AmRest Holdings SE
Consolidated condensed interim financial statements
as at and for the six months ended
June 30, 2017

Contents

Interim consolidated income statement
for the period ended June 30, 2017

In thousands of Polish Zloty	Notes	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Continuing operations			
Restaurant sales		2 250 342	1 713 170
Franchise and other sales		140 199	122 106
Total sales	2	**2 390 541**	**1 835 276**
Company operated restaurant expenses:			
Food and material		(659 753)	(523 723)
Payroll and employee benefits		(560 663)	(389 954)
Royalties		(113 699)	(84 090)
Occupancy and other operating expenses		(696 554)	(522 814)
Franchise and other expenses		(87 913)	(79 133)
General and administrative (G&A) expenses		(180 715)	(130 831)
Impairment losses	2,8	(6 748)	(6 948)
Total operating costs and losses		(2 306 045)	(1 737 493)
Other operating income		17 611	12 158
Profit from operations		**102 107**	**109 941**
Finance costs	2,4	(29 080)	(21 597)
Finance income	2,3	1 430	1 071
Income from associates		-	(11)
Profit before tax		**74 457**	**89 404**
Income tax expense	2,5	(18 916)	(14 242)
Profit for the period		**55 541**	**75 162**
Profit/(loss) attributable to:			
Non-controlling interests		1 926	(857)
Equity holders of the parent		53 615	76 019
Profit for the period		**55 541**	**75 162**
Basic earnings per share in Polish zloty	1.j)	2,53	3,58
Diluted earnings per share in Polish zloty	1.j)	2,53	3,58

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

Interim consolidated comprehensive income statement
for the period ended June 30, 2017

In thousands of Polish Zloty	**Notes**	**For the 6 months ended June 30, 2017**	**For the 6 months ended June 30, 2016**
Profit for the period		55 541	75 162
Other comprehensive income/(loss):			
Currency translation differences from conversion of foreign Entities		(107 370)	86 634
Net investment hedges	14	35 489	(24 515)
Income tax concerning net investment hedges	5,14	(6 743)	4 658
Total items that may be reclassified subsequently to profit		(78 624)	66 777
Total items that will not be reclassified to income statement		-	-
Other comprehensive income for the period, net of tax		**(78 624)**	**66 777**
Total comprehensive income for the period		**(23 083)**	**141 939**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		(15 520)	142 719
Non-controlling interests		(7 563)	(780)

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

Interim consolidated statement of financial position
as at June 30, 2017

In thousands of Polish Zloty	Notes	30.06.2017	31.12.2016 *after adjustment
Assets			
Property, plant and equipment	6	1 375 867	1 343 738
Goodwill	7	797 747	777 508
Intangible assets	8	579 796	617 327
Investment properties		22 152	22 152
Investments in associates		-	888
Other non-current assets	9	85 259	62 503
Deferred tax assets	5	40 921	44 834
Total non-current assets		**2 901 742**	**2 868 950**
Inventories	10	80 144	82 086
Trade and other receivables	11	114 865	99 384
Corporate income tax receivables		14 919	12 797
Other current assets	12	98 805	102 898
Cash and cash equivalents	13	321 559	291 641
Total current assets		**630 292**	**588 806**
Total assets	2	**3 532 034**	**3 457 756**
Equity			
Share capital		714	714
Reserves	14	613 991	648 886
Retained earnings		708 635	655 020
Translation reserve	14	(93 468)	4 413
Equity attributable to shareholders of the parent		**1 229 872**	**1 309 033**
Non-controlling interests		**33 978**	**67 577**
Total equity		**1 263 850**	**1 376 610**
Liabilities			
Interest-bearing loans and borrowings	15	1 151 118	1 039 033
Finance lease liabilities	19	7 229	7 880
Employee benefit liability	17	8 363	19 850
Provisions		41 698	42 346
Deferred tax liability	5	111 662	117 818
Other non-current liabilities	16	8 625	8 429
Total non-current liabilities		**1 328 695**	**1 235 356**
Interest-bearing loans and borrowings	15	365 055	223 255
Finance lease liabilities	19	1 624	1 636
Trade and other accounts payable	18	556 101	613 093
Corporate income tax liabilities		16 709	7 806
Total current liabilities		**939 489**	**845 790**
Total liabilities	2	**2 268 184**	**2 081 146**
Total equity and liabilities		**3 532 034**	**3 457 756**

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

** The adjustment resulted from final purchase price allocation process of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) described in note 1.k) .*

Interim consolidated cash flow statement
for the period ended June 30, 2017

In thousands of Polish Zloty	Notes	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Cash flows from operating activities			
Profit before tax from continued operations	2,5	74 457	89 404
Adjustments for:			
Share of profit of associates		-	11
Amortization	2,8	19 541	15 496
Depreciation	2,6	137 617	110 780
Interest expense, net	3,4	18 486	16 832
Foreign exchange result	3,4	4 617	662
Loss on disposal of property, plant and equipment and intangibles		2 023	153
Impairment of property, plant and equipment and intangibles	2,6,8	6 166	7 834
Equity-settled share-based payments expenses	14	10 344	13 051
Working capital changes:			
Change in receivables	13	(15 007)	16 541
Change in inventories	13	(217)	2 170
Change in other assets	13	(5 898)	22 096
Change in payables and other liabilities	13	(52 670)	(112 049)
Change in other provisions and employee benefits	13	(16 618)	6 562
Income tax paid		(5 867)	(14 116)
Interest paid	4	(19 266)	(17 903)
Interests received	3	1 365	1 070
Other		(606)	5 431
Net cash provided by operating activities		**158 467**	**164 025**
Cash flows from investing activities			
Payments for acquisition of subsidiaries	2	(94 662)	(155 147)
Proceeds related to the acquisition of subsidiaries	2	-	14 330
Prepayment for the acquisition of restaurants	2	(19 140)	-
Acquisition of property, plant and equipment	6	(202 159)	(165 512)
Acquisition of intangible assets	8	(7 847)	(9 818)
Net cash used in investing activities		**(323 808)**	**(316 147)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		3 846	4 882
Expense on acquisition of treasury shares (employees options)		(45 745)	(11 016)
Proceeds from loans and borrowings		290 555	197 707
Payment of cash-settled share-based awards		(3 323)	(2 574)
Dividends paid to minority interests		(100)	-
Expense related to the acquisition of non-controlling interest		(60 619)	-
Proceeds/(repayment) of finance lease payables		(446)	(98)
Net cash provided by/(used in) financing activities		**184 168**	**188 901**
Net change in cash and cash equivalents		**18 827**	**36 779**
Effect of foreign exchange rate movements		11 091	(8 190)
Balance sheet change of cash and cash equivalents		29 918	28 589
Cash and cash equivalents, beginning of period		291 641	317 871
Cash and cash equivalents, end of period		**321 559**	**346 460**

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

AmRest Holdings SE

Interim consolidated statement of changes in equity for the 6 months ended June 30, 2017

	Attributable to equity holders							
		Reserved capital (note 14)						
	Issued capital	Treasury shares	Other reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attributable to equity holders of the parent**	Non-controlling interest	**Total Equity**
As at January 31, 2016	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
<u>COMPREHENSIVE INCOME</u>								
Income for the period	-	-	-	76 019	-	**76 019**	(857)	**75 162**
Currency translation differences (note 14)	-	-	-	-	86 557	**86 557**	77	**86 634**
Impact of net investment hedging (note 5, 14)	-	-	(24 515)	-	-	**(24 515)**	-	**(24 515)**
Deferred income tax concerning net investment hedges (note 14)	-	-	4 658	-	-	**4 658**	-	**4 658**
Total Comprehensive Income	**-**	**-**	**(19 857)**	**76 019**	**86 557**	**142 719**	**(780)**	**141 939**
<u>TRANSACTION WITH SHAREHOLDERS</u>								
Purchase of treasury shares	-	(11 016)	-	-	-	**(11 016)**	-	**(11 016)**
Treasury shares disposal	-	27 799	(27 799)	-	-	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	9 576	-	-	**9 576**	-	**9 576**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	4 882	-	-	**4 882**	-	**4 882**
Employee stock option plan – value of unexercised employee benefits*	-	-	9 831	-	-	**9 831**	-	**9 831**
Change of deferred tax related to unexercised employee benefits	-	-	1 560	-	-	**1 560**	-	**1 560**
Total transactions with shareholders	**-**	**16 783**	**(1 950)**	**-**	**-**	**14 833**	**-**	**14 833**
As at June 30, 2016	**714**	**(4 429)**	**677 711**	**540 475**	**(23 890)**	**1 190 581**	**70 265**	**1 260 846**
As at January 1, 2017	**714**	**(11 123)**	**660 009**	**655 020**	**4 413**	**1 309 033**	**67 577**	**1 376 610**
<u>COMPREHENSIVE INCOME</u>								
Income for the period	-	-	-	53 615	-	**53 615**	1 926	**55 541**
Currency translation differences (note 14)	-	-	-	-	(97 881)	**(97 881)**	(9 489)	**(107 370)**
Impact of net investment hedging (note 5,14)	-	-	35 489	-	-	**35 489**	-	**35 489**
Deferred income tax concerning net investment hedges (note 14)	-	-	(6 743)	-	-	**(6 743)**	-	**(6 743)**
Total Comprehensive Income	**-**	**-**	**28 746**	**53 615**	**(97 881)**	**(15 520)**	**(7 563)**	**(23 083)**
<u>TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS</u>								
Takeover of full control over the subsidiary	-	-	**(29 061)**	-	-	**(29 061)**	**(25 936)**	**(54 997)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	**(100)**	**(100)**
Total transaction with non-controlling shareholders	**-**	**-**	**(29 061)**	**-**	**-**	**(29 061)**	**(26 036)**	**(55 097)**
<u>TRANSACTIONS WITH SHAREHOLDERS</u>								
Purchase of treasury shares	-	(45 745)	-	-	-	**(45 745)**	-	**(45 745)**
Treasury shares disposal	-	36 814	(36 814)	-	-	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	9 830	-	-	**9 830**	-	**9 830**
Employee stock option plan – proceeds from employees for disposed shares	-	-	1 389	-	-	**1 389**	-	**1 389**
Employee stock option plan – value of unexercised employee benefits	-	-	(1 794)	-	-	**(1 794)**	-	**(1 794)**
Change of deferred tax related to unexercised employee benefits	-	-	(547)	-	-	**(547)**	-	**(547)**
Effect of modification of stock option plan	-	-	2 287	-	-	**2 287**	-	**2 287**
Total transactions with shareholders	**-**	**(8 931)**	**(25 649)**	**-**	**-**	**(34 580)**	**-**	**(34 580)**
As at June 30, 2017	**714**	**(20 054)**	**634 045**	**708 635**	**(93 468)**	**1 229 872**	**33 978**	**1 263 850**

** The amount includes the modification of options into options equity-settled*

The interim statement of changes in consolidated equity has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

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

1. Information on the Group and significant accounting policies

a) General information

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

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

Hereafter, the Company and its subsidiaries shall be referred to as "the Group". The Group's interim consolidated financial statements for the 6 months ended June 30, 2017 cover the Company, its subsidiaries and the Group's shares in associates.

These interim consolidated condensed financial statements were approved by the Company's Management Board on September 14, 2017.

The Group's core activity is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Slovakia, Hungary, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France and Spain, on the basis of franchises granted. In Spain, France and 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. In China, the Group operates its own brands Blue Frog and KABB.

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

As at June 30, 2017, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is September 14, 2017 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	13 121 152	61.85%	13 121 152	61.85%
Nationale-Nederlanden OFE	2 034 893	9.59%	2 034 893	9.59%
Other shareholders	6 057 848	28.56%	6 057 848	28.56%

* 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.

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

As at June 30, 2017 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Holding activity				
AmRest Acquisition Subsidiary Inc.	Birkirara, 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, China	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 Managment (Shanghai) Co., Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100,00%	December 2016
Restaurant activity				
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.17% 99.83%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH*	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012

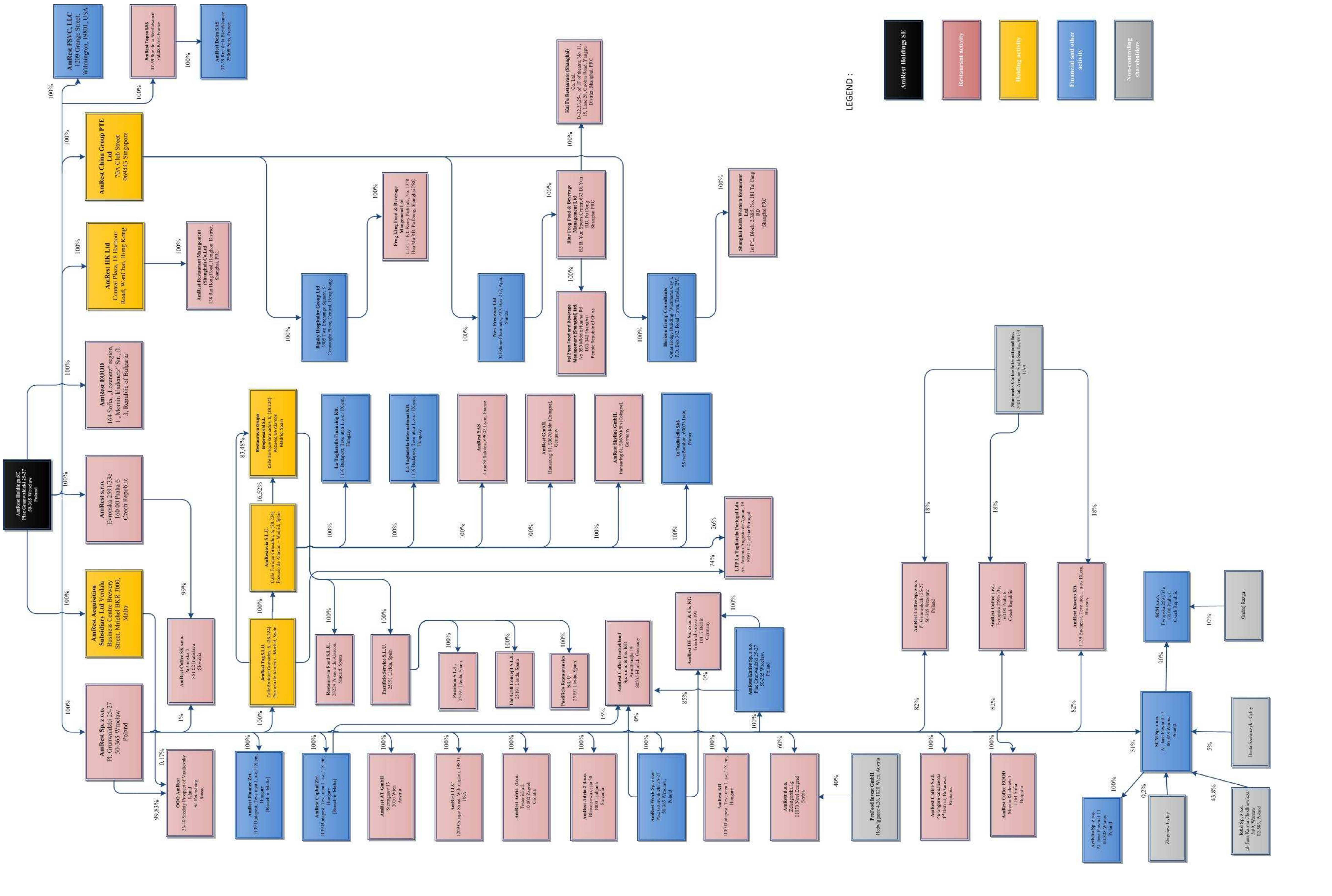
Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Frog King Food&Beverage Management Ltd	Szanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Szanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Szanghai, China	Horizon Group Consultants (BVI)	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 Cofee 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.	99.00%	December 2015
		AmRest Sp. z o.o.	1.00%	
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o.	85.00%	May 2016
		AmRest Capital Zrt	15.00%	
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	74.00%	February 2017
		AmRestavia S.L.U.	26.00%	
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
	Financial services for the Group			
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft**	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
	Supply services for restaurants operated by the Group			
SCM s.r.o.	Prague, Czech	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Activita Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

* On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company. The liquidation process has not been finished until the date of these financial statements.

** 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. On June 30, 2017 the restaurants operated by the Group were located in Poland, Czech, Hungary, Slovakia, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.


LEGEND :
AmRest Holdings SE
Restaurant activity
Holding activity
Financial and other activity
Non-controlling shareholders

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

These Interim Condensed Consolidated Financial Statements as at and for the 6 months ended June 30, 2017 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

These Interim Condensed Consolidated Financial Statements do not include all information or disclosures which are required in the annual financial statements and they should be read together with the annual Consolidated Financial Statements of the Group as at December 31, 2016.

Accounting policies on which bases the interim condensed consolidated financial statement prepared for the 6 months ended June 30, 2017 and consolidated financial statement for the year ended December 31, 2016 are consistent, except standards, changes in standards and interpretations which are mandatory for reporting periods beginning after January 1, 2017.

No new standards and amendments to standards went into force in 2017. Before the issuance date of this financial statements were published by IASB numerous standards and interpretations, which have not entered into force, but some of them were approved for use by European Commission. The Group did not decide for early adoption of any of these standards.

From the date of issue of annual consolidated financial statements the following standards and interpretations were published:

- **IFRS 17 - Insurance Contracts**

IFRS 17 - Insurance Contracts was issued by International Accounting Standards Board on 18 may 2017 and is effective for annual periods beginning on or after 1 January 2019.

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

IFRIC 23 clarifies the accounting for uncertainties in income taxes, described in IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group considers those changes will not have a significant impact on the consolidated financial statements.

c) Form of presentation of the interim condensed consolidated financial statements

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

The interim condensed 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 interim condensed financial statements requires the Management of the Group 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 interim condensed consolidated financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied. These policies have been applied consistently by all the entities constituting the Group.

d) Going concern assumption

Information presented below should be read together with information provided in note 15 loans and borrowings.

Interim condensed consolidated financial statements for the period of 6 months ended June 30, 2017 were prepared in accordance with going concern assumption by the Group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. As at the date of interim condensed consolidated financial statement issuance in assessment made by Group Parent Entity there are no circumstances indicating threats for Group business going concern.

As it was described in note 15 "borrowings" financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (currently BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. Based on this agreement capital repayments fall due beginning in September 2016. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of June 30, 2017 and available financing scenarios. In note 21 the Management presents analysis of liabilities repayment.

e) Seasonal fluctuations in production and sales

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

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

f) Unusual events affecting the operating activities

During the reporting period no other significant unusual events have been identified.

g) Issuances, repurchases and repayments of debts and equity securities

Apart from transactions described in notes 14 and 15, during the reporting period no issuances, repurchases and repayments of debt and equity securities have been identified.

h) Dividends paid and received.

In the period covered by this Interim Condensed Consolidated Financial Statements Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to PLN 100 thousands.

i) Changes in future and contigent liabilities

Future liabilities as same as in previous period occurred from franchise agreement. As at June 30, 2017 following events have effected on future liabilities of Group:

On March 1st, 2017 AmRest Holdings SE completed the assets sale and transfer agreement (the "APA") between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. As a result, AmRest acquired 15 KFC restaurants operating in the German market. In result of this contract and other agreements, AmRest is obliged to open certain number of restaurants in Germany. Moreover, on the purpose of reducing development cost, the agreements include decreasing mechanism of some fees payable by AmRest to the franchiser, providing that AmRest fulfills certain minimal development plans in upcoming years.

On May 16, 2017 AmRest Holdings SE complete a Share Purchase Agreement ("SPA") between AmRest and Top Brands NV. As a result the master franchise agreement (the "MFA") with Pizza Hut Europe Sarl (US Branch) ("PH Europe") has been signed. According to MFA AmRest as the exclusive master-franchisee, have the right for granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in France and Monaco, while ensuring a certain share of restaurants operated directly by the Company. The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions. In order to facilitate the growth of scale of Pizza Hut business, PH Europe introduced an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the MFA. Upon entry into force of the MFA AmRest is required to open and operate Pizza Hut Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the Agreement's term. If AmRest fails to meet the development obligations, PH Europe will have the right to increase the Reduced Fees and change the terms or terminate the MFA. The Company's intention is to open more than 150 Pizza Hut restaurants in the French market within 5 years.

j) Earnings per share

The basic and diluted earnings per ordinary share for the 6-months period of 2017 and 2016 was calculated as follows:

	For the 6 months ended June 30, 2017	**For the 6 months ended June 30, 2016**
Net profit attributable to shareholders of the parent (*in thousands of PLN)*	53 615	76 019
Weighted average number of ordinary shares in issue (note 14)	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share (PLN)	2,53	3,58
Diluted earnings per ordinary share (PLN)	2,53	3,58

As at June 30, 2017 and 2016 Company had no availability to issue new shares to settle employee option plans. Settlements of employee options plans are available through treasury stocks in a secondary market or in cash.

k) Adjustments

In the first half of 2017, the Group finalized acquisition accounting for AmRest Coffee Deutschland Sp. z o.o. & Co. KG. The adjustments that were introduced based on the verification of fair value of acquired assets and liabilities also impacted value of goodwill previously established under the provisional acquisition of Starbucks in Germany.

As a consequence, comparative data, and relevant explanatory notes, presented in these consolidated financial statements were restated.

Adjustments introduced did not materially affect the comparative data presented in these interim financial statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share, hence the data were note restated.

Schedules of effects of above mentioned adjustments and the reconciliations between data published for the year ended December 31, 2016 and reported in current period statements as data for the year ended December 31, 2016 are presented below.

Consolidated annual statement of financial position as at June 30, 2016

In thousands of Polish zloty	**According to the published financial statement**	Adjustment	**After adjustment**
Assets			
Property, plant and equipment	1 343 738		1 343 738
Goodwill	769 063	8 445	777 508
Intangible assets	604 139	13 188	617 327
Investment property	22 152		22 152
Investments in associates	888		888
Other non-current assets	62 503		62 503
Deferred tax assets	49 674	(4 840)	44 834
Total non-current assets	**2 852 157**	**16 793**	**2 868 950**
Inventories	82 086		82 086
Trade and other receivables	99 384		99 384
Corporate income tax receivables	12 797		12 797
Other current assets	102 898		102 898
Cash and cash equivalents	291 641		291 641
Total current assets	**588 806**	**-**	**588 806**
Total assets	**3 440 963**	**16 793**	**3 457 756**
Equity			
Share capital	714		714
Reserves	648 886		648 886
Retained earnings	655 020		655 020
Translation reserve	4 413		4 413
Equity attributable to shareholders of the parent	**1 309 033**	**-**	**1 309 033**
Non-controlling interests	**67 577**	**-**	**67 577**
Total equity	**1 376 610**	**-**	**1 376 610**
Liabilities			
Interest-bearing loans and borrowings	1 039 033		1 039 033
Finance lease liabilities	7 880		7 880
Employee benefit liability	19 850		19 850
Provisions	23 717	18 629	42 346
Deferred tax liability	117 818		117 818
Other non-current liabilities	8 429		8 429
Total non-current liabilities	**1 216 727**	**18 629**	**1 235 356**
Interest-bearing loans and borrowings	223 255		223 255
Finance lease liabilities	1 636		1 636
Trade and other accounts payable	614 929	(1 836)	613 093
Income tax liabilities	7 806		7 806
Total current liabilities	**847 626**	**(1 836)**	**845 790**
Total liabilities	**2 064 353**	**16 793**	**2 081 146**
Total equity and liabilities	**3 440 963**	**16 793**	**3 457 756**

2. Segment reporting

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

Due to the acquisition of a company operating Starbucks coffeehouses in Germany and effect of Group management structure changes initialised on the turn of 2015 and 2016, Group has revised names and a way of reporting segment aggregation continuously based on geographical criterium. The approach is current valid solution for strategic analysis and capital allocation decision making process by Executive Committee. As for the balance sheet date Executive Committee defines segments in presented below layout.

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

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

The data relating to operating segments for the 6 months ended June 30, 2017 and for the comparative period are presented below.

for the 6 months ended June 30, 2017	**CEE**	**Western Europe**	**Russia**	**China**	**Unallo-cated**	**Total**
Revenue from external customers	1 202 130	741 032	287 982	132 778	26 619	2 390 541
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	89 269	17 976	7 556	2 609	(15 303)	102 107
Finance income	-	-	-	-	1 430	1 430
Finance costs	-	-	-	-	(29 080)	(29 080)
Income tax	-	-	-	-	(18 916)	(18 916)
Profit for the period	-	-	-	-	55 541	55 541
Segment assets	1 193 360	1 717 214	339 762	204 765	76 933	3 532 034
Total assets	1 193 360	1 717 214	339 762	204 765	76 933	3 532 034
e.g. goodwill	34 286	589 327	87 954	85 269	911	797 747
e.g. deferred tax assets	28 621	2 462	-	-	9 838	40 921
Segment liabilities	283 081	263 483	27 545	39 233	1 654 842	2 268 184
Employee benefits	53 895	49 091	14 948	9 032	7 671	134 637
Depreciation	73 087	37 583	17 320	9 169	458	137 617
Amortization	10 253	7 542	953	624	169	19 541
Capital investment	117 692	108 146	30 390	10 171	808	267 207
Impairment of fixed assets (note 6, 8)	(3 215)	2 520	3 579	3 282	-	6 166
Impairment of trade receivables (note 11)	561	57	-	-	(202)	416
Impairment of inventories (note 10)	-	10	-	-	-	10
Impairment of other assets	-	156	-	-	-	156

for the 6 months ended June 30, 2016 (balance sheet data as at December 31, 2016, after adjustment)	**CEE**	**Western Europe**	**Russia**	**China**	**Unallo-cated**	**Total**
Revenue from external customers	1 040 233	458 205	205 058	110 333	21 447	1 835 276
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	77 614	42 709	6 788	(5 814)	(11 356)	109 941
Finance income	-	-	-	-	1 071	1 071

Finance costs	-	-	-	-	(21 597)	(21 597)
Share of profit of associates	-	-	-	-	(11)	(11)
Income tax	-	-	-	-	(14 242)	(14 242)
Profit for the period	-	-	-	-	75 162	75 162
Segment assets	1 155 144	1 622 630	349 756	208 186	121 152	3 456 868
Investments in associates	-	-	-	-	888	888
Total assets	1 155 144	1 622 630	349 756	208 186	122 040	3 457 756
e.g. goodwill	35 639	550 964	95 848	94 146	911	777 508
e.g. deferred tax assets	32 343	2 090	-	-	10 401	44 834
Segment liabilities	326 449	259 924	33 782	39 984	1 421 007	2 081 146
Employee benefits	45 702	27 282	9 534	8 798	7 037	98 353
Depreciation	66 002	23 376	12 572	8 451	379	110 780
Amortization	8 835	5 263	656	602	140	15 496
Capital investment	91 306	129 820	30 164	9 154	4 135	264 579
Impairment of fixed assets (note 6, 8)	1 151	2 729	2 795	1 159	-	7 834
Impairment of trade receivables (note 11)	(645)	-	(205)	-	(392)	(1 242)
Impairment of inventories (note 10)	-	36	-	-	-	36
Impairment of other assets	320	-	-	-	-	320

Capital expenditure comprises increases and acqusitions in property, plant and equipment (note 6), intangible assets (note 8) with adjustment of a change in investment liabilities.

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

Goodwill was allocated to given countries markets within reporting segments.

Business combinations

Entrance into German restaurant market – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

On April 19, 2016 the Group acquired 100% shares in StarbucksCoffee Deutschland Ltd & Co. KG from companies of Starbucks Corporation Group. The control was obtained, based on the agreement, on May 23, 2016. The purchase price amounted initially to EUR 40 million (PLN 177 454 thousands) and was increased by EUR 1.5 million (PLN 6 997 thousands).

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

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

ALLOCATION OF THE ACQUISITION PRICE

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

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Fair value (EUR thousands)**	**Fair value (PLN thousands)**
Cash and cash equivalents	6 616	29 304
Property, plant and equipment	16 712	74 022
Intangible assets	6 419	28 431

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Fair value (EUR thousands)**	**Fair value (PLN thousands)**
Inventories	1 361	6 029
Trade and other receivables	773	3 424
Other current assets	2 249	9 961
Asset related to right to compensation resulting from the acquisition agreement	11 338	50 221
Deferred tax assets	-	-
Provisions	(6 423)	(28 448)
Pre-acquisition tax settlements liability	(11 338)	(50 221)
Trade and other payables	(21 017)	(93 090)
Net assets acquired	6 690	29 633
Amount paid in cash	40 064	177 454
Purchase price adjustment	1 585	6 997
Total payment for acquisition	41 649	184 451
The fair value of net assets	6 690	29 633
Goodwill	34 959	154 818
Amount paid in cash	41 649	184 451
Acquired cash and cash equivalents	6 616	29 304
Cash outflows on acquisition	35 033	155 147

The fair value of net asset presented in similar acquisition note in consolidated financial statements as at December 31st, 2016 was adjusted by PLN 8.458 thousand (EUR 1.909 thousand), due to the identification of other intangible assets amounting to PLN 13.204 thousand (EUR 2.981 thousand), reduction of deferred tax asset by PLN 4.844 thousand (EUR 1.094 thousand), recognition of additional provision for costs of future asset restorations by PLN 18.652 thousand (EUR 4.211 thousand) and decrease of liabilities by PLN 1.836 thousand (EUR 415 thousand).

The purchase price allocation process has been completed.

Key fair value adjustment characteristics are following:

	Description	**Methods/key assumptions**
Intangible assets	Valuation of customer base from loyalty program	Independent DCF valuation
Other intangible assets - Exclusivity right of Starbucks brand operator	Identification of exclusivity right of Starbucks brand operator in Germany.	Independent DCF valuation with income approach (WACC 12.0%)
Intangible assets	Entitlement to franchise operation for acquired restaurants for 15 years	Valuation based on current initial fees level
Property plant and equipment, current assets	Valuation of property, plant and equipment together with impairment provision.	Independent valuation based on depreciated replacement / reproduction cost with DCF based impairment tests.

	Description	Methods/key assumptions
Other non-current assets, Trade and other receivables, other current assets, trade and other payables	Other adjustments related to book values adjustment to accounting policies of the Group and IFRS	Independent valuation and review of underlying book values

Goodwill recognized on this acquisition consists mostly of synergies unidentified separately, unexploited market potential and opportunities offered by the economies of scale which is expected by combining the current activities of the AmRest Group and the acquired business.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) occurred in last days of May 2016, the results of acquired assets for the first five months of 2016 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2016 estimated consolidated revenues for the 6 months ended June 30, 2016 would grew by PLN 216.215 thousand and net profit would be decreased by PLN 33.706 thousand. The source of data were non-audited internal reporting packages prepared according to US GAAP. In the period for the 6 months ended June 30, 2017 the cost of PLN 2.168 thousand related to the transaction has been recognized as general and administrative expense.

Entrance into German restaurant market – acquisition of KFC operators

DESCRIPTION OF THE ACQUISITION

On November 30th, 2016 AmRest signed assets sale and transfer agreement (the "APA") between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. Under the terms of APA AmRest acquires 15 KFC restaurants operating in the German market. The Completion was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change.

On March 1st, 2017 the transaction was completed and from this date AmRest DE Sp. z o.o. & Co. KG became the operator of 15 KFC restaurants in Germany.

Acquisition price amounted to EUR 10.275 thousand (PLN 44.101 thousand). Final price can be adjusted mainly according to variances in the assessed quality of acquired assets. Owing to the fact that the sides are currently performing review and analysis of the assets, as at the date of issuing these financial statements no price adjustment has been recorded.

In the opinion of the Management Board of AmRest, great potential for development of KFC brand in the German market, combined with the Company's over 20 years' experience in running KFC restaurants will allow AmRest to substantially increase the scale of that business within the coming years.

PROVISIONAL ALLOCATION OF THE ACQUISITION PRICE

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

AmRest DE Sp.z o.o. & Co. KG	**Fair value (EUR thousands)**	**Fair value (PLN thousands)**
Cash and cash equivalents	60	258
Property, plant and equipment	8 353	35 853
Other intangible assets	696	2 987
Inventories	221	947
Provisions	(1 080)	(4 635)
Trade and other payables	(846)	(3 632)

AmRest DE Sp.z o.o. & Co. KG	**Fair value (EUR thousands)**	**Fair value (PLN thousands)**
Net assets acquired	7 404	31 778
Amount paid in cash	10 275	44 101
The fair value of net assets	7 404	31 778
Goodwill	2 871	12 323
Amount paid in cash	10 275	44 101
Acquired cash and cash equivalents	60	258
Cash outflows on acquisition	10 215	43 843

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio. Particularly, the process of fair value estimation of property, plant and equipment and intangible assets has not been completed. Provisional values have been recognized based on statutory accounting records. The Group is also analyzing fair value of payables and provisions, including provisions for costs of future asset restorations or dismantling. According to fair values of assets and liabilities, purchase price and goodwill were presented provisionally.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT
As the acquisition of 15 KFC stores occurred March 1st, 2017, the results of acquired assets for the first two months of 2017 have not been reported in the consolidated financial statements. If described above acquisition would have happened as at January 1st, 2017 estimated consolidated revenues for the 6 months ended June 30, 2017 2 months ending February 28th, 2017 would grew by PLN 21.292 thousand and net profit would decrease by PLN 687 thousand. The financial data were sourced from non-audited internal reports prepared according to US GAAP. The acquisition cost of PLN 977 thousand has been recognized in financial statements as general and administrative expense (PLN 876 thousand in 2016 and PLN 101 thousand in 2017).

Entrance into French restaurant market – acquisition of Pizza Hut Delivery operator

DESCRIPTION OF THE ACQUISITION
On May 16th, 2017 AmRest completed the Share Purchase Agreement ("SPA") between AmRest and Top Brands NV and thereby acquired 100% shares of Pizza Topco France SAS (currently AmRest Topco France SAS). The control by the Group was obtained on May 16th, 2017 according to the agreement. The preliminary acquisition price amounted to PLN 53.993 thousand (EUR 12.826 thousand).

Within the transaction the master franchise agreement was also signed, under which AmRest becomes the exclusive master-franchisee and has the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in France and Monaco.

PROVISIONAL ALLOCATION OF THE ACQUISITION PRICE
The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio. Fair values of assets and liabilities, purchase price and goodwill were presented provisionally. Particularly, provisional values of property, plant and equipment and intangible assets have been recognized based on statutory accounting records. The process of identification of acquired assets and their fair value estimation has not been completed. Therefore, the Group assumes that provisional values will be amended when the purchase price allocation process is completed.

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

Pizza Topco France SAS (currently AmRest Topco France SAS)	Fair value (EUR thousands)	Fair value (PLN thousands)
Cash and cash equivalents	755	3 176
Property, plant and equipment	1 119	4 704
Intangible assets	185	776
Other non-current assets	127	534
Inventories	44	186
Trade and other receivables	1 470	6 181
Tax receivables	377	1 586
Other current assets	249	1 048
Provisions	(263)	(1 107)
Trade and other payables	(3 262)	(13 717)
Net assets acquired	801	3 367
Amount paid in cash	12 826	53 993
The fair value of net assets	801	3 367
Goodwill	12 025	50 626
Amount paid in cash	12 826	53 993
Acquired cash and cash equivalents	755	3 176
Cash outflows on acquisition	12 071	50 817

<u>INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT</u>

As AmRest obtained control over Pizza Topco France SAS (currently AmRest Topco France SAS) on May 16th, 2017, the results of acquired assets before that date have not been reported in the consolidated financial statements. If described above acquisition would have happened as at January 1st, 2017 estimated consolidated revenues for for the 6 months ended June 30, 2017 the period from January 1st, 2017 to May 16th, 2017 would grew by PLN 11.575 thousand and net profit would decrease by PLN 1.979 thousand. The acquisition cost of PLN 1.463 thousand has been recognized in financial statements as general and administrative expense.

3. Finance income

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Income from bank interests	1 365	1 071
Other	65	-
	1 430	**1 071**

4. Finance costs

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Interest expense	(19 851)	(17 903)
Net foreign exchange losses	(4 617)	(662)
Other	(4 612)	(3 032)
	(29 080)	**(21 597)**

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

5. Income tax expenses

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Current tax	(28 449)	(4 461)
Total change in deferred tax assets/liabilities	9 533	(9 781)
Deferred tax recognized in the income statement	**(18 916)**	**(14 242)**

	30.06.2017	30.06.2016
Deferred tax asset		
Opening balance	44 834	33 352
Closing balance	40 921	49 557
Deferred tax liability		
Opening balance	117 818	90 492
Closing balance	111 662	110 260
Change in deferred tax assets/liabilities	**2 243**	**(3 563)**
Of which		
Deferred income tax recognized in income statement	9 533	(9 781)
Deferred income tax regarding titles directly reported in equity	(7 290)	6 218

As at June 30, 2017 and June 30, 2016 balance of deferred tax liability was mostly caused by tax effect of temporary differences on property, plant and equipment and intangible assets.

A tax authority may control tax returns (if they have not already been controlled) of Group companies from 3 to 5 years of the date of their filing.

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

On July 28, 2016 a fiscal control on tax returns began regarding VAT repayment for 2014 in AmRest Sp. z o.o. On September 11, 2017 the Company received a decision issued by the Director of Lower Silesia Tax Office (“the Director”), which questioned the correctness of output VAT settlement for a part of operational sales revenues. The Director indicated an incorrect classification of the operations run by the Company, with regards to The Value Added Tax Act (sales of goods vs. sales of gastronomic service) and also inconsistency between the actual state described in the Company’s individual binding tax rulings and the actual state.
The Director claimed in his decision the tax liability amounting to PLN 4.335 thousand and the amount of the return received unduly of PLN 10.243 thousand. Once both amounts become due, there will be interests charged accordingly to the Tax Order Act. As at the date of issuing these financial statements the decision is not final and did not become enforceable.
The Company does not agree with the claims raised by the Director. The circumstances of the case and the allegations of the Director have been thoroughly analyzed by the Company and its tax advisers, who found the Director’s standpoint to be completely unjustified and against the law. In the opinion of the Company, the individual tax rulings issued by the Minister of Finance present a reliable and true actual state and consequently have protective power.
Additionally, the matter of 5% VAT rate in take away segment has been verified and confirmed by positive decisions issued by the Director in 2014 (controls for October, November and December 2013).

The Company is preparing an appeal against the decision, which will be filed within the deadline. Taking into account the above situation, at this time the Company does not intend to account for any provisions charging the Group's income statement.

On September 15, 2016 a fiscal control began on VAT returns for the period January to September 2013 in AmRest Sp. z o.o. On July 6, 2017 the company has received the tax protocol and on July 20, 2017 the Company has raised the qualifications. As at date of preparation the financial statements the control has not been finished.

On September 28, 2016 the fiscal control began on VAT returns for 2012 in AmRest Sp. z o.o. On September 11, 2017 the Company received a decision issued by the Director of Malopolska Customs and Tax Office in Cracow ("the Director"), which questioned the correctness of output VAT settlement on a part of operational sales revenues. The Director indicated an incorrect classification of the operations run by the Company, with regards to The Value Added Tax Act (sales of goods vs. sales of gastronomic service) and also inconsistency between the actual state described in the Company's individual binding tax rulings and the actual state.
The Director claimed in his decision the underestimated output VAT amounting to PLN 18.498 thousand. Once the amount becomes due, there will be interests charged accordingly to the Tax Order Act. As at the date of issuing these financial statements the decision is not final and did not become enforceable.
The Company does not agree with the claims raised by the Director. The circumstances of the case and the allegations of the Director have been thoroughly analyzed by the Company and its tax advisers, who found the Director's standpoint to be completely unjustified and against the law. In the opinion of the Company, the individual tax rulings issued by the Minister of Finance present a reliable and true actual state and consequently have protective power.
Additionally, the matter of 5% VAT rate in take away segment has been verified and confirmed by positive decisions issued by the Director of Lower Silesian Tax Office in 2014 (controls for October, November and December 2013).
The Company is preparing an appeal against the decision, which will be filed within the deadline. Taking into account the above situation, at this time the Company does not intend to account for any provisions charging the Group's income statement.

In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG has identified the products that were sold with an incorrect VAT rate. This fact was presented to the tax officer who was responsible for the control of periods prior the acquisition the business by AmRest. The company undertook to correct the VAT calculation for not lapsed periods and then prepare corrective VAT returns. Currently the company expects for confirmation of proposed approach to possible tax returns from the German tax office. The maximum liability of this adjustments the company estimates to EUR 11.338 thousand. Group recognized the above provision with corresponding asset related to right to compensation resulting from the acquisition agreement as at date of acquisition of AmRest Coffee Deutschland Sp. z o.o. & Co. KG.

On November 3, 2016 a fiscal control began on VAT returns for August and September 2016 in AmRest Sp. z o.o. On March 10, 2017 the company has received the tax protocol and on March 23, 2017 the Company has raised the qualifications. On May 8, 2017 Director of Lower Silesia Tax Office in Wroclaw initiated tax proceedings against the Company. As at date of preparation the financial statements the control has not been finished.

On March 24, 2017 a fiscal control began on VAT returns for December 2016 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On June 6, 2017 a fiscal control began in AmRest Kft for years 2014 and 2015. As at date of preparation the financial statements the control has not been finished.

On June 22, 2017 a fiscal control began in AmRest Topco SAS for years 2014 and 2015. As at date of preparation the financial statements the control has not been finished.

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

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

6. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in first half of 2017 and 2016:

2017	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2017	23 060	1 540 341	815 713	8 096	174 651	95 712	**2 657 573**
Acquisition	-	23 771	12 589	91	4 106	-	**40 557**
Additions	-	63 047	52 338	998	11 794	51 771	**179 948**
Disposals	-	(5 228)	(12 432)	(485)	(3 385)	(710)	**(22 240)**
Foreign exchange differences	(1 229)	(49 427)	(22 857)	(2)	(4 890)	(4 360)	**(82 765)**
As at 30.06.2017	21 831	1 572 504	845 351	8 698	182 276	142 413	**2 773 073**
Accumulated depreciation							
As at 01.01.2017	-	659 776	435 326	3 457	77 054	-	**1 175 613**
Additions	-	69 745	50 168	890	16 814	-	**137 617**
Disposals	-	(3 442)	(9 156)	(377)	(3 534)	-	**(16 509)**
Foreign exchange differences	-	(17 989)	(10 746)	33	(1 854)	-	**(30 556)**
As at 30.06.2017	-	708 090	465 592	4 003	88 480	-	**1 266 165**
Impairment write-downs							
As at 01.01.2017	-	105 168	25 056	-	3 956	4 042	**138 222**
Additions	654	1 774	1 210	-	41	(13)	**3 666**
Disposals	-	(3 156)	(281)	-	(80)	-	**(3 517)**
Foreign exchange differences	(24)	(5 278)	(1 499)	-	(109)	(420)	**(7 330)**
As at 30.06.2017	630	98 508	24 486	-	3 808	3 609	**131 041**
Net book value as at 01.01.2017	**23 060**	**775 397**	**355 331**	**4 639**	**93 641**	**91 670**	**1 343 738**
Net book value as at 30.06.2017	**21 201**	**765 906**	**355 273**	**4 695**	**89 988**	**138 804**	**1 375 867**

2016	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2016	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Acquisition	-	48 928	24 186	-	908	-	**74 022**

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

Additions	-	59 963	41 346	1 294	12 052	44 279	**158 934**
Disposals	-	(15 371)	(17 220)	(171)	(1 250)	(1 826)	**(35 838)**
Foreign exchange differences	1 881	39 846	20 961	15	3 490	2 232	**68 425**
As at 30.06.2016	21 955	1 389 202	739 279	7 267	135 145	101 753	**2 394 601**
Accumulated depreciation							
As at 01.01.2016	-	525 176	351 889	2 302	56 469	-	**935 836**
Additions	-	57 505	41 392	660	11 223	-	**110 780**
Disposals	-	(2 448)	(4 128)	(26)	(1 167)	-	**(7 769)**
Foreign exchange differences	-	15 164	12 503	14	1 288	-	**28 969**
As at 30.06.2016	-	595 397	401 656	2 950	67 813	-	**1 067 816**
Impairment write-downs							
As at 01.01.2016	-	95 021	29 417	-	3 533	5 232	**133 203**
Additions	-	6 582	732	-	168	-	**7 482**
Disposals	-	(12 335)	(10 101)	-	-	(1 822)	**(24 258)**
Foreign exchange differences	-	4 629	1 690	-	146	372	**6 837**
As at 30.06.2016	-	93 897	21 738	-	3 847	3 782	**123 264**
	-	-	-	-	-	-	-
Net book value as at 01.01.2016	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**
Net book value as at 30.06.2016	**21 955**	**699 908**	**315 885**	**4 317**	**63 485**	**97 971**	**1 203 521**

The depreciation was charged to the costs of restaurant operations – PLN 131.748 thousand (prior period: PLN 106.491 thousand), franchise expenses and other – PLN 2.364 thousand (prior period: PLN 2.004 thousand) and administrative expenses PLN 3.505 thousand (prior period: PLN 2.285 thousand).

7. Goodwill

The table below presents changes in the value of goodwill:

	30.06.2017	**31.12.2016 after adjustment**
Gross value		
At the beginning of the period	779 077	586 753
Acquisition (note 2)	62 949	154 815
Foreign exchange differences	(42 800)	37 509
At the end of the period	799 226	779 077
Impairment write-downs		
At the beginning of the period	1 569	1 375
Foreign exchange differences	(90)	194
At the end of the period	1 479	1 569
Net book value as at the beginning of the period	**777 508**	**585 378**
Net book value as at the end of the period	**797 747**	**777 508**

Acquisitions in previous years

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

Below table presents changes of goodwill in division of particular acquisitions as at June 30, 2017 and December 31, 2016.

	Acquisition date	**As at 01.01.2017**	Increases	Foreign exchange differences	**As at 30.06.2017**
miklik's food s.r.o.	May 2005	5 865	-	(94)	5 771
AmRest Kft (previously: Kentucky System Kft)	June 2006	17 641	-	(664)	16 977
OOO AmRest (previously: OOO Pizza Nord)	July 2007	74 852	-	(6 165)	68 687
9 restauracji RostiksKFC	April 2008	18 592	-	(1 531)	17 061
5 restauracji RostiksKFC	June 2008	2 404	-	(198)	2 206
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	396 308	-	(17 692)	378 616
AmRest China Group PTE Ltd.	December 2012	94 146	-	(8 877)	85 269
AmRest Coffee S.r.l.	June 2015	12 134	-	(597)	11 537
AmRest Coffee Deutschland Sp. z o.o.& Co.KG	May 2016	154 655	-	(6 903)	147 752
AmRest DE Sp. z o.o. & Co. KG	March 2017	-	12 323	(188)	12 135
AmRest TopCo France SAS	May 2017	-	50 626	199	50 825
		777 508	**62 949**	**(42 710)**	**797 747**

	Acquisition date	**As at 01.01.2016**	Increases	Foreign exchange differences	**As at 31.12.2016 after adjustment**
miklik's food s.r.o.	May 2005	5 650	-	215	5 865
AmRest Kft (dawniej: Kentucky System Kft)	June 2006	16 868	-	773	17 641
OOO AmRest (previously: OOO Pizza Nord)	July 2007	58 120	-	16 732	74 852
9 restauracji RostiksKFC	April 2008	14 436	-	4 156	18 592
5 restauracji RostiksKFC	June 2008	1 867	-	537	2 404
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 751	-	14 557	396 308
AmRest China Group PTE Ltd.	December 2012	94 049	-	97	94 146
AmRest Coffee S.r.l.	June 2015	11 726	-	408	12 134
AmRest Coffee Deutschland Sp. z o.o.& Co.KG	May 2016	-	154 815	(160)	154 655
		585 378	**154 815**	**37 315**	**777 508**

8. Intangible assets

The table below presents changes in the value of intangible assets in first half of 2017 and 2016:

2017	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2017	310 671	5 057	111 920	182 021	190 232	**799 901**
Acquisition	-	-	3 597	771	-	**4 368**
Additions	-	-	4 391	3 495	-	**7 886**
Decreases	-	-	(203)	(530)	-	**(733)**
Foreign exchange differences	(15 099)	(226)	(3 322)	(5 259)	(8 493)	**(32 399)**
As at 30.06.2017	295 572	4 831	116 383	180 498	181 739	**779 023**
Accumulated amortization						

2017	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
As at 01.01.2017	4 579	5 057	45 089	79 108	44 918	**178 751**
Additions	540	-	4 769	10 407	3 825	**19 541**
Decreases	-	-	(50)	(529)	-	**(579)**
Foreign exchange differences	(444)	(226)	(650)	(2 058)	(2 044)	**(5 422)**
As at 30.06.2017	4 675	4 831	49 158	86 928	46 699	**192 291**
Impairment write-downs						
As at 01.01.2017	101	-	2 180	1 542	-	**3 823**
Additions	-	-	193	2 307	-	**2 500**
Decreases	(101)	-	-	(1)	-	**(102)**
Foreign exchange differences	-	-	(11)	726	-	**715**
As at 30.06.2017	-	-	2 362	4 574	-	**6 936**
Net value as at 01.01.2017	**305 991**	**-**	**64 651**	**101 371**	**145 314**	**617 327**
Net value as at 30.06.2017	**290 897**	**-**	**64 863**	**88 996**	**135 040**	**579 796**

2016 after adjustment	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2016	299 697	6 257	73 271	154 947	183 244	**717 416**
Increases	-	-	26 049	2 382	-	**28 431**
Transfers	-	-	6 064	3 754	-	**9 818**
Decreases	-	-	(222)	(23)	-	**(245)**
Foreign exchange differences	11 023	(1 198)	220	6 339	7 052	**23 436**
As at 30.06.2016	310 720	5 059	105 382	167 399	190 296	**778 856**
Accumulated amortization						
As at 01.01.2016	3 711	5 261	35 592	60 260	35 632	**140 456**
Increases	680	-	2 863	8 024	3 929	**15 496**
Decreases	-	-	(191)	-	-	**(191)**
Foreign exchange differences	(235)	(202)	(234)	2 359	1 409	**3 097**
As at 30.06.2016	4 156	5 059	38 030	70 643	40 970	**158 858**
Impairment write-downs						
As at 01.01.2016	101	-	1 532	1 218	-	**2 851**
Increases	-	-	241	111	-	**352**
Decreases	-	-	(31)	-	-	**(31)**
Foreign exchange differences	-	-	(150)	417	-	**267**
As at 30.06.2016	101	-	1 592	1 746	-	**3 439**

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

Net value as at 01.01.2016	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**
Net value as at 30.06.2016	**306 463**	**-**	**65 760**	**95 010**	**149 326**	**616 559**

Other intangible assets cover mainly exclusivity right of brand operator and computer software.

Own brands with indefinite useful life value as at June 30, 2017 was equal to PLN 271.488 thousand and as at June 30, 2016 PLN 287.803 thousand.

The amortization was charged to the costs of restaurant operations – PLN 6.224 thousand (prior period: - PLN 4.708 thousand), franchise expenses and other – PLN 3.910 thousand (prior period: PLN 3.935 thousand) and administrative expenses – PLN 9.407 thousand (prior period: PLN 6.853 thousand).

9. Other non-current assets

As at June 30, 2017 and December 31, 2016 the balances of other non-current assets were as follows:

	30.06.2017	31.12.2016
Prepaid rental fees	1 664	1 035
Deposits in respect of rentals	54 624	55 974
Prepayment for external services	4 230	-
Prepayment for restaurants acquisition	19 140	-
Other	5 601	5 494
	85 259	**62 503**

The prepayment for the purchase of a restaurant in the amount of PLN 19.140 thousand relates to the payment based on preliminary purchase agreement for 21 KFC restaurants operating in Russian market.

Finalization of the transaction will depend on obtaining the consent of the competent antitrust authorities, the seller's reorganization of the structure of the business and the absence of a significant adverse change of conditions. If all conditions precedent are fulfilled, the AmRest Group is obliged to finalize the transaction based on the pre-agreed price. The agreed conditions are valid for 100 working days. The preliminary agreement also includes symmetrical penalties for both parties in the event of departing from final purchase agreement.

The Group presents this prepayment as a long-term asset because it expects it to be realized through finalization of business acquisition and later on recognizing, to a large extent, long-term assets.

Expenditures related to prepayment have also been consequently presented as investing activities in the cash flow statement.

10. Inventories

As at June 30, 2017 and December 31, 2016, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials. Inventories are presented in net value including write-downs.

Inventory write-downs as at June 30, 2017 and December 31, 2016 were presented in table below:

	30.06.2017	31.12.2016
Value for the beginning of the period	46	257
Provision created	10	36
Provisions used	(2)	(247)
Value for the end of the period	**54**	**46**

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

11. Trade and other receivables

	30.06.2017	31.12.2016
Trade receivables from non-related entities	61 165	56 822
Trade receivables from related entities (note 23)	3	13
Other tax receivables	42 103	31 872
Other	20 084	19 890
Write-downs of receivables	(8 490)	(9 213)
	114 865	**99 384**

12. Other current assets

	30.06.2017	31.12.2016
Prepaid costs in respect of deliveries of utilities	1 370	1 804
Prepaid lease costs	14 882	19 126
Prepaid property insurance	1 213	2 160
Prepaid professional services cost	3 752	975
Prepaid marketing costs	273	419
Prepaid tax and fees	4 313	3 345
Assets related to a right to compensation resulting from the acquisition agreement (note 2)	47 921	50 161
Other	26 072	25 346
Write-downs of other current assets	(991)	(438)
	98 805	**102 898**

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

13. Cash and cash equivalents

Cash and cash equivalents as at June 30, 2017 and June 30, 2016 are presented in the table below:

	30.06.2017	31.12.2016
Cash at bank	287 737	245 608
Cash in hand	33 822	46 033
	321 559	**291 641**

Reconciliation of working capital changes as at June 30, 2017 and June 30, 2016 is presented in the table below:

2017	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Prepayment of restaurant purchase	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in receivables	(15 481)	6 181	(2 628)	-	-	(3 079)	(15 007)
Change in inventories	1 942	1 134	-	-	-	(3 293)	(217)
Change in other assets	(18 663)	1 582	-	19 140	-	(7 957)	(5 898)
Change in payables and other liabilities	(58 632)	(15 512)	-	-	21 849	(375)	(52 670)
Change in other provisions and employee benefits	(12 135)	(5 743)	3 458	-	-	(2 198)	(16 618)

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

2016 *(after adjustment)*	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Elimination of intercompany transactions	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in receivables	10 309	3 584	-	-	-	2 648	16 541
Change in inventories	(7 006)	6 825	-	-	-	2 351	2 170
Change in other assets	8 010	10 613	-	(14 330)	-	17 803	22 096
Change in payables and other liabilities	(14 179)	(93 090)	-	-	6 578	(11 358)	(112 049)
Change in other provisions and employee benefits	22 092	(27 865)	12 628	-	-	(293)	6 562

14. Equity

Share capital

As described in note 11.a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange (“WSE”).

As at June 30, 2017, there were 21 213 893 shares issued by the Company, fully paid-up shares. The Company’s target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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

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

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option valuation	Employee Options	Own shares	Hedges valuation influence	Transactions with non controlling interests	Reserves total
As at 01.01.2017	**755 692**	**6 191**	**(176 536)**	**(9 102)**	**(11 123)**	**(29 254)**	**113 018**	**648 886**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	35 489	-	**35 489**
Deferred income tax concerning net investment hedges	-	-	-	-	-	(6 743)	-	**(6 743)**
Comprehensive income total	-	-	-	-	-	28 746	-	**28 746**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(29 061)	**(29 061)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(29 061)	**(29 061)**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	-	-	-	(45 745)	-	-	**(45 745)**
Release of treasury shares	-	-	-	(36 814)	36 814	-	-	-
Employees stock option plan –value of employee services excercised in the period	-	-	-	9 830	-	-	-	**9 830**
Employees stock option plan –proceeds from employees- value of disposed shares	-	-	-	1 389	-	-	-	**1 389**
Employees stock option plan –value of unexcercised employee benefits	-	-	-	(1 794)	-	-	-	**(1 794)**
Change of deferred tax related to unexercised employee benefits	-	-	-	(547)	-	-	-	**(547)**
Effect of modification of stock option plan into equity-settled	-	-	-	2 287	-	-	-	**2 287**
Transactions with shareholders total	-	-	-	(25 649)	(8 931)	-	-	**(34 580)**
As at 30.06.2017	**755 692**	**6 191**	**(176 536)**	**(34 751)**	**(20 054)**	**(508)**	**83 957**	**613 991**
As at 01.01.2016	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(24 515)	-	**(24 515)**
Deferred income tax concerning net investment hedges	-	-	-	-	-	4 658	-	**4 658**
Comprehensive income total	-	-	-	-	-	(19 857)	-	**(19 857)**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	-	-	-	(11 016)	-	-	**(11 016)**
Release of treasury shares	-	-	-	(27 799)	27 799	-	-	-

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

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option value-tion	Employee Options	Own shares	Hedges valuation influence	Transactions with non controlling interests	Reserves total
Employees stock option plan –value of employee services excercised in the period	-	-	-	9 576	-	-	-	**9 576**
Employees stock option plan –proceeds from employees- value of disposed shares	-	-	-	4 882	-	-	-	**4 882**
Employees stock option plan –value of unexcercised employee benefits	-	-	-	9 831	-	-	-	**9 831**
Change of deferred tax related to unexercised employee benefits	-	-	-	1 560	-	-	-	**1 560**
Transactions with shareholders total	-	-	-	(1 950)	16 783	-	-	**14 833**
As at 30.06.2016	**755 692**	**6 191**	**(176 536)**	**6 647**	**(4 429)**	**(30 978)**	**116 695**	**673 282**

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

Within the EUR denominated debt, a bank loan of EUR 177,75 milion and SSD issue of EUR 26 milion are hedging net investment in Hungarian subsidiary AmRest Capital ZRT and in the Spanish subsidiaries. EUR denominated debt hedges the Group against the foreign currency risk resulting from revaluations of net assets. Gains or losses arising from the translation of the liability at the relevant exchange rate at the end of the period are charged to reserve capital in order to offset gains or losses on translation of the net investment in subsidiaries. During the period for the 6 months ended June 30, 2017 hedge was fully effective.

As at June 30, 2017 hedged position was part of consolidated interim condensed financial statements therefore cumulated value of currency revaluation was still recognized in reserve capital and accounted for PLN 35.489 thousand and deferred tax for PLN 6.743 thousand.

Net investment hedges:	Net investment in EUR	Valuation effects of hedges
As at 01.01.2016	**(11 121)**	**(11 121)**
Effect of hedging instruments net investment	(24 515)	(24 515)
deferred tax	4 658	4 658
As at 30.06.2016	**(30 978)**	**(30 978)**
As at 01.01.2017	**(29 254)**	**(29 254)**
Effect of hedging instruments net investment	35 489	35 489
deferred tax	(6 743)	(6 743)
As at 30.06.2017	**(508)**	**(508)**

Foreign exchange differences on translation

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

	For the 6 months ended June 30, 2017	**For the 6 months ended June 30, 2016**
At the beginning of the period	4 413	(110 447)
Foreign exchange differences from net assets revaluation in subsidiaries	(97 881)	86 557
At the end of the period	**(93 468)**	**(23 890)**

Foreign exchange differences on translation

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

	30.06.2017	**31.12.2016**
AmRest China Group PTE Ltd.	-	36 524
AmRest Coffee Sp. z o.o.	10 320	11 066
SCM Sp. z o.o.	9 640	7 153
AmRest Coffee s.r.o.	8 501	7 904
AmRest Kávézó Kft	3 009	2 944
AmRest d.o.o.	1 913	1 986
SCM s.r.o.	504	-
Activita Sp.z o.o.	92	-
Non-controlling interests	**33 978**	**67 577**

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

15. Borrowings

Borrowings as at June 30, 2017 and December 31, 2016 are presented in the table below:

Long-term	**30.06.2017**	**31.12.2016**
Bank loans	901 415	759 550
Bonds and SSD	249 703	279 483
	1 151 118	**1 039 033**

Short-term	**30.06.2017**	**31.12.2016**
Bank loans	224 598	223 247
Bonds	140 457	8
	365 055	**223 255**

Bank loans and bonds

Currency	**Lender/ bookbuilder**	**Effective interest rate**	**30.06.2017**	**31.12.2016**
in PLN	Syndicated bank loan	WIBOR + margin	295 828	125 487
in EUR	Syndicated bank loan	EURIBOR+margin	761 267	786 419
in CZK	Syndicated bank loan	PRIBOR+margin	57 968	58 848
in PLN	Bonds 5 years (issued in 2013 and 2014)	WIBOR+margin	279 684	279 486
in EUR	Schuldscheinedarlehen	fixed	110 476	-
other	Overdaft facility (China)	fixed	10 950	12 048
			1 516 173	**1 262 288**

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

On September 10, 2013 a Credit Agreement (“the Agreement”) between AmRest, AmRest Sp. z o.o.(“AmRest Poland”) and AmRest s.r.o. – jointly “the Borrowers” and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (Currently Bank BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. – jointly “the Lenders” was signed.

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

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

On May 6, 2016 an Annex to the Agreement was signed introducing an amended and restated version of the credit agreement („the Amended Agreement”). Based on the Amended Agreement, the Lenders granted the Borrowers an additional credit tranche (Tranche E) in the amount of EUR 50 million and increase revolving credit tranche (Tranche D) by PLN 100 million. The amount granted within Tranche E is dedicated to finance or refinance costs of M&A activities, while increased revolving credit is to finance working capital and capital expenditures.

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

On April 18th, 2017 another amendment to the Credit Agreement was signed – it increased revolving tranche by PLN 50m and granted a new tranche in the amount of EUR 40m (tranche F). In addition, uncommitted tranche (G) was added in the amount of EUR 50m. Both the revolving tranche as well as tranche F were dedicated to financing working capital and capital expenditures, while tranche G is to finance or refinance costs of M&A activities.

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

On June 18, 2013 bonds in the amount of PLN 140 million were issued and on September 10th, 2014 another issue was completed, also for PLN 140 million. Both issues were completed under Agreement signed with Pekao S.A on August 22, 2012. Bond issuance is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018 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.

As at June 30, 2017 the payables concerning bonds issued are PLN 279.684 thousand.

On April 7th, 2017 AmRest issued Schuldscheinedarlehen (“SSD”) in the amount of EUR 26m. 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. The issue was aimed at diversifying financing sources and also allowed to diversify interest rate structure of debt. SSD were issued on a fixed interest rate with EUR 17m maturing on April 7th, 2022 and 9m maturing on April 5th, 2024.

The maturity of long- and short-term loans and bonds as at June 30, 2017 and December 31, 2016 is presented in the table below:

	30.06.2017	31.12.2016
Up to 1 year	365 055	223 255
Between 1 and 2 years	901 414	899 033
Between 2 and 5 years	211 665	140 000
More than 5 years	38 039	-
	1 516 173	**1 262 288**

The Group has the following unused, awarded credit limits as at June 30, 2017 and December 31, 2016:

	30.06.2017	31.12.2016
With floating interest rate		
- expiring within one year	-	-
- expiring beyond one year	349 060	300 000
	349 060	**300 000**

16. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deposits received, deferred income of rents and other deferred income which amounted to PLN 8.625 thousand and PLN 8.429 thousand respectively as at June 30, 2017 and December 31, 2016.

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

In period end on June 30, 2017, following changes in Employee share option plans have occured:

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

Employee share option plan 2

In January 2017 part of options was modified, after receiving from some employees a unilateral statement about resignation from cash settlement possibility in relation to option granted in previous periods. 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 thousands. As at June 30, 2017 liability of PLN 7.797 thousands was recognized. As at December 31, 2016 liability amounted to PLN 11.255 thousands.

For equity-settled options as at June 30, 2017 a provision of PLN 14.999 thousands was recognized in reserve capital (modification described above included). As at December 31, 2016 this provision amounted to PLN 14.043 thousands.

Employee share option plan 3

As at June 30, 2017 the amount of PLN 5.433 thousands was presented in equity. As at December 31, 2016 PLN 7.399 thousands 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 June 30, 2017 the amount of PLN 273 thousands 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% each of three years. As at June 30, 2017 the amount of PLN 1.244 thousands were recognized in reserve capital for this program.

Liabilities in respect of wages and salaries and employee benefits as at June 30, 2017 and December 31, 2016 are presented in a table below:

	30.06.2017	**31.12.2016**
Liability for Employee share option plan 2	7 797	11 255
Other liabilities	566	8 595
	8 363	**19 850**

Employee benefits costs

The costs recognized in connection with incentive programs for the period of 6 months ending on June 30, 2017 and June 30, 2016 respectively are presented below:

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

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Value of employee benefits in employee stock option plan 2	8 512	9 291
Value of employee benefits in employee stock option plan 3	316	1 186
Value of employee benefits in employee stock option plan 4	273	-
Value of employee benefits in employee stock option plan 5	1 244	-
Value of employee benefits in local incentive programs (Spain, China)	1 390	2 368
	11 735	**12 845**

18. Trade and other payables

Trade and other payables as at June 30, 2017 and December 31, 2016 cover the following items:

	30.06.2017	31.12.2016 after adjustment
Payables to non-related entities, including:	390 026	457 494
Trade payables	192 239	238 636
Payables in respect of uninvoiced lease fees and deliveries of food	28 975	31 688
Employee payables	24 146	31 849
Social insurance payables	24 153	37 267
Pre-acquisition tax settlements liability (note 2)	47 921	50 161
Other tax payables	22 577	19 929
Gift voucher liabilities	1 780	2 066
Other payables to non-related entities	48 235	45 898
Liabilities to related entities (note 23)	-	42
Accruals, including:	150 826	135 114
Employee bonuses	32 505	29 139
Marketing services	12 962	8 287
Holiday pay accrual	28 990	19 238
Professional services	32 284	16 067
Franchise fees	12 887	11 877
Lease cost provisions	13 769	16 147
Investment payables accrual	10 967	27 192
Other	6 462	7 167
Deferred income – short-term portion	14 103	19 498
Social fund	1 146	945
Total trade and other payables	**556 101**	**613 093**

19. Finance lease liabilities

Financial lease liabilities – present value:

	30.06.2017	31.12.2016
Payable within 1 year	1 624	1 636
Payable from 1 to 5 years	4 031	4 426
Payable after 5 years	3 198	3 454
	8 853	**9 516**

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

Finance lease liabilities – minimum lease payments:

	30.06.2017	**31.12.2016**
Payable within 1 year	2 400	2 507
Payable from 1 to 5 years	5 446	6 101
Payable after 5 years	4 322	4 728
Total minimum lease payments	12 168	13 336
Future finance costs in respect of finance leases	(3 315)	(3 820)
Present value of finance lease liabilities	**8 853**	**9 516**

20. Operating leases

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

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

	30.06.2017	**31.12.2016**
Payable within 1 year	406 047	389 534
Payable from 1 to 5 years	1 164 960	1 109 743
Payable after 5 years	872 005	852 613
Total minimum lease payments	**2 443 012**	**2 351 890**

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

21. Critical accounting estimates and judgments

Gain or loss from revaluation at appropriate exchange rate as of end of financial period of signed forward contracts and instruments from delayed payments are reconciled in income statements.

Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	30.06.2017
Investment property	-	22 152	-	22 152

Investment property belongs to the "CEE" segment, their fair value was based on valid stock exchange quoting being on active market. As at June 30, 2017 and December 31, 2016 the Group did not possess financial instruments valuated at fair value. As at June 30, 2017 and December 31, 2016 the Group did not recognizes the transfers between levels of fair value valuations.

Fair value valuation was used to measurement of the net assets from the acquisition (note 2).

Fair value of financial instruments

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

In thousands of Polish Zloty				**30.06.2017**		**31.12.2016 (after adjustment)**	
Financial instrument	**IAS 39 category**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current assets, except for prepayments	A	3	9	60 225	60 225	61 468	61 468
Trade and other receivables	A	*	11	72 762	72 762	67 512	67 512
Other current assets, except for prepayments	A	*	12	25 081	25 081	24 908	24 908
Cash and cash equivalents	A	*	13	321 559	321 559	291 641	291 641
Interest-bearing loans and borrowings (long term)	B	3	15	901 415	901 415	759 550	759 550
Bonds	B	3	15	390 160	390 160	279 491	279 491
Finance lease liabilities (long term)	B	3	19	7 229	7 229	7 880	7 880
Employee benefit financial liability	B	3	17	566	566	8 595	8 595
Other non-current liabilities	B	3	16	354	354	608	608
Interest-bearing loans and borrowings (short term)	B	*	15	365 055	365 055	223 255	223 255
Finance lease liabilities (short term)	B	*	19	1 624	1 624	1 636	1 636
Trade and other accounts payable (short term)	B	*	18	382 926	382 926	434 850	434 850

A - loans and receivables measured at amortised cost

B - financial liabilities measured at amortised cost

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

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

Risk management

For the purpose of the risk management related to certain transaction within the Group forward currency contracts are used. Open contracts as at June 30, 2017 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months. As at June 30, 2017 the Group did not possess open contracts.

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

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

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

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 1.242 thousand for the Group's receivables exposed to credit risk and in for the 6 months ended June 30, 2017. The maximum credit risk exposure amounts to PLN 436.424 thousand.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 15). As at June 30, 2017 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results are analyzed in quarterly periods.

Foreign exchange risk

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

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

Net investment foreign currency valuation risk

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

Group applies hedging accounting for revaluation of borrowings, forwards and put option liability in EUR which constitutes net investment hedges in Hungarian and Spanish related parties. Details concerning hedging on currency risk are described in note 14.

Liquidity risk

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

The maturity break-down of long- and short-term borrowings as at June 30, 2017 and December 31, 2016 is presented in note 15.

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3.5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

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

The Group's gearing as at June 30, 2017 and December 31, 2016 is as follows:

	30.06.2017	**31.12.2016**
Total borrowings (note 15)	1 516 173	1 262 364

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

	30.06.2017	31.12.2016
Finance lease liabilities (note 19)	8 853	9 516
Less: Cash and cash equivalents (note 13)	(321 559)	(291 641)
Net debt	1 203 467	980 163
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment after adjustment of profit from sold assets in USA	581 179	541 950
Gearing ratio	**2,07**	**1,81**

The change in the gearing ratio as at June 30, 2017 is driven by increase of borrowings.

22. Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with the Burger King, Starbucks and Applebee's and the current and future franchise agreements were described in note 11.a) and note 11.i).

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

As at June 30, 2017, no guarantees to third parties have been issued.

23. Transactions with related entities

Trade and other receivables from related entities

	30.06.2017	31.12.2016
MPI Sp. z o. o.	3	11
Associates	-	2
	3	**13**

Trade and other payables to related entities

	30.06.2017	31.12.2016
MPI Sp. z o. o.	-	38
Associates	-	4
	-	**42**

Sales of goods for resale and services

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
MPI Sp. z o. o.	29	35
Associates	-	13
	29	**48**

Purchase of goods for resale and services

	For the 6	For the 6

	months ended June 30, 2017	months ended June 30, 2016
MPI Sp. z o. o.	815	743
	815	**743**

Other related entities

Group shareholders

As at June 30, 2017, FCapital Dutch B. V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights, and as such was its related entity. No material transactions with FCapital Dutch B. V. related parties were noted.

Transactions with the management, Management Board, Supervisory Board

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

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	5 887	5 998
Total remuneration paid to the Management Board and Supervisory Board	**5 887**	**5 998**

The Group's key employees also participate in an employee share option plan. The costs relating to the employee option plan in respect of management amounted to PLN 1.148 thousand and PLN 2.051 thousand respectively in the 6 month periods ended June 30, 2017 and June 30, 2016.

		For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016
Number of options awarded		488 066	516 780
Number of available options		248 366	229 346
Fair value of options as at the moment of awarding	PLN	21 147 666	16 525 087

As at June 30, 2017 and June 30, 2016, there were no liabilities to former employees.

24. Events after the balance sheet date

On July 3rd, 2017, as a result of the issue of Schuldscheindarlehen („SSD") debt instrument, AmRest Holdings SE incurred liabilities for the total value of EUR 75 million (approximately PLN 318 million). SSD interest is fixed on the following tranches: EUR 45.5 million - repayment due on July 1st, 2022 and EUR 20 million - repayment due on July 3rd, 2024. EUR 9.5 million tranche was issued with variable interest rate and repayment date of July 3rd, 2024.

The Management Board of AmRest Holdings SE ("AmRest", the "Company") informs about signing on July 12th, 2017 of the Framework Agreement between AmRest ("Buyer") and KFC France SAS ("KFC France", "Seller"). Under the terms of the Framework Agreement (i) Buyer will acquire 42 equity restaurants run by KFC France in the French market, and (ii) Seller and the Company would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant. Estimated purchase price is expected at ca. EUR 39.9 million (ca. PLN 169 million). Final purchase price will be determined as at the day of the transaction closing.

It is the intention of the parties of the Framework Agreement that the closing of the transaction, including transfer of ownership of KFC business and payment of the purchase price, shall occur till end of the year 2017 (the "Completion"). The Completion is contingent upon some additional conditions, such as concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change ("MAC"). According to the Development Agreement to be signed before the Completion, AmRest intends to open about 150 KFC restaurants in the French market by end of 2023.

The Management Board of AmRest Holdings SE („AmRest", "the Company") informed on July 27th, 2017 about a transfer proposal of the Company's registered office from Poland to Spain. The Transfer will not impact the current Company's listing on the Warsaw Stock Exchange S.A. The Company's share capital will not change either. However, the Company's Statute will be changed, and the rights and obligations of shareholders will be governed by Spanish law.

The Management Board of AmRest Holdings SE ("AmRest", the "Company") announces signing and closing ("Completion") on July 31st, 2017 of an Asset Purchase Agreement ("APA") between AmRest DE Sp. z o.o. & Co. KG (subsidiary of AmRest, "Buyer") and Pizza Hut Delivery Germany GmbH ("Seller"). As a result of the Completion the Buyer acquired two Pizza Hut delivery restaurants in Dusseldorf. The purchase price amounted to EUR 1 (approx. PLN 4). Additionally, AmRest and AmRest Kft. (subsidiary of AmRest) signed on July 31st, 2017 the Master Franchise Agreement ("MFA") with Yum Restaurants International Holdings, LLC ("Yum"). The MFA comes into force on August 1st, 2017. According to the MFA AmRest becomes the master-franchisee for 67 Pizza Hut Dine in, Express and Delivery restaurants currently operated by multiple sub-franchisees in the German market. The Company, as the exclusive master-franchisee, gained the right to granting the license to the third parties to operate Pizza Hut Dine in, Express and Delivery restaurants (sub-franchise) in Germany, while ensuring a certain share of restaurants operated directly by the Company. The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions.
Upon entry into force of the MFA AmRest will be required to open and operate Pizza Hut Dine in, Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the MFA's term. If AmRest fails to meet the development obligations, Yum will have the right to increase the Reduced Fees and change the terms or terminate the MFA. The Company's intention is to open more than 150 Pizza Hut restaurants in the German market within 5 years.

On August 31st, 2017 the Shareholders Agreement (the "SHA") with Delivery Hero GmbH, based in Berlin, Germany ("Delivery Hero"), being execution of the Investment Agreement (the "IA") concluded by the Company, Delivery Hero and Restaurant Partner Polska Sp. z o.o., based in Łódź, Poland („RPP") on March 31st, 2017.
As a result, AmRest took over the newly issued shares in RPP – the operator of PizzaPortal.pl platform in Poland, and became its majority shareholder, holding 51% of total number of RPP shares. The outstanding 49% of shares remained in the possession of Delivery Hero.
The acquisition price for the 51% of shares in the RPP was agreed at PLN 10 million. In addition, the parties of SHA committed to make investment in the RPP in the amount of PLN 14 million (PLN 7 million each) in the first quarter of 2018.

Signatures of Board Members

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Jacek Trybuchowski
AmRest Holdings SE
Board Member

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Wojciech Mroczyński
AmRest Holdings SE
Board Member

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Mark Chandler
AmRest Holdings SE
Board Member

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Olgierd Danielewicz
AmRest Holdings SE
Board Member

____

Oksana Staniszewska
AmRest Holdings SE
Board Member

Wroclaw, September 14, 2017