AmRest Holdings SE

Stand-alone financial statements as at and for the twelve months ended 31 December 2008

AmRest Holdings SE

Contents:

AmRest Holdings SE

Income Statement in accordance with IFRS as adopted by the EU
for the 12 months ended 31 December 2008 and 2007

in PLN thousand	**Note**	**2008**	**2007**
General and administrative expenses (G&A)		(1 768)	(1 008)
Other operating income		620	-
Finance income	9	12 796	1 119
Finance cost	9	(3 470)	(6 878)
Profit/(Loss) before tax		8 178	(6 767)
Income tax expense		-	(1 020)
Profit/(Loss) for the period		8 178	(7 787)

AmRest Holdings SE

Balance sheet in accordance with IFRS as adopted by the EU
as at 31 December 2008 and 2007

in PLN thousand	Note	2008	2007
Investment in associates	3	368 551	301 746
Other non-current assets	4	29 559	24 187
Total non-current assets		398 110	325 933
Trade and other receivables	6	21 597	17 756
Other current assets		912	12
Cash and cash equivalents		-	5
Total current assets		22 509	17 773
Total assets		420 619	343 706
Equity			
Share capital		545	544
Reserves	8	323 488	320 532
Accumulated profit		52 974	60 761
Profit/(Loss) for the period		8 178	(7 787)
Translation reserve		(37 687)	(98 341)
Total Equity attributable to shareholders of the parent		347 498	275 709
Liabilities			
Other non-current finance liabilities	5	69 916	66 573
Total non-current liabilities		69 916	66 573
Trade and other payables		2 811	416
Income tax liabilities		394	1 008
Total current liabilities		3 205	1 424
Total liabilities		73 121	67 997
Total equity and liabilities		420 619	343 706

Statement of cash flows in accordance with IFRS as adopted by the EU for the 12 months ended 31 December 2008 and 2007

in PLN thousand	**2008**	**2007**
Cash flows from operating activities		
Profit before tax	8 178	(6 767)
Adjustments for:		
Interest expense, net	2 210	571
Unrealised foreign exchange differences	(11 565)	5 687
Change in other current assets	(900)	-
Change in payables and other liabilities	2 395	-
Income taxes paid	(91)	-
Other	(766)	-
Net cash provided by operating activities	(539)	(509)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(64 655)
Net cash used in investing activities	-	(64 655)
Cash flows from financing activities		
Proceeds from debt securities	-	65 000
Proceeds from shares issued	534	-
Net cash provided by/(used in) financing activities	534	65 000
Net change in cash and cash equivalents	(5)	(164)
Cash and cash equivalents, beginning of period	5	169
Effect of foreign exchange rate movements	-	-
Cash and cash equivalents, end of period	-	5

Statement of changes in equity in accordance with IFRS as adopted by the EU
for the 12 months ended 31 December 2008 and 2007

in PLN thousand	Share Capital	Reserves	Accumulated profit	Loss for the period	Currency translations	Total
As at 01.01.2007	**519**	**219 137**	**53 686**	**7075**	**(48 321)**	**232 096**
Employee share option scheme – value of employee services	-	1 433	-	-	-	1 433
Employee share option scheme – value of options realized	-	-	-	-	-	-
Transfer	-	-	7 075	(7 075)	-	-
Share issue	25	99 962	-	-	-	99 987
Currency translation differences	-	-	-	-	(50 020)	(50 020)
Loss for the period	-	-	-	(7 787)	-	(7 787)
As at 31.12.2007	**544**	**320 532**	**60 761**	**(7 787)**	**(98 341)**	**275 709**

in PLN thousand	Share Capital	Supplementary capital	Accumulated profit	Profit for the period	Translation reserve	Total
As at 01.01.2008	**544**	**320 532**	**60 761**	**(7 787)**	**(98 341)**	**275 709**
Employees share option plan – value of employee services	-	2 406	-	-	-	2 406
Employee share option scheme – value of options realized	-	(859)	-	-	-	(859)
Transfer	-	-	(7 787)	7 787	-	-
Share issue	1	1 409	-	-	-	1 410
Currency translation differences	-	-	-	-	60 654	60 654
Profit for the period	-	-	-	8 178	-	8 178
As at 31.12.2008	**545**	**323 488**	**52 974**	**8 178**	**(37 687)**	**347 498**

1 Company overview and significant accounting policies

(a) Background

AmRest Holdings SE ("the Company") was established in the Netherlands in October 2000 as a joint-stock company. On 19 September 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 22 December 2008, the District Court for Wrocław-Fabryczna in Wrocław, 6th Business Department 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.

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

- AmRest Sp. z o.o. (Poland), the entity being a parent in an international group comprising of entities located in Poland, as well as in Russia (OOO AmRest) and USA (AmRest, LLC),
- American Restaurants s.r.o. (The Czech Republic),
- AmRest Acqusition Subsidiary Inc (USA).

The principal activity of the entities within the Group is operating restaurants located in Poland, The Czech Republic, USA, Bulgaria, Russia, Serbia and Hungary,.:

- based on the franchise contracts - restaurants „KFC", „Pizza Hut", „Burger King", „Applebees" and „Starbucks",
- as the owner of trademarks - restaurants „Rodeo Drive" and „freshpoint" .

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

Before 27 April 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.

As at 31 December 2006 the Company's largest shareholder with a 37.5% voting rights and ownership interest remained IRI. In 2007 IRI sold further part of its shares. As at 31 December 2008, WBK AIB Asset Management was the largest shareholder of AmRest and held 20.24% of its shares and voting rights.

These separate financial statements were authorised by the Management Board on 30 April 2009.

(b) Statement of compliance with International Financial Reporting Standards

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union for annual financial reporting, in force as at 31 December 2008. As at 31 December 2008, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above

Following the transfer of the registered office of the Company to Poland the Company adopted and prepared its financial statements under International Financial Reporting Standards for the first time. A disclosure of the adjustments to financial statements and reconciliation of Company's equity is presented in Note 1.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the period ended December 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', was published on 30 November 2006 by IASB and is effective from 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented. The standard sets new requirements for disclosure of information regarding operating segments, products, services, geographic regions where the Company operates and major customers. The standard will have no impact on the Company's financial statements;
- *IAS 23, Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. Management do not expect the amendments to have a significant impact on the Company's financial statements;
- *IAS 1, Presentation of Financial* Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The management is already assessing impact of revised standards on the Company's financial statements;
- IFRS 3 (Revised), 'Business combinations', published on 10 January 2008, effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed and presented in the period in which they have occurred. Revision of the standard will have no impact on the Company's financial statements;
- IAS 27 (Revised), 'Consolidated and separate financial statements', published on 10 January 2008, effective from 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions from 1 January 2010;

- Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The management is already assessing impact of amendment on the Company's financial statements;

- Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The standard sets new requirements for financial instruments such as vailable-for-sale financial instruments and instruments which put on a Company responsibility to pay share in net assets. It specifies that these instruments are presented as equity under meeting defined conditions, only in the case of Company's liquidation. The management is already assessing impact of amendments on the Company's financial statements;

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements', published on 22 May 2008, effective from 1 January 2009.The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The management is already assessing impact of amendment on the Company's financial statements;

- Improvements to International Financial Reporting Standards – a collection of amendments to IFRSs (IFRS 1, IFRS 5, IFRS 7, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41), effective for annual periods beginning on or after 1 January 2009. The management is already assessing impact of amendments on the Company's financial statements;

- IFRIC interpretation 12 'Service Concession Agreements', published on 30 November 2006 and is effective from periods starting on 29 March 2009. The interpretation provides guidance in application of existing standards by subjects participating in service concession agreements between public and private sector. IFRIC 12 applies to the agreements in which commissioners control services rendered by operator using the infrastructure, who receives these services and what price was set for these services. Management is currently assessing the impact of IFRIC 12 on the Company's financial statements;

- IFRIC Interpretation 13, 'Customer loyalty programs', published on 27 June 2007, effective from1 July 2008. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. Particularly, IFRIC 13 shows correct way of treatment liabilities consequential to necessity to deliver products or services for free or at reduced prices to the customers who redeem their gained "points". This interpretation includes Management is currently assessing the impact of IFRIC 13 on the Company's financial statements;

- IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC Interpretation 14, published on 9 July 2007, effective 1 January 2009, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Management is currently assessing the impact of IFRIC 14 on the Company's financial statements;

- IFRIC interpretation 15 'Agreements for construction of real estates', published on 3 July 2008, effective from 1 January 2009. The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. Additionally, IFRIC 15 explains when the revenue from construction contract should be recognized. Management is currently assessing the impact of IFRIC 15 on the Company's financial statements;

- IFRIC 16 'Hedges of a net investment in a foreign operation', published on 3 July 2008, effective from 1 October 2008. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group and as a result there might be a risk associated with foreign exchange. IFRIC 16 explains additionally, how the entity should state values that are subject to reclassification from equity to income statement both for hedging instrument and hedged item, when the entity disposes the investment. The management is already assessing impact of IFRIC 16 on the Company's financial statements;

- IFRIC interpretation 17 'Distribution of non-cash assets to owners', issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and is binding for annual periods beginning on or after 1 July 2009. The Interpretation included guidelines on the moment of recognizing dividend, measuring the dividend and recognizing the difference between the value of the dividend and the carrying amount of the distributed assets. The management is already assessing impact of IFRIC 17 on the Company's financial statements;

- IFRIC interpretation 18: 'Transfers of Assets from Customers', issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and is binding for annual periods beginning on or after 1 July 2009. The Interpretation includes guidelines on the recognition of the transfer of assets from customers, i.e. situations in which the definition of an asset is met, identification of separately identifiable services (services provided in return for the transfer of an asset), recognition of revenues and cash flows from customers. The management is already assessing impact of IFRIC 18 on the Company's financial statements;

- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The prohibition of setting inflation as a possible hedge of fixed interest rate debenture instrument was implemented. The amendments forbids also including temporal value to one-sided hedged risk, when option is treated as headging instrument. The management is already assessing impact of IAS 39 on the Company's financial statements;

- The revised IFRIC 9 and IFRS 7 'Embedded Instruments', were published by the International Accounting Standards Board on 12 March 2009 and are binding for annual periods beginning on or after 30 June 2009. The revisions provide details of revisions to IFRS 7 and IAS 39 published in October 2008 which relate to embedded instruments. The revisions specify that when a financial asset is reclassified from the category of measured at fair value through profit or loss; all embedded instruments must be measured and if necessary presented separately in the financial statements. The management is already assessing impact of on the Company's financial statements;

- Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The management is already assessing impact of IAS 39 on the Company's financial statements;

- The improvements in International Financial Reporting Standards – the collection of 12 amendments to International Financial Reporting Standards effective for annual periods beginning on or after 1 January 2010. The management is already assessing impact of the amendments on the Company's financial statements. The amendments are not yet adopted by the EU;
- The following standards and interpretations were not adopted by EU as at the date of issuance of these financial statements: IFRS 3 (R), IAS 27 (R), amendments to IAS 39 issued July 2008, amendments to IFRS 7 issued March 2009, amendments to IFRIC 9 and IFRS 7 issued March 2009, IFRIC 14, IFRIC 15, IFRIC 16, IFRIC 17, IFRIC 18.

(c) Basis of preparation of financial statements

A functional currency for the Company is American Dollar (USD). Following the transfer of the registered office of the Company to Poland and reporting to Warsaw Stock Exchange in Warsaw, the financial statements are presented in Polish zlotys (PLN), rounded to full thousands (TPLN).

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

The separate financial statements are prepared on the historical cost basis except of assets held for sale and assets stated in fair value through profit or loss, which are stated in fair values. Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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 set out below have been applied consistently to all periods presented in these financial statements.

d) Financial assets – investments in subsidiaries

Investments in subsidiaries

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

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.

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 categorised 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 realised within 12 months of the balance sheet date.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Assets held-to-maturity are measured at amortised cost. Investments stated at amortised cost are measured as the amount proceeded at the date of its maturity less all discounts and bonuses.

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 accounting policy (e below).

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 amortised cost using the effective interest method.

(e) 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 recognised initially at fair value and subsequently measured at amortized cost less impairment losses.

(f) 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.

(g) 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.

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

Interest-bearing loans and borrowings as well as bonds obligations are recognised 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 recognised 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 recognised 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 zerocoupons bonds obligations are classified as non-current liabilities if the maturity date is equal greater than 12 months after the balance sheet date.

(i) 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 the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(j) Trade and other payables

They are recognised initially at fair value and subsequently measured at amortised cost.

(k) Currency of presentation and translation principles

As described in Note 1a, the financial statements are presented in PLN. The Company uses the following translation procedures:

- assets and liabilities (without equity) are translated at the closing rate as at the balance sheet date;
- share capital and reserves are translated at the historical exchange rates;
- incomes and costs are translated at the average exchange rate in the period;
- all the resulting foreign exchange differences are recognized in a separate item of equity.

(l) Current and deferred income tax

Due to change of the Company's legal form and transfer of its seat to Poland (Note 1a), the Company is required to report to the Polish tax authorities. As at 31 December 2008 the Company recognised accumulated tax losses generated in the previous years. The Company has not recognised a deferred tax asset on these losses as it will be not allowed to utilise them in future.

Based on the tax regulations in the Netherlands and analysis of consequences of the Company's transfer to Poland, the Company has not recognized temporary differences on exchange rate differences and unrealized interests from loans, bonds and other receivables and payables.

Tax authorities can check books and tax settlements within 5 years after financial year closing in which tax declarations were submitted.

The management believes that there are no circumstances leading to identification of material tax obligations in the Netherlands or Poland, which should be recognized in the financial statements for the year ended 31 December 2008.

(in PLN thousands unless stated otherwise)

2 Adoption of International Financial Reporting Standards

Basis of adoption of IFRS

Adoption of IFRS 1

The separate financial statements for the year ended 31 December 2008 were the first financial statements prepared under International Financial Reporting Standards. AmRest Holdings SE adopted IFRS 1 when preparing these financial statements.

The date of transition to IFRS was 1 January 2007.

In the past, the Company prepared and published its financial statements under accounting principles generally accepted in the Netherlands (Dutch GAAP).

Reconciliation between IFRS and Dutch GAAP

The following reconciliations present the impact of IFRS adoption on:
- Equity as at 1 January 2007 and 31 December 2007;
- Profit/(Loss) for the 12 months period ended 31 December 2007.

	As at 1 January 2007	As at and for the 12 months period ended 31 December 2007	
	Equity	**Equity**	**Net result**
Dutch GAAP	**180 027**	**357 338**	**47 777**
Adjustments:			
Valuation of shares in subsidiaries and loans granted to them*	49 425	(85 706)*	(48 927)
Equity after adjustment for valuation of shares in subsidiaries and loans granted to them	**229 452**	**271 632**	**(1 150)**
Exchange rate differences from financial instruments (bonds) in foreign currencies**	-	-	(8 070)
Share option plan expenses ***	2 644	4 077	1 433
	52 069	**(81 629)**	**(55 564)**
IFRS	**232 096**	**275 709**	**(7 787)**

<u>* Valuation of shares in subsidiaries</u>

In accordance with previously used Dutch GAAP, the Company valued investments (shares and loans) in subsidiaries following equity method. The adjustment above makes shares in subsidiaries valued at cost and loans valued at nominal contracted amounts (with capitalized interests). The Company did not recognized any impairment of shares and loans. The table below presents the impact of the adjustment on separate categories of equity:

(in PLN thousands unless stated otherwise)

	As at 1 January 2007			As at and for the 12 months period ended 31 December 2007		
	Dutch GAAP	**Adjustment**	**IFRS**	**Dutch GAAP**	**Adjustment**	**IFRS**
Ordinary shares	709	(190)	519	734	(190)	544
Reserves	132 648	86 489	219 137	234 043	86 489	320 532
Accumulated profit	35 570	22 547	58 117	35 550	14 497	50 047
Profit for the period	-	-	-	47 777	(48 927)	(1 150)
Translation reserve	11 100	(59 421)	(48 321)	39 234	(137 575)	(98 341)
Total equity	**180 027**	**49 425**	**229 452**	**357 338**	**(85 706)**	**271 632**

<u>** Adjustment of exchange rate differences from valuation of financial instruments (bonds) denominated in foreign currencies</u>

In accordance with Dutch GAAP the Company treated bonds issued in PLN to its subsidiary as a part of the net investment in this subsidiary and recognised the exchange rate differences arose on valuation of these instruments directly in equity. The adjustment eliminates the direct recognition of the exchange rate differences in equity.

<u>*** Adjustment for share option plan expenses</u>
In accordance with IFRIC 11 (Note 1b), costs of the share based payments program in which share options are granted to the key employees of subsidiaries increase the value of investments in these subsidiaries. The adjustment leads to recognition of such costs, in compliance with IFRIC 11, in the value of investments in subsidiaries. In accordance with Dutch GAAP such costs were presented in the income statement.

3 Investments in subsidiaries

The table below presents the number and value of the shares owned by the Company in its subsidiaries as at 31 December 2008 and 2007.

	31 December 2008		**31 December 2007**	
	Interest ownership	Value of shares	Interest ownership	Value of shares
AmRest Sp. z o.o. (Poland)*	100%	206 467	100%	168 493
American Restaurants s.r.o. (The Czech Republic)	100%	9 148	100%	7 521
AmRest Acquisition Subsidiary (USA)**	100%	152 936	100%	125 732
Total	**-**	**368 551**	**-**	**301 746**

* The value of shares in AmRest Sp. z o.o. was increased by capitalized costs of the share option plan (share options granted to the employees of the subsidiaries). The costs capitalised in the value of investments in subsidiaries amounted to 6 483 TPLN as at 31 December 2008 and 4 077 TPLN as at 31 December 2007.

** According to the purchase agreement of 100% shares in US Strategies, Inc (the entity purchased by AmRest Acquisition Subsidiary, Inc under trilateral contract and subsequently merged with AmRest Acquisition Subsidiary, Inc), the final purchase price depends on EBITDA earned by OOO AmRest (US Strategies, Inc subsidiary), in the one year period after the acquisition. As the final purchase price is still under discussion with the seller, the amount presented above is the best estimate of the management as at the date of preparation of the financial statements. The amount of 7 292 TUSD, by which the Management estimates to reduce the purchase price of the shares constitutes receivables from the related parties (Michael Tseytin acts as a seller and is a member of the Supervisory Board of the Company).

As at 31 December 2008 the Company has not recognised impairment on the investments in subsidiaries.

4 Loans granted to subsidiaries

Borrower – American Restaurants s.r.o.

Loan amount – 167 306 TCZK

Interest rate – PRIBOR +1,8%

Effective interest rate – 5,77%

The loan is not secured.

The table below presents the change of loan value during the twelve months period ended 31 December 2008:

As at 1 January 2008	**24 187**
Interest – capitalised in value of the loan (financial income)	1 248
Exchange rate differences (financial expense)	(1 134)
Translation differences	5 258
As at 31 December 2008	**29 559**

The fair value of the loan presented above does not differ significantly from its carrying value.

5 Liabilities to subsidiaries

As at 31 December 2008 the Company presented financial liability to its subsidiary (AmRest Sp. z o.o.) related to zero coupon bonds specified as below:

Date of issue – 3 June 2007

Number of bonds issued - 100

Emission price of 1 bond – 839 107 PLN

Total value of bonds issued – 83 910 7 00 PLN

Nominal value of 1 bond – 650 000 PLN

Total nominal value of bonds issued – 65 000 000 PLN

Termination date – 5 years after issue

Effective interest rate – 5,03%

The table below presents the change of value of financial liability relating to bonds issued during the twelve months period ended 31 December 2008:

As at 1 January 2008	**66 573**
Interests - discount	3 471
Exchange rate differences (financial income)	(12 464)
Translation differences	12 336

As at 31 December 2008	**69 916**

The bonds were issued for the purpose of financing the purchase of 100% shares in US Strategies, Inc. The purchase was finalised on 2 July 2007, under trilateral transaction, by AmRest Acquisition Subsidiary, Inc. At the date of acquisition both US Strategies. Inc. and AmRest Acquisition Subsidiary, Inc. were merged and formed a new legal entity – AmRest Acquisition Subsidiary, Inc. The total acquisition price paid constitutes the historical cost of purchase of the shares in a subsidiary - AmRest Acquisition Subsidiary, Inc.

6 Trade and other receivables

US Strategies, Inc. receivables for shares from Michel Tseytin:

	As at 31 December 2008	As at 31 December 2007
M.Tseytin receivable	21 597	17 756
	21 597	**17 756**

The purchase price is contingent and depends on the profit before interest, taxation, depreciation and amortisation (EBITDA) earned by OOO AmRest between 2 July 2007 and 31 December 2008 as well as the final valuation of assumed liabilities. As at December 31, 2008 the Management estimated the purchase price adjustment in the amount of 7 292 kUSD. The price calculated as mentioned above as at 2 July 2007 is the best estimate according to the management but not final and may change upon the final settlement of the transaction with the seller.

7 Employee benefits and share option plans

Share option plan 1

The plan was set up in 1999 and initially settled in cash. It related to the Group's key employees. Upon the Group's IPO on 27 April 2005, the plan was converted to settled in shares instead of cash. Additionally all obligations under the plan were assumed by ARC. ARC assumed responsibility for the option settlements with employees (vested and not vested upon IPO). The value of liability in the amount of 1 944 TPLN was transferred to equity.

Share option plan 2

In April 2005, the Group established an employee stock option plan for key employees, settled in shares. The total number of shares to which options are granted is determined by the Board but cannot exceed 3% of the total outstanding shares. In addition, the number of shares acquired by employees from options exercised is limited to 200 000 annually. Under the plan, the Company is entitled to determine among other matters, participating employees, number of options granted and the grant date. The option price will be generally equal the market share price at the option grant date and the vesting period will be mainly 5 years. The plan was approved by the Management Board and the Shareholders.

(in PLN thousands unless stated otherwise)

The terms and conditions of the grants are as follows:

Grant date	Number of options granted	Vesting conditions	Exercise price in PLN	Contractual life of options
Plan 1				
at 30 April 1999	75 250	5 years, graded, 20% per year	1,7	10 years
at 30 April 2000	53 750	5 years, graded, 20% per year	5,8	10 years
at 30 April 2001	76 300	5 years, graded, 20% per year	6,4	10 years
at 30 April 2002	74 600	5 years, graded, 20% per year	4,0	10 years
at 30 April 2003	55 100	5 years, graded, 20% per year	4,2	10 years
at 30 April 2004	77 800	5 years, graded, 20% per year	4,8	10 years
Total	412 800			
Plan 2				
At 30 April 2005	79 300	5 years, graded, 20% per year	7,3	10 years
At 30 April 2006	75 000	5 years, graded, 20% per year	15,7	10 years
At 30 April 2007	89 500	5 years, graded, 20% per year	34,6	10 years
At 30 April 2008	105 250	5 years, graded, 20% per year	38,6	10 years
At 12 June 2008	21 000	5 years, graded, 20% per year	33,0	10 years
Total	370 050			

The number and weighted average exercise prices of share options for the 12 months period ended 31 December 2008 and 12 months ended 31 December 2007 are as follows:

		12'2008			12'2007	
	Weighted average exercise price in PLN	Number of options Plan 2	Number of options Plan 1	Weighted average exercise price in PLN	Number of options Plan 2	Number of options Plan 1
Outstanding at the beginning of the period	42,3	210 780	131 200		151 400	182 200
Exercised during the period	31,5	(15 750)	-		-	(17 800)
Forfeited during the period	73,9	(6 060)	-		(29 770)	(33 200)
Granted during the period	83,8	126 250	-		89 150	-
Outstanding, end of the period	56,1	315 220	131 200		210 780	131 200
Exercisable at the end of the period	30,7	86 510	128 200		45 770	123 380

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a trinominal tree model and Monte-Carlo model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the trinominal tree model.

(in PLN thousands unless stated otherwise)

Fair value in PLN of stock options and performance participation plan units and related assumptions are summarized below:

	Granted in the period from 1/1/2008 to 31/12/2008	Granted in the period from 1/1/2007 to 31/12/2007	Granted in the period from 1/1/2006 to 31/12/2006	Granted in the period from 1/1/2005 to 31/12/2005		Granted till the end of 2004
	Plan 2	Plan 2	Plan 2	Plan 2	Plan 1	Plan 1
Average fair value at grant date	13,4	13,0	5,0	2,7	2,0	1,6
Average share price at grant date/date of valuation	28,3	39,6	16,6	7,9	n/a	n/a
Average exercise price	28,3	39,6	16,6	7,4	5,7	2,1
Expected volatility (expressed as weighted average volatility used in the modelling under the trinomial tree model)*	37%	33%	31%	40%	40%	40%
Expected option life (expressed as weighted average life used in the modelling under the trinomial tree model	8,9 years	9,9 years	9,9 years	9,9 years	7,0 years	7,5 years
Expected dividends (commencing 2008)	18,8%	18,8%	18,8%	18,8%	19,4%	19,4%
Risk free interest rate (based on interbank interest rates)	5,8%	5,5%	4,98%	4,5%	4,5%	5,8%

* Prior to 2006 the Company had no history of public quotations on WSE and the expected volatility for options granted before 2006 was based on the historic volatility of comparable companies operating on the WSE (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. For options granted in 2006, the fair value at grant date was based on actual volatility of quotations of the Company.

Share options are granted under a service condition. There are no market conditions associated with the share option grants.

Expenses recognized related to share-based payments plans for the twelve months period ended 31 December 2008 and 2007, which increase the investments in subsidiaries, can be summarized as follows:

	2008	**2007**
Value of employee services	2 406	1 433
	2 406	**1 433**

Share-based options exercised in the twelve months period ended 31 December 2008 and 2007 can be summarized as follows:

	2008	**2007**
Value of employee services	**859**	**-**

(in PLN thousands unless stated otherwise)

8 Equity

Share capital

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

As at 31 December 2008 the share capital consisted of 14 186 356 shares fully paid. Planned number of shares is 15 000 000.

On 9 May 2008, 15 750 new Company shares were registered. The issuance of the shares was related to the realization of the employee share plan (Note 7). The nominal value of the issued shares amounted to PLN 1 thousand. The share premium amounted to PLN 1 409 thousand.

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

Other supplementary capital

Other supplementary capital of PLN 6 191 thousand relates to non-refundable additional contributions to capital without additional issuance of shares made by the Group’s shareholders before their debut on the GPW.

Foreign exchange differences on translation
Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Company’s foreign operations into PLN.

9 Finance income and expenses

	2008	**2007**
Interests gains	1 248	1 119
Net exchange rate gains relating to bonds and loans (Note 4 and 5)	11 330	-
Other exchange rate gains	218	-
Finance income, total	**12 796**	**1 119**
Interests losses (bonds – Note 5)	3 470	1 679
Exchange rate losses relating to bonds and loans, net	-	5 199
Finance expenses, total	**3 470**	**6 878**

(in PLN thousands unless stated otherwise)

10 Related party transactions

As at 31 December 2008 the Group of which the Company is a parent consisted of the following subsidiaries (direct and indirect):

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
AmRest Sp. z o.o.	Wroclaw, Poland	Operating restaurants in Poland	AmRest Holdings SE	100.00 %	December 2000
American Restaurants s.r.o.	Prague, The Czech Republic	Operating restaurants in the The Czech Republic	AmRest Holdings SE	100.00 %	December 2000
International Fast Food Polska Sp. z o.o. w likwidacji	Wrocław, Poland	No current activities	AmRest Sp. z o.o.	100.00 %	January 2001
Pizza Hut s.r.o.	Prague, The Czech Republic	No current activities	American Restaurants s.r.o. AmRest Sp. z o.o.	99.973% 0.027%	December 2000
AmRest Kft	Budapest, Hungary	Operating restaurants in Hungary	AmRest Sp. z o.o.	100.00 %	June 2006
Grifex I Sp. z o.o. in liquidation	Wroclaw, Poland	No current activities	AmRest Sp. z o.o.	48.00 %	September 2003
AmRest Ukraina t.o.w.	Kiev, Ukraine	No current activities	AmRest Sp. z o.o.	100.00 %	December 2005
AmRest Coffee Sp. z .o.o.	Wroclaw, Poland	Established to operate Starbucks stores in Poland	AmRest Sp. z o.o. Starbucks Coffee International. Inc	82.00 % 18.00 %	March 2007
Bécsi út.13. Kft	Budapest, Hungary	Owner of the building with office space	AmRest Kft	100.00 %	April 2007
AmRest EOOD	Sofia Bulgaria	Established to operate restaurants in Bulgaria	AmRest Sp. z o.o.	100.00 %	April 2007
AmRest Coffee s.r.o.	Prague, The Czech Republic	Established to operate Starbucks stores in The Czech Republic	AmRest Sp. z o.o. Starbucks Coffee International. Inc	82.00 % 18.00 %	August 2007
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	Holding activities	AmRest Holdings SE	100.00 %	May 2007
OOO AmRest	Petersburg, Russia	Operating Pizza Hut and KFC restaurants in Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	1,56 % 98.44 %	July 2007
OOO KFC Nord	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007
OOO KFC South	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007

(in PLN thousands unless stated otherwise)

OOO Sistema Bistrogo Pitania	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007
AmRest Kávézó Kft	Budapest Hungary	Established to operate Starbucks stores in Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00 % 18.00 %	August 2007
AmRest D.O.O.	Belgrade, Serbia	Operating restaurants in Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00 % 40.00 %	October 2007
AmRest LLC	Wilmington, USA	Holding activities	AmRest Sp. z o.o.	100.00 %	July 2008
AppleGrove Holdings LLC	Delaware, USA	Established to operate Applebee's restaurants in the USA	AmRest LLC Grove Ownership Holdings LLC	80 % 20 %	July 2008
SCM Sp. z o.o.	Chotomów, Poland	Logistics services for the restaurants in the Group	AmRest Sp. z o.o.	51 00%	April 2005

The Company's associated companies at 31 December 2008 are as follows:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
Worldwide Communication Services LLC	Nevada, USA	Marketing activity for the Group	AmRest Sp. z o.o.	33,33 %	October 2003
Red 8 Communications Group Sp. z o.o.*	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC	55.22%	May 2002
SCM s.r.o.	Prague, The Czech Republic	Restaurant supply services provided for the Group	SCM Sp. z o.o.	40.50%	March 2007
Sfinks Polska S.A.	Łódź , Poland	Operating restaurants	AmRest Sp. z o.o.	32,99%	September 2008

Transactions with related parties

Receivables from related parties

	As at 31 December 2008	As at 31 December 2007
Receivable from M. Tseytin (Note 6)	21 597	17 756
	21 597	**17 756**

Loans granted to related parties

	As at 31 December 2008	As at 31 December 2007
American Restaurants s.r.o. (Note 4)	29 559	24 187
	29 559	**24 187**

(in PLN thousands unless stated otherwise)

Liability component of bonds

	As at 31 December 2008	As at 31 December 2007
AmRest Sp. z o.o. (Note 5)	69 916	66 573
	69 916	**66 573**

Trade and other payables

	As at 31 December 2008	As at 31 December 2007
AmRest Sp. z o.o.	2 470	416
	2 470	**416**

Transactions with the management/ Management Board, Supervisory Board

Remuneration of the Management and Supervisory Board.

	12 months period ended 31 December 2008	12 months period ended 31 December 2007
Remuneration of the Management Board Members paid by ARC	1 044	40
Remuneration of the Management and Supervisory Boards paid by the Company's subsidiaries	1 416	2 406
Total remuneration of the Management Board and Supervisory Board	2 460	2 446

In addition, the members of the Management Board participate in the share option plan. Total expenses incurred on to this programme were 275 TPLN in 2008 and 222 TPLN in 2007.

In 2008 the Management Board was granted new options with the fair value of 1 160 TPLN. Fair value of the option granted to the Management Board in 2007 amounted to 497 TPLN.

11 Commitments and contingencies

In accordance with the loan contract signed on 15 December 2008 the Company is the guarantor of loans taken by its subsidiaries: AmRest Sp. z o.o. and American Restaurants s.r.o. Total limit of loans for all three entities was awarded at the level of PLN 440 million. As at 31 December 2008 the subsidiaries used PLN 322,6 million and CZK 443,9 million of awarded limit.

Due to good financial situation of the subsidiaries there is no risk that the Company will be required to repay loans taken by these subsidiaries.

12 Subsequent events

There were no significant events after the balance sheet date, which would require a disclosure in the financial statements.

13 Financial instruments

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.

Credit risk

Financial instruments that are exposed to the credit risk includes receivables and loans. As at 31 December 2008 maximum amount exposed to credit risk was 51 556 TPLN and consists of:

- intercompany receivables (Michael.Tseytin) in the amount of 21 597 TPLN (Note 6),
- loan granted to subsidiary in the amount of 29 559 TPLN (Note 4).

The Company did not recognize impairment of assets listed above as well as not did create any write-offs.

Interest rate risk

The loan granted to the subsidiary (Note 4) was based on a floating interest rate. As at 31 December 2008, the Company did not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results.

If interest rates on borrowings denominated in CZK in the twelve months period ended December 2008 had been 10% higher/lower, profit for the year would have been about 125 TPLN lower/higher.

Bonds obligation issued to the subsidiary (Note 5) is based on a fixed interest rate. As at 31 December 2008 the exposure to fair value risk of the obligation was not hedged.

The fair value of the bond obligation 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.

As at 31 December 2008:

- if the Czech crown had strengthened/weakened by additional 10% against the US dollar, profit for the period would have been 907 TPLN higher/lower,
- if the Polish zloty had strengthened/weakened by additional 10% against the US dollar, profit for the period would have been 2 146 TPLN higher/lower.

Liquidity risk

The Company does not provide any operating activities except of holding activity, which results in no need of constat access to the financing and control over timely liability payments.

For the purpose of financing of the investment in the subsidiary (establishment of AmRest Acquisition Subsidiary and acquisition of 100% of shares in USSI, Note 3) the Company issued bonds (Note 5). As described in Note 5, these are zero coupon bonds to be terminated in 2012.

(in PLN thousands unless stated otherwise)

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and financing of investments in subsidiaries.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total engaged capital. Net debt is calculated as total borrowings (including borrowings and payables) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios at 31 December 2008 and 31 December 2007 were as follows:

	12'2008	12'2007
Bonds obligations and other liabilities	73 121	67 997
Less: cash and cash equivalent	-	5
Net debt	73 121	67 992
Total equity	347 498	275 714
Capital involved	420 619	343 706
Gearing ratio	17%	20%

Recent volatility in global and country financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in local and international stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing crisis is proving to be impossible to anticipate or completely guard against.

To the extent that information is available management have properly reflected revised estimates of expected future cash flows in their impairment assessments, however management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

14 Significant events after the balance sheet date

Based on the performed analysis, the Management Board decided about the change of functional currency from USD to PLN commencing on 1 January 2008. This decision was made mainly due to following reasons:

- Movement of the Company's seat from the Netherlands to Poland (Note 1a);
- New bank loan agreements denominated in PLN (Note 11);
- Necessity of reporting of financial statements for tax and information purposes in PLN.