixed

The loan agreement was signed on March 25, 2015.In accordance with the agreement the interest will be calculated and paid on a quarterly basis till 25-th day of the last month of the quarter. The principal amount of the loan will be repaid till December 31, 2018. By December 31, 2017 the principal amount of the loan with all accrued interest was not repaid.

Borrower	- AmRest China Group PTE Ltd.
Loan amount	- 3 000 thousands USD
Interest rate	- fixed

The loan agreement was signed on January 9, 2017. In accordance with the agreement the interest will be calculated and paid on a quarterly basis till 25-th day of the last month of the quarter. The principal amount of the loan with all accrued interest will be repaid till January 9, 2019. By June 30, 2017 the principal amount of the loan with all accrued interest was not repaid.

The table below presents the change of loan value during the twelve months period ended December 31, 2017:

As at January 1, 2017	**183 277**
Including:	
Short – term loans	**8 963**
Long – term loans	**174 314**
Change of loan value during the twelve months period ended December 31, 2017:	
Loans granted	322 755
Loan repayment (capital)	(437 672)
Interest accrued	13 628
Interest repayment	(11 950)
Impairment of loans	(234)

(in PLN thousands unless stated otherwise)

WHT Tax	(56)
Exchange rate differences of valuation (financial cost)	(4 840)
As at December 31, 2017	**64 908**
Including:	
Short – term loans	**8 789**
Long – term loans	**56 119**

Loans are not secured. The fair value of the loans presented above does not differ significantly from its carrying value.

4 Liabilities

Liabilities to third parties

On June 18, 2013 bonds in the amount of PLN 140 million were issued and on September 10 another issue was completed, also for PLN 140 million. Both issues were completed under agreement signed with Pekao S.A on August 22, 2012.
Bonds were issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018 and September 10, 2019, respectively. Interest is paid on semi-annual basis (June 30 and December 30) and the Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the respective Issue Terms and Conditions. There are no additional securities on the bond issues.

On April 7, 2017 AmRest issued Schuldscheindarlehen ("SSD" – debt instrument under German law) in the amount of EUR 26 million. SSD were issued on a fixed interest rate with EUR 17 million maturing on April 7, 2022 and 9 million maturing on April 5, 2024.
The role of the Lead Arranger and Paying Agent was entrusted to Erste Group Bank AG and CaixaBank S.A. acted as Co-lead Arranger.

On July 3, 2017 AmRest finalized another issue of Schuldscheindarlehen („SSD") for the total value of EUR 75 million. The SSD interest is fixed on the following tranches: EUR 45.5 million - repayment due on July 1, 2022 and EUR 20 million - repayment due on July 3, 2024. EUR 9.5 million tranche was issued with variable interest rate and repayment date of July 3, 2024.

The role of the Lead Arranger and Paying Agent was entrusted to Erste Group Bank AG with CaixaBank S.A. and Bank Zachodni WBK S.A. acting as Co-lead Arrangers.

Both issues aimed at diversifying financing sources and also allowed to diversify interest rate structure of debt. The proceeds were used for the development of the Company and refinancing of its debt.

As at December 31, 2017 the payables concerning bonds issued and Schuldscheindarlehen (SSD) are PLN 711.849 thousand.

The bonds and Schuldscheindarlehen (SSD) were issued to finance the investment activities of the Group.

The table below presents the change of borrowings value during the twelve months period ended December 31, 2017:

As at January 1, 2017	**279 491**
Including:	
Short – term	**8**
Long – term	**279 483**

(in PLN thousands unless stated otherwise)

Change of borrowing value during the twelve months period ended December 31, 2017:

Issue bonds cost	(711)
Proceeds from issue debt security SSD	427 259
Interest accrued of bonds	11 748
Interest accrued of SSD	5 287
Exchange rate differences of valuation	(5 382)
Interest paid on bonds	(5 843)
As at December 31, 2017	**711 849**
Including:	
Short – term	**150 820**
Long – term	**561 029**

On October 5, 2017 a Credit Agreement („the Agreement") between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski Polska S.A. and Česká spořitelna – jointly „the Lenders" was signed. AmRest Sp. z o.o. and AmRest s.r.o. are fully owned by AmRest Holdings SE.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 430 million, app. PLN 1.848 million (tranche A-D granted at the moment of signing the contract), which might be increased by amount of EUR 148 million, app. PLN 623 million (what stands for tranche E-F) upon fulfilment certain conditions. Ultimate due date for credit repayment is September 30, 2022. The facility is dedicated for repayment of the obligations under the credit agreement signed September 10, 2013 along with further annexes, financing development activities of AmRest and working capital management.

The facility (available as at the day of signing the contract) consists of four tranches:

- tranche A in maximum amount of EUR 250 million,
- tranche B in maximum amount of PLN 300 million,
- tranche C in maximum amount of CZK 300 million,
- tranche D granted as a revolving credit facility in amount of PLN 450 million.

Additionally, two more tranches might be granted:

- tranche E – PLN 280 million that might be used for Polish bonds repayment
- tranche F – PLN 350 million that might be used for general corporate purpose, including development activities.

All Borrowers bear joint liability for any obligations resulting from the Agreement.
The liability incurred by other debtors under the loan agreement as at December 31, 2017 is presented in the table below:

Currency	Lender/ book builder	Interest rate	31.12.2017
in PLN	Syndicated bank loan	3M WIBOR+margin	125 762
in EUR	Syndicated bank loan	3M/cont. EURIBOR+ margin	1 084 290
in CZK	Syndicated bank loan	3M PRIBOR+ margin	38 302
			1 248 354

(in PLN thousands unless stated otherwise)

5 Trade and other receivables

As at December 31, 2017 and December 31, 2016 Company has receivables of following characteristics:

Receivables descriptions	**December 31, 2017**	**December 31, 2016**
Receivables from related party – AmRest Sp. z o.o. cash pooling	-	21 640
Receivables from re-invoicing SOP/MIP – AmRest Coffee Sp. z o.o.	30	-
Receivables from re-invoicing SOP/MIP – AmRest Sp. z o.o.	2 051	18 216
Receivables from re-invoicing SOP/MIP – OOO AmRest	152	-
Receivables from re-invoicing SOP/MIP – AmRest Kft	102	-
Receivables from re-invoicing SOP/MIP – Restauravia Food	23	2
Receivables from re-invoicing SOP/MIP – Pastificio Service S.L.U.	16	-
Receivables from re-invoicing SOP/MIP – Amrestavia S.L.U.	9 102	-
Receivables from related party employees related to the share option plan	252	2 615
Tax receivables	119	81
Total of receivables	**11 847**	**42 554**

6 Employee benefits and share option plans

As at December 31, 2017 and December 31, 2016 Company has trade and other payables of following characteristics:

Payables descriptions	**December 31, 2017**	**December 31, 2016**
Liabilities for accounting services, legal services – AmRest Sp. z o.o.	69	44
Liabilities for the management services – AmRest LLC	77	93
Liabilities resolution of the capital increase – AmRest HK Limited	102	102
Liabilities for services – Amrestavia S.L.U.	3 329	-
Liabilities to third parties	203	5 609
Other liabilities	2 768	2 070
Total of receivables	**6 548**	**7 918**

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 previous 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 2.287 thousand. As at December 31, 2017 liability of PLN 9.355 thousand was recognized. As at December 31, 2016 liability amounted to PLN 11.255 thousand.

For equity-settled options as at December 31, 2017 a provision of PLN 16.242 thousand was recognized in reserve capital (modification described above included). As at December 31, 2016 this provision amounted to PLN 14.043 thousand.

Employee share option plan 3

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1.041.000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will be increased by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

As at December 31, 2017 PLN 5.124 thousand of liabilities were presented in equity according to group policy. As *at* December 31, 2016 PLN 7.399 thousand were presented in equity.

Employee share option plan 4

In January 2017 the Group introduced share-based Employee Option Plan, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board. Moreover, the number of options granted to employees is limited to 750.000 options in the period from 1 January 2017 till 31 December 2019. 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. As at December 31, 2017 the amount of PLN 1.838 thousand were recognized in reserve capital for this program.

Employee share option plan 5

In January 2017 the Group introduced share-based Employee Option Plan, 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 1.000.000 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 to 5 years. The option exercise price will increase by 11%

(in PLN thousands unless stated otherwise)

each of three years. As at December 31, 2017 the amount of PLN 3.826 thousand were recognized in reserve capital for this program.

As at December 31, 2017 PLN 8.951 thousands of liabilities were presented in supplementary capital according to policy.

Value of liability for Employee share option plan as at December 31,2017 and December 31, 2016 was presented below:

	31.12.2017	31.12.2016
Liability for Employee share option plan 2	9 356	11 255
	9 356	**11 255**

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 4				
May 30, 2017	196 170	3-5 years, 60% after 3 year, 20% after 4 and 5 year	340.0	10 years
Plan 5				
March 15, 2017	290 000	3-5 years, gradually, 33% per annum	321.1	10 years
June 30, 2017	100 000	3-5 years, gradually, 33% per annum	355.0	10 years
September 13, 2017	10 000	3-5 years, gradually, 33% per annum	335.0	10 years
October 13, 2017	60 000	3-5 years, gradually, 33% per annum	362.6	10 years

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, 2017 and 2016:

		Number of option 2017					Number of option 2016	
	Weighted average option exercise price (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2	Weighted average option exercise price (before indexation)	Plan 3	Plan 2
At the beginning of the period	PLN 61	-	-	405 002	425 884		659 999	403 649
Utilized during the period	PLN 112	-	-	(121 669)	(90 318)	PLN 90	(254 997)	(111 575)
Redeemed during the period	PLN 136	-	-	-	(22 888)	PLN 111	-	(9 150)
Awarded during the period	PLN 336	460 000	196 170	-	-	PLN 224	-	142 960
At the end of the period	PLN 209	460 000	196 170	283 333	312 678	PLN 61	405 002	425 884
Available for exercising as at the end of the period	PLN 74	-	-	206 666	97 428	PLN 65	253 334	97 358

(in PLN thousands unless stated otherwise)

The fair value of the work performed in consideration for the options granted is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using numerical method for solving differential equations by approximating them with difference equations, called finite difference method.

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

	Average fair value of option as at the date of award	Average price of share at the date of measurement/grant	Average exercise price	Expected volatility of share prices (expressed as the weighted average volatility in share prices used in the model)	Expected term to exercise of the options (expressed as the weighted average historical exercises period used in the model)	Expected dividend	Risk-free interest rate
Plan 4	PLN 97	PLN 340	PLN 340	28%	5 years	-	2%
Plan 5	PLN 57	PLN 334	PLN 334	28%	5 years	-	2%

Options vest when the terms and conditions relating to the period of employment are met. The Plan does not provide for any additional market conditions on which the vesting of the options would depend.

The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2017 and 2016 respectively are presented below:

	December 31, 2017	**December 31, 2016**
Value of employee services	3 948	(1 250)
	3 948	**(1 250)**

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

7 Equity

Share capital

As described in Note 1a, on April 27, 2005, the shares of AmRest Holdings SE commenced trading on the Warsaw Stock Exchange (“WSE”) in Warsaw, Poland.

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.

As at December 31, 2017, 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 euro).

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 8, 2018 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:

(in PLN thousands unless stated otherwise)

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	11 959 697	56,38%	11 959 697	56,38%
Nationale-Nederlanden OFE	1 484 893	7,00%	1 484 893	7,00%
Gosha Holding S.à.r.l.**	2 263 511	10,67%	2 263 511	10,67%
Pozostali akcjonariusze	5 505 792	25,95%	5 505 792	25,95%

* 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.

*** 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.

Reserves

Structure of the reserved capital is as follows:

	December 31, 2017	December 31, 2016
Share premium	786 911	786 911
The provision for stock option program 2	18 080	14 043
The provision for stock option program 3	8 951	7 399
The value of exercised options	(64 796)	(35 158)
Non-refundable capital deposit without additional share issue, made by shareholders of the Entity before entry on GPW	6 191	6 191
Functional currency translation	(31 219)	(31 219)
Net profit for treasury shares for the period 2012-2014	(3 424)	(3 424)
Purchase of treasury shares	(45 010)	(11 123)
Other	47	47
Total supplementary capital	**675 731**	**733 667**

Retained earnings

Retained Earnings of an Entity according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50,000 thousands for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2017 year (as it was disclosed in statement of changes in equity) were realized transaction on treasury shares for existing stock option plans amounting PLN (33 886) thousand (respectively in 2016 10 089 TPLN).

According to the 5th resolution of Annual Shareholders Meeting dated June 28, 2017. The company decided that the profit for the financial year 2016 in the amount of 45 799 TPLN will be allocated to increase the Company's reserve capital.

The company decided to presenting in the separate financial statements the results of previous year in retained earnings, which, in accordance with the resolutions of the General Meeting of Shareholders shall be applied to other categories of capital.

8 Cash and cash equivalents

	December, 31 2017	December, 31 2016
Cash at bank	102 112	11 139
	102 112	**11 139**

(in PLN thousands unless stated otherwise)

Reconciliation of working capital changes as at December 31, 2017 and December 31, 2016 is presented in the table below:

12 months ended December 31, 2017	The balance sheet change	Elimination of settlements of the share option plan for employees	Other liabilities and paid Invoices for intangible assets	Working capital changes
Change in receivables	30 707	(6 423)	-	24 284
Change in other assets	(3)	-	-	(3)
Change in payables and other liabilities	(3 270)	1 900	217	(1 153)

12 months ended December 31, 2016	The balance sheet change	Elimination of settlements of the share option plan for employees	Other liabilities and paid Invoices for intangible assets	Working capital changes
Change in receivables	(25 836)	8 098	-	(17 738)
Change in other assets	65	-	-	65
Change in payables and other liabilities	(5 190)	10 374	(606)	4 578

9 Finance income and expenses and other operating income and expenses

Finance income and expenses

	12 months ended December 31, 2017	12 months ended December 31, 2016
Interest income	14 307	10 107
Dividends received	30 895	21 750
Other financial income	30	13
Net exchange rate gains	385	497
Finance income, total	**45 617**	**32 367**
Interest expense	(17 131)	(11 674)
Other	(943)	(327)
Finance expenses, total	**(18 074)**	**(12 001)**

(in PLN thousands unless stated otherwise)

Other operating income and expenses

	12 months ended December 31, 2017	12 months ended December 31, 2016
The result on the execution of stock option by employees of subsidiaries*	34 603	35 559
Revenues from re-invoicing	29	5
Other operation incomes	2	-
Writs-off	614	-
Other operating income, total	**35 248**	**35 564**
Impairment on loans granted	(234)	(224)
Impairment of investments	(4 979)	(6 342)
Liquidated value of intangible assets	-	(32)
Impairment on receivables	(2 525)	(1 231)
Other operating expenses, total	**(7 738)**	**(7 829)**

* *The result on the execution of stock option by employees of subsidiaries consist of the following items:*
- for 2017 years revenue from re-invoicing of services based on own shares to affiliated companies in the amount of TPLN *48.209 thousand. PLN reduced by the amount of* TPLN *13.606 - the value of the costs arising from the share option plan (options granted to employees of subsidiaries).*
- for 2016 years revenue from re-invoicing of services based on own shares to affiliated companies in the amount of TPLN *55.089 thousand. PLN reduced by the amount of TPLN 19.530 - the value for the costs arising from the share option plan (options granted to employees of subsidiaries*

10 Income Tax

	12 months ended December 31, 2017	12 months ended December 31, 2016
Corporate income tax - current period	(458)	339
Change in deferred tax assets/liabilities	(1 506)	44
Income tax recognized in the income statement	**(1 964)**	**383**

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. After the offset, the following amounts are disclosed in the separate financial statements:

	December 31, 2017	December 31, 2016
Deferred tax asset to be recovered within 12 months	1 206	229
Deferred tax asset:	**1 206**	**229**

	December 31, 2017	December 31, 2016
Deferred tax liabilities to be used within 12 months	61	601
Deferred tax liabilities:	**61**	**601**

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

(in PLN thousands unless stated otherwise)

	December 31, 2017	December 31, 2016
Intangible assets	-	22
Other financial liabilities	6 349	579
Trade and other payables	(324)	(17)
Tax loss	-	(212)
Deferred tax asset	**1 206**	**-**
Deferred tax liabilities	**(61)**	**372**

As at December 31, 2017, tax loss carried forward are as follows:

	December 31, 2017	December 31, 2016
Tax loss	-	1 114
Tax loss, total	**-**	**1 114**

11 Related party transaction

As at December 31, 2017 the Group of which the Company is a parent consisted of the following subsidiaries (direct and indirect):

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	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. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	AmRest China 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

(in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.1% 99.9%	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.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
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 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 Coffee 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
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest Capital Zrt	80.00% 20.00%	May 2016
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
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U. AmRestavia S.L.U.	74.00% 26.00%	February 2017
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco SAS	Paris, France	AmRest Holdings SE	100.00%	May 2017
AmRest Delco SAS	Paris, France	AmRest Topco SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest Holdings SE	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
LLC Pizza Company	Saint Petersburg, Russia	OOO AmRest	100.00%	November 2017

(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 SRB	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
		Financial services and others for the Group		
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
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
Restaurant Partner Polska Sp. z o.o.	Łódź, Poland	AmRest Holdings SE Delivery Hero GmbH	51.00% 49.00%	August 2017
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
		Supply services for restaurants operated by the Group		
SCM s.r.o.	Prague, Czech	SCM Sp. z o.o. Ondrej Razga	90.00% 10.00%	March 2007
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o. R&d Sp. z o.o. Beata Szfarczyk-Cylny Zbigniew Cylny	51.00% 43.80% 5.00% 0.20%	October 2008
SCM Due Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

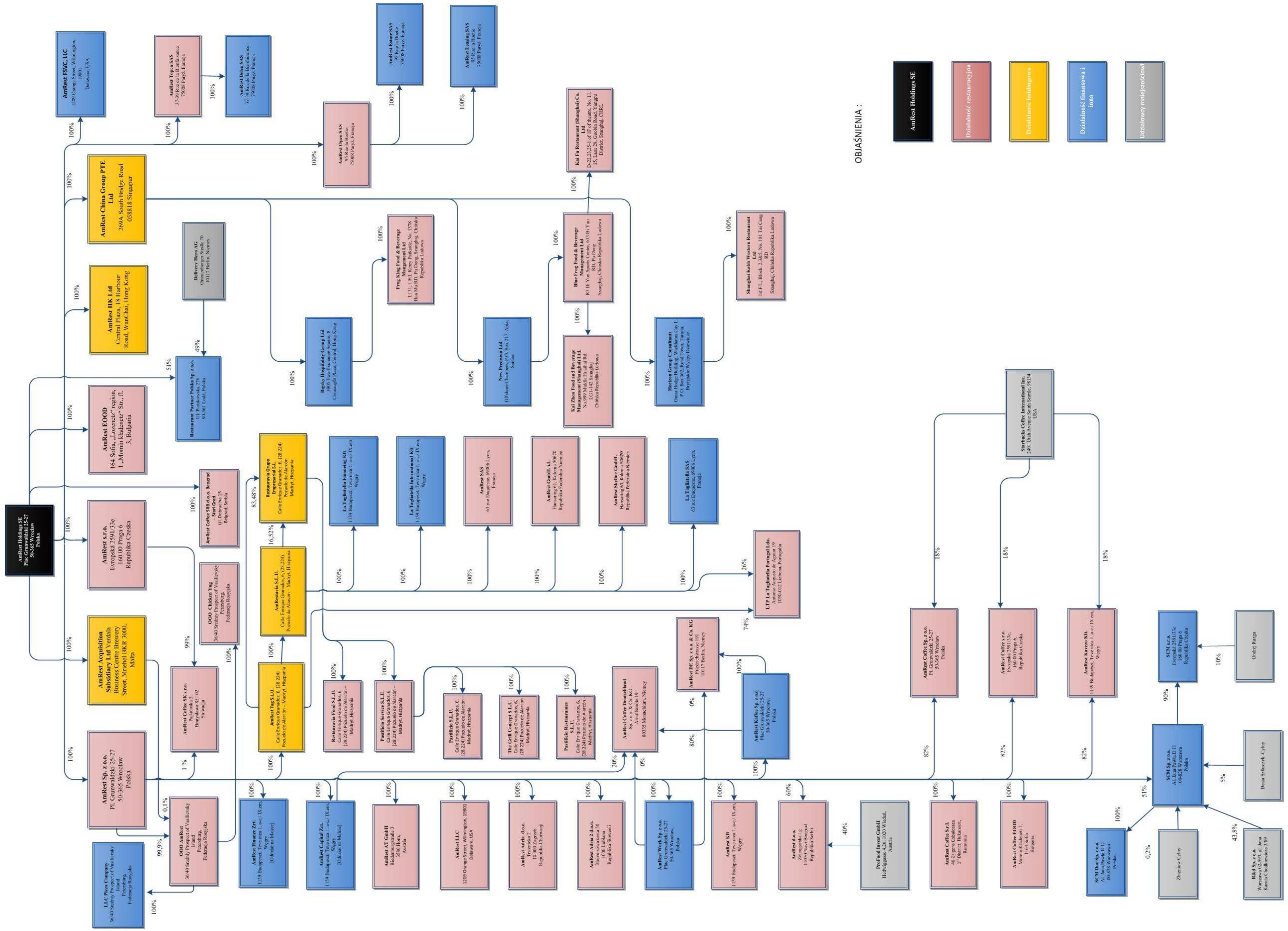
* On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company.

** On September 5, 2017 Amrestavia, S.L.U., the sole shareholder of La Tagliatella Financing Kft, has decided to liquidate this company.

The Group's office is in Wroclaw, Poland. At December 31, 2017 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Slovakia, Russia, Bulgaria, Romania, Austria, Serbia, Croatia, Spain, Germany, France, Portugal, Slovenia and China.

AmRest Holdings SE

Notes to the Annual Separate Financial Statements
(in PLN thousands unless stated otherwise)



(in PLN thousands unless stated otherwise)

Related party transaction

Trade and other receivables from related entities

	December 31, 2017	December 31, 2016
AmRest Coffee Sp. z o.o.	30	-
AmRest Sp. z o.o.	2 051	39 856
Pastificio Service S.L.U.	16	-
Restauravia Food S.L.U.	23	2
OOO AmRest	152	-
AmRestavia S.L.U.	9 102	-
AmRest Kft	102	-
Related party employees	252	2 616
	11 728	**42 474**

Loans granted to related entities	December 31, 2017	December 31, 2016
AmRest Sp. z o.o.	-	174 200
AmRest TopCo	8 718	-
AmRest Opco SAS	37 380	-
Amrest Acquisition Subsidiary	-	114
AmRest China	18 810	8 963
	64 908	**183 277**

Trade and other payables to related entities

	December 31, 2017	December 31, 2016
AmRest Sp. z o.o.	69	44
AmRestavia S.L.U.	3 329	-
AmRest LLC	77	93
AmRest HK	102	102
	3 577	**239**

Other operating income from related entities

	12 months ended December 31, 2017	12 months ended December 31, 2016
AmRest Sp. z o.o.*	19 701	32 780
Restaurant Partner Polska	2	-
Restauravia Food S.L.U	362	-
AmRest s.r.o.	380	440
AmRest Coffee S.r.o.	291	-
AmRest LLC	-	1 847
Pastificio Service, S.L.U.	543	-
OOO AmRest	265	-
AmRest DE	13	-
AmRest d.o.o.	29	-
AmRest China Group	-	1
OOO Chicken Yug	11	-
AmRest Coffee Sp. z o.o.	518	396
AmRestavia S.L.U.	9 324	-
SCM Sp. z o.o.	105	98

(in PLN thousands unless stated otherwise)

AmRest AT	3	-
AmRest Kft	536	-
AmRest FSVC LLC	2 525	-
AmRest Adria d.o.o.	25	-
Restauravia Food S.L.U.	-	2
Related party employees	1 906	-
	36 539	**35 564**

** Balance of other operating income includes the following items:*
for 2017 years revenue from re-invoicing of services based on treasury shares in the amount of TPLN 33.307 reduced by the amount of TPLN 13.606 - the value for the costs arising from the share option plan (options granted to employees of subsidiaries).

for 2016 years revenue from re-invoicing of services based on treasury shares in the amount of TPLN 55.089 and re-invoicing travel expenses in the amount of 4 PLN reduced by the amount of TPLN 19.530. - the value for the costs arising from the share option plan (options granted to employees of subsidiaries).

Other operating cost – related entities	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
AmRest FSVC LLC – impairment of investments in subsidiary	(4 979)	(6 134)
AmRest LLC – impairment of receivables	(2 525)	(1 231)
AmRest HK Ltd. – impairment of loan interest	(234)	(432)
	(7 738)	**(7 797)**

General and administrative expenses – related entities	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
AmRest Sp. z o.o.	(483)	(64)
AmRest AT	(3)	-
AmRest DE	(13)	-
AmRestavia S.L.U.	(3 329)	-
Restaurant Partner Polska	(2)	-
AmRest Coffee Sp. z o.o.	(1)	(1)
OOO Chicken Yug	(11)	-
Finaccess Capital USA, Inc.	(90)	-
AmRest China Group PTE Ltd.	-	(1)
	(3 932)	**(66)**

Financial income form related entities	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
AmRest Sp. z o.o. – interest	11 438	9 112
AmRest Acquisition Subsidiary – interest, valuation	4	4
AmRest s.r.o. – dividend	30 895	21 750
AmRest HK Ltd. – interest	234	224
AmRest LLC – exchange difference	14	22
La Tagliatella LLC – valuation	-	-
AmRest Opco SAS – interest	274	-
AmRest TopCo	157	-
AmRest Finance S.L.	-	13
AmRest Coffee Deutschland - interest	551	
Finaccess Capital USA, Inc.	5	-
AmRest China Group PTE Ltd. – interest	1 014	1 012
	44 586	**32 137**

(in PLN thousands unless stated otherwise)

Financial cost – related entities	**12 months ended December 31, 2017**	**12 months ended December 31, 2016**
AmRest Coffee Deutshland – exchange difference	(108)	-
Pastificio Service, S.L.U. - exchange difference	(1)	-
AmRestavia S.L.U. - exchange difference	(192)	-
AmRest Opco SAS - exchange difference	(1 127)	-
AmRest TopCo Francja - exchange difference	(100)	-
AmRest Sp. z o.o. – exchange difference	(316)	-
AmRest Acquisition Subsidiary. – exchange difference	(5)	-
AmRest China - exchange difference	(3 610)	-
AmRest Sp. z o.o. – cash pool interest	(94)	-
	(5 553)	**-**

Transactions with the management/ Management Board, Supervisory Board

Remuneration of the Management and Supervisory Board

	12 months ended December 31, 2017	**12 months ended December 31, 2016**
Remuneration of the Management and Supervisory Boards paid by the Company's subsidiaries	10 740	13 318
Total remuneration of the Management Board and Supervisory Board	**10 740**	**13 318**

The Group's key employees also participate in an employee share option plan (see note 6). The costs recognized by the Group companies regarding the employee share option plan in respect of the management staff amounted to PLN 3.329 thousand and PLN 2.166 thousand respectively in the 12 month period ended December 31, 2017 and 2016.

		For the 12 months ended December 31, 2017	**For the 12 months ended December 31, 2016**
Number of options awarded	Items	586 266	358 420
Number of available options	Items	249 666	305 353
Fair value of options as at the moment of awarding	PLN	27 035 182	11 954 180

As at December 31, 2017 and as at December 31, 2016 there were no liabilities to former employees.

12 Commitments and contingencies

As at December 31, 2017 the Company bears joint liability for any obligations resulting from the Agreement dated on October 5, 2017.

As at December 31, 2017 the liability from the incurred loan were described in note 4.

13 Financial instruments

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 Company uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which aren't 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 Company:

- 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).

The table below presents financial instruments in the Company, 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				**31.12.2017**		**31.12.2016**	
Financial instrument	**IAS 39 category**	**Fair value hierarchy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current financial assets	A	3	3	56 119	56 119	174 314	174 314
Other current financial assets	A	*	3	8 789	8 789	8 963	8 963
Trade and other receivables	A	*	5	11 847	11 847	42 554	42 554
Other current assets	A	*		82	82	79	79
Cash and cash equivalents	A	*	8	102 112	102 112	11 139	11 139
Non-current liabilities – bonds, SSD	B	3	4	561 029	561 029	279 483	279 483
Current liabilities – bonds, SSD	B	*	6	150 820	150 820	8	8
Trade and other payables	B	*	6	6 548	6 548	7 918	7 918

A - loans and receivables measured at amortized cost

B - financial liabilities measured at amortized 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 short term capacity. According to the estimations of the Company, fair value of non-current assets and liabilities immaterially differ from their respective book value.
As at December 31, 2017 the Company did not possess financial instruments measured at fair value. As at December 31, 2017 the Group did not recognize the transfers between levels of fair value valuations.

The Company is exposed to a variety of financial risks: market risk (including currency and interest rate risk) and - to a limited extent - credit risk. The risk management program implemented by the Company 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 carried out based on procedures approved by the Management Board.

(in PLN thousands unless stated otherwise)

Credit risk

Financial instruments that are exposed to the credit risk include cash and cash equivalents, receivables and loans. The Company invests cash and cash equivalents in highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to their level as at balance sheet date. As at December 31, 2017 maximum amount exposed to credit risk was 77 438 TPLN and consist of the intercompany receivables from loan granted to related party (note 3). As at December 31, 2017, the Company create an impairment on loans and receivables in the amount of 7 738 thousand. PLN

Interest rate risk

The loan granted to the subsidiary (Note 3) was based on a floating interest rate. As at December 31, 2017, the Company did not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The fair value of that instruments, does not differ significantly from its carrying value.

Foreign currency risk

The Company is exposed to the foreign currency risk mainly due to the receivables and payables valuation denominated in currencies other than functional currency of the Company. The exposure to foreign currency cash flow risk is not hedged as there is no impact on cash flows.

Liquidity risk

The Company does not provide any operating activities (except of holding activity and the stock option program for senior management), which results in no need of constant access to the financing and control over timely liability payments.

For the purpose of financing of investment activities of the Group, the Company issued bonds (Note 4) for the amount of PLN 280 million and Schuldscheindarlehen for the amount EUR 101 million.. Details of this bonds is presented in note 4.

Capital risk

The Entity 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.

The gearing ratios at December 31, 2017 and December 31, 2016 were as follows:

	December 31, 2017	**December 31, 2016**
Bonds obligations and other liabilities	727 813	299 367
Less: cash and cash equivalent	(102 112)	(11 139)
Net debt	625 701	288 228
Total equity	823 144	836 091
Capital involved	1 448 845	1 124 319
Gearing ratio	**43%**	**26%**

14 Earnings per share

The basic and diluted earnings per ordinary share for the 12 months ended December 31, 2017 and December 31, 2016 was calculated as follows:

(in PLN thousands unless stated otherwise)

	12 months ended December 31, 2017	12 months ended December 31, 2016
Profit/loss for the period	44 989	45 799
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Profit/loss per ordinary share		
Basic profit/loss per ordinary share	2,12	2,16
Diluted profit/loss per ordinary share	2,12	2,16

On December 1st, 2014 , expired possibility for AmRest Holdings SE Exec to make capital increases to the amount of EUR 5 thousand the authorized capital (in accordance with paragraph 4.1 of the Articles of Association of the Company). This law was given the resolutions of the AGM of shareholders No. 13 of June 10th 2011. As at December 31st 2016, the Company is not possible potential issuance of shares for the clearance of the stock option schemes. Settlement of share option plans can be made in the form of shares or cash.

15 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. 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 30, 2022.

16 Events after the balance sheet date

The Management Board of AmRest Holdings SE (“AmRest”, the ”Company”) announced signing on February 27, 2018 the Subscription and Shareholders’ Agreement (the “SSHA”) with LPQ Russia Limited, based in London, United Kingdom (“the Partner”). The SSHA defines the main terms and conditions of cooperation between the Company and the Partner aimed at developing a restaurant business in the bakery segment in Russia through a newly-formed corporate structure. As a result, AmRest will become a majority shareholder, holding 51% stake in newly created company (“NewCo”). The remaining 49% stake will be held by the Partner. NewCo will own and control its subsidiaries: the operating entity in Russia and the trademarks holding company.

Currently the Partner owns the trademarks of “Хлеб Насущный” (Xleb Nasuschny), “Филипповъ" (Philippov) “Наш хлеб” (Nash Khleb) and “Андреевские булочные” (Andreevsky Bulochnye) (jointly: “Trademarks”). The cooperation assumes the contribution of Trademarks to the Structure by the Partner. AmRest will invest EUR 6m (six million Euro) into the Structure with the purpose of developing the restaurant business in Russia.
Intention of the parties is to finalize the transaction by June 2018, which is a subject to fulfilment of conditions precedent defined in SSHA.

On October 5, 2017 the Extraordinary General Meeting of AmRest Holdings SE adopted a resolution on the approval of the international transfer of the registered office to Spain. As a result of that, on March 1, 2018 the transfer public deed to the Madrid Commercial Registry was filed. Additionally the Group is planning to change the presentation currency of its consolidated financial statements that will be applied in the first report issued after registration of domicile change.

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