

AmRest Holdings SE

**Stand Alone Report for the First Half-
Year of 2010**

24 August 2010

(translation only)



Wszystko Jest Możliwe!

AmRest Holdings SE Report for the First Half-Year of 2010

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AmRest Holdings SE Report for the First Half-Year of 2010

Part I Directors' Report

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1. Selected financial and operating results - summary

Chart 1 Sales and sales dynamics (%) for the first half-year of 2008-2010 (in PLN'000)

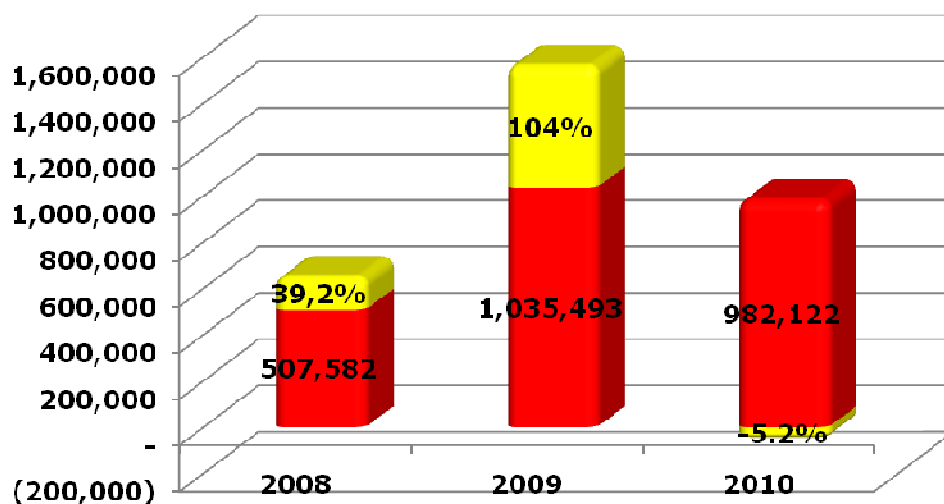


Chart 2 Number of AmRest restaurants and new openings for the first half-year of 2008-2010

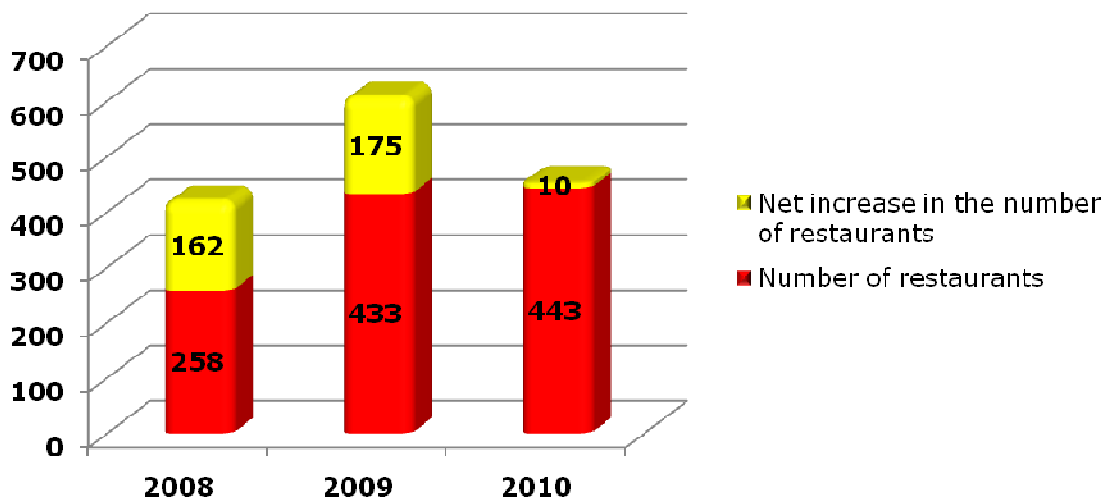


Chart 3 Number of AmRest restaurants by brands

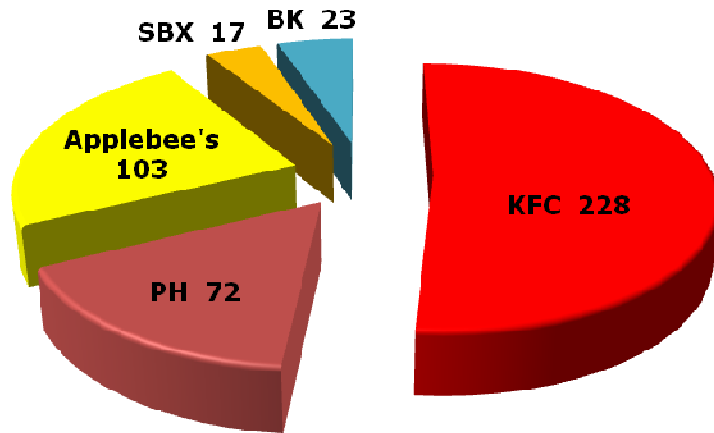
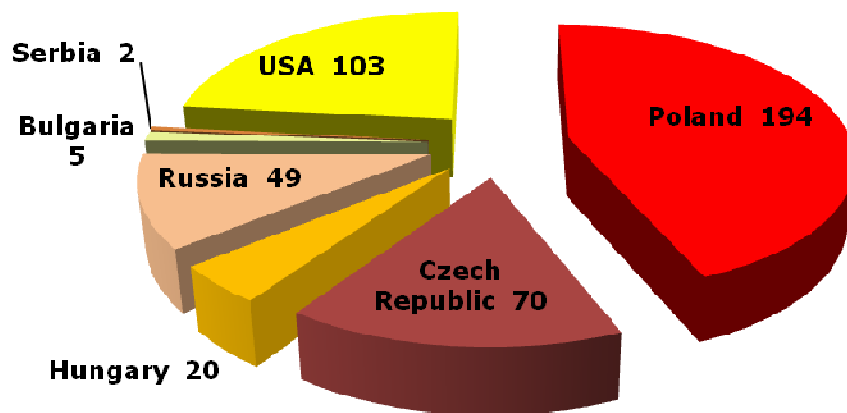


Chart 4 Number of AmRest restaurants by country



2. Description of the Company

2.1. Basic services provided by the Company

AmRest Holdings SE ("AmRest") manages 5 restaurant brands in 7 countries of Central and Eastern Europe, and North America. Every day over 17 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our culture - "Wszystko Jest Możliwe!".

AmRest manages its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King and Starbucks, and Casual Dining Restaurants (CDR) – Pizza Hut, Applebee's. In the third quarter of 2008 the Company's portfolio was enlarged to include a new brand, Applebee's, and a new market– the United States of America, was added to Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points, and deliveries for order placed by telephone. The AmRest restaurant menus include brand dishes prepared from fresh products in accordance with original recipes and with KFC, Pizza Hut, Burger King, Starbucks and Applebee's chain standards.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licences to develop and manage Starbucks restaurants in Poland, Czech Republic and Hungary. Applebee's restaurants also operate on a franchise basis, in accordance with the agreement with Applebee's International Inc.

a) Quick Service Restaurant (QSR)

KFC is a quick service restaurant network serving various dishes based on the unique flavour of chicken. The largest part of KFC products sold are sets comprising various pieces of chicken in the traditional Kentucky version, based on the original Colonel Sanders recipe, and in the hot version - Hot&Spicy. Hot Wings are also a product which is characteristic for KFC. KFC also offers fresh salads, which vary depending on the season, cakes and desserts, hot and cold drinks. The chicken prepared in KFC is freshly marinated and crumb-coated every day at the restaurant, which gives the highest quality and the best flavour to dishes served. Suppliers of chickens to KFC meet the highest EU standards and products are delivered to each restaurant several times a week.



The first half of 2010 was very successful for KFC brand. Facing global financial situation, KFC restaurants strengthened their product offer in price category. New price competitive compositions were introduced in KFC menu.



First six months of 2010 were also a continuation of several innovative initiatives started in previous years, including product offer enhancement, work optimization and process simplification to provide the best service to customers. AmRest actions also include further growth of KFC brand. 5 restaurants were opened in 2010. New initiatives on recruitment field, operational enhancements together with marketing campaign constitute solid foundations for future growth of KFC AmRest.

KFC is one of the largest partners of the Corporate Social Responsibility foundation. 1% of its profits each month is earmarked for charity purposes related to improving lives of the most underprivileged children in North-West Poland.

At present KFC AmRest has 228 restaurants, 115 in Poland, 56 in the Czech Republic, 15 in Hungary, 38 in Russia, 2 in Serbia and 2 in Bulgaria.

Burger King comprise over 11 200 restaurants in over 74 countries all over the world. About 90 % of all Burger King restaurants are owned by independent franchisees. Every year, over 11 million guests visit a Burger King restaurant all over the world.



AmRest Burger King network continues to be very effective at reaching the target group of customers from the quick service restaurant sector (men between 18 and 35) by offering larger and tastier flame grilled burgers. Following the slogan "Have It Your Way", Burger King customers have the possibility to create their own burgers according to their culinary tastes. Burger King offers a rich menu – from the brands flag product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, King Wings, chicken pieces and desserts.



In the first half of 2010 new burgers with grilled chicken were introduced.

In first half of 2010 AmRest continued to develop the network of Burger King restaurants. The first restaurant in Sofia (Bulgaria) and another one in Brno (Czech Republic) were opened. Burger King restaurants opened by AmRest in the first half of 2010 were decorated in accordance with the franchisor's recommendations for 2010 – modern look both outside and inside the premises.

As at date of this report, AmRest operated 23 Burger King restaurants; 17 in Poland, 3 in Czech Republic and 3 in Bulgaria.

Starbucks is a global leader in the coffee sector and operates over 14 thousand stores. AmRest Coffee (a Joint Venture between Starbucks Coffee International and AmRest Holdings) currently operates Starbucks stores in Poland, Czech Republic and Hungary. AmRest's experience in Central and Eastern Europe, high quality of its operations, a developed network of suppliers and global domination of Starbucks in the fast growing coffee segment create a unique synergy which AmRest Coffee uses while introducing Starbucks brand on Central and East European markets. AmRest Coffee companies were established on three markets considered in the development agreement – Czech, Polish and Hungarian.



The first half of 2010 was highlighted by opening first coffee store in Hungary on 16 June in a great location - one of the biggest shopping centers in Hungary's capital city – WestEnd. As in other coffee stores of this brand, the premises were adjusted to needs and tastes of local customers. Old wood was used in the finish of the decoration to resemble old Hungarian coffee stores. Also, snacks typical for Hungarian market were introduced to the menu. The restaurant's results for the first weeks since opening indicate that the store received recognition and met customers' tastes.

In the first half of 2010, the focus was also on development of existing markets: Czech and Polish. Apart from new openings, it included better adjustment of menu and prices to customers' requirements.

In subsequent periods, AmRest will continue development of Starbucks brand. Currently AmRest Coffee operates 17 Starbucks stores; 11 in Czech, 5 in Poland and one in Hungary.



b) Restaurants from the Casual Dining Restaurants (CDR) segment

Applebee's Neighborhood Grill & Bar is the largest casual dining chain in the world, featuring neighborhood-themed restaurants that deliver outstanding American fare at an excellent value, in a comfortable, welcoming atmosphere.



Every restaurant is designed to reflect characteristics of its neighborhood. The decor features unique memorabilia from local schools, organizations, historical events and area sports teams. Restaurant employees support their communities via local marketing and charitable efforts, such as cooperation with local schools, raising money for charity and participation in local events.



Marketing efforts in the first half of 2010 focused mostly on offering high quality products in price-advantageous combinations. The most popular items on the menu were offered in sets enhancing their quality and lower caloric value of "Fabulous and under 550 Calorie" dishes. There were new items added to the restaurants' menu, providing customers with a choice of variety of burgers inspired with traditional recipes from different regions of the USA.



In the second half of 2010 AmRest is planning to remodel its restaurants in Denver area. Included in the scope will be significant refreshing of the internal and external parts of the premises, as well as introducing changes to the menu. Denver restaurants will be the first restaurants to undergo refurbishments planned to include all Applebee's restaurants within the next few years.

There are currently more than 2000 Applebee's in the world, with about 80% franchisee-owned. AmRest currently operates 103 Applebee's in eight U.S. states.

Pizza Hut is one of the largest chains of casual dining restaurants in Central and Eastern Europe. It is inspired by Mediterranean cuisine, and promotes the idea of sharing excellent food with friends and relatives. In Poland, the brand is famous for its professional service, excellent quality of products, as well as hospitality and casual atmosphere, created by young and optimistic employees.



The first half of 2010 was marked by a great success of the „Pizza Festival“ – an innovative „all you can eat“ offer allowing customers to taste all types of pizzas at an exceptionally attractive price. The idea was very positively received by customers, and greatly contributed to the brand's success. With the „Festival“ the brand returned to ATL communication (radio and TV).

Consistent development of a lunch category and an innovative „15x15“ offer (lunch set at PLN 15 with a guarantee of serving in 15 minutes) helped in creation of a new business segment and stimulated a better utilization of restaurant's resources outside weekends and traditionally strong evenings hours. Currently, our lunch offer includes a wide variety of products such as pizzas, pastas, calzones, soups, beverages and desserts. New attractive products will be added soon.



Throughout the past years, the main focus was on intense efforts to improve efficiency through the „Operational Discipline“ program, which brought measurable effects reflected in the results of the brand. It is based on training, certificating and preserving good practices, and contributes to efficient sales increase and costs control. During the first six months of 2010 we have also continued the „Internal Hospitality“ project, addressed to employees encouraging their commitment and satisfaction through investing in their development and evaluation, as well as integration and motivational actions.



Pizza Hut AmRest currently operates 72 restaurants, 57 in Poland, 11 in Russia and 4 in Hungary. This year, several restaurants are scheduled to undergo major refurbishment to raise and unify the level of experience for our customers.

2.2. Structure of revenues

In the first half of 2010, AmRest sales revenue amounted to PLN 982 122 thousand, which constituted a 5.2% drop compared to PLN 1 035 493 thousand in the same period in 2009. The decrease was mainly a result of the appreciation of the Polish zloty's against the American dollar, which impacted translation of the results of American segment into Polish zloty.

Table 1 Sales Dynamics in 2010

		Europe	USA	AmRest
Q1	local currency	2.3%	-3.1%	0.1%
	PLN	0.2%	-18.8%	-7.8%
Q2	local currency	-0.0%	-0.7%	-0.4%
	PLN	-1.5%	-4.2%	-2.5%
YTD	local currency	1.1%	-1.9%	-0.2%
	PLN	-0.7%	-11.9%	-5.2%

Since the beginning of 2010, restaurants operating in the United States generated 37.1% of total sales. In the same period, AmRest sales in restaurants in Poland constituted 37.3% of total AmRest sales. The third biggest market in sales is Czech Republic with 13.1% of total sales.

Table 2 Structure of AmRest sales by country

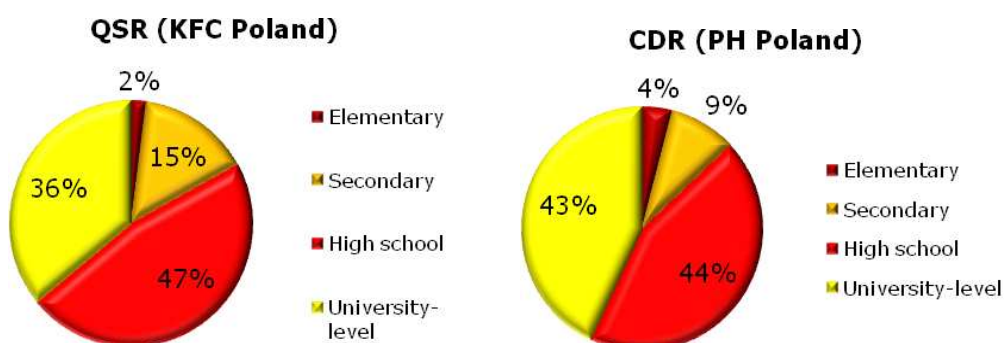
Countries	30 June 2010		30 June 2009	
	PLN'000	share %	PLN'000	share %
Poland	366 724	37.3	356 159	34.4
USA	364 188	37.1	413 356	39.9
Czech Republic	129 401	13.1	140 435	13.6
Russia	84 907	8.7	86 908	8.4
Other	36 902	3.8	38 635	3.7
Total	982 122	100.0	1 035 493	100.0

The seasonality of sales and inventories of AmRest is not significant, which is typical for the restaurant industry. On Central and East European markets restaurants have lower sales in the first half of the year as a result of smaller number of days of sale in February and less frequent customers' visits in restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight revival related to Christmas season, the first half of the year is a period of increased activity due to use of holiday vouchers, promotional coupons and large number of holidays.

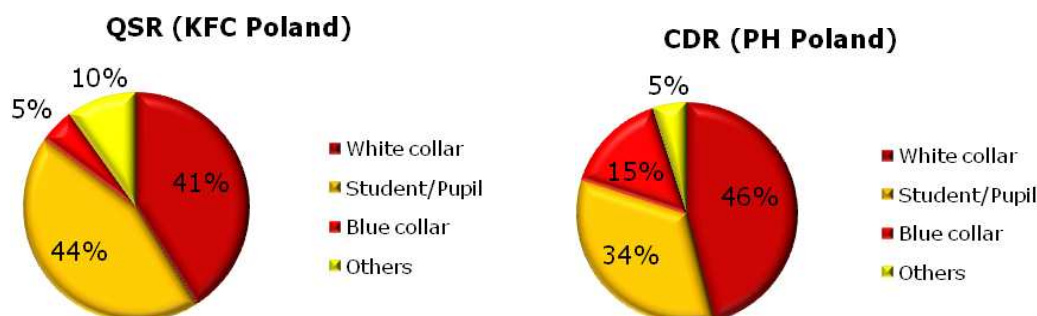
2.3. Our Guests

AmRest products are directed to a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, and the USA, mainly located in cities or in their vicinity. The graphs below show client profiles by education, occupation and gender in the QSR and CDR segments on the basis of KFC AmRest and Pizza Hut AmRest restaurants operating on the Polish market.

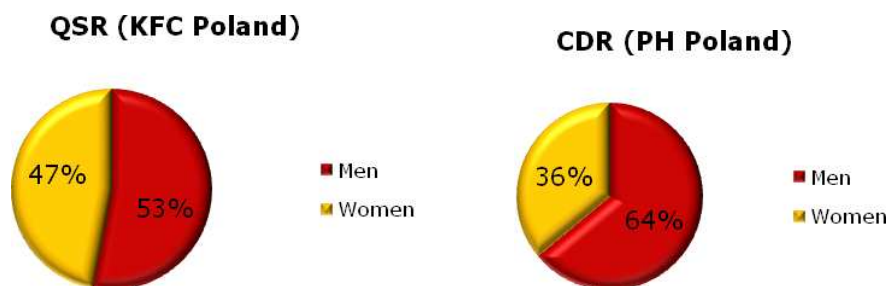
a) Education



b) Occupation



c) Gender



2.4. Supplier network

In the first half of 2010, prices of food and packaging in AmRest in Europe were reduced. This was possible thanks to:

- appreciation of the Polish zloty,
- a decrease in prices of pastures, flour, edible oils, milk which was caused by good crops in Europe and overall good situation on the market,
- a continued increase in efficiency of chicken production in Poland,
- development of local supplier network for Burger King in Poland which increased competition among this brand's suppliers and decreased currency risk,
- increased competition among chicken suppliers in Russia,
- scale effects, mainly in distribution, production of vegetables and packaging.

The increase in prices of food for AmRest in the USA was slightly below the level of food related inflation on this market.

We currently observe the unfavorable influence of weather conditions on crops, especially in Europe. In short term, it can influence market prices of vegetables, cereal and meat. AmRest will be able to neutralize the price increase significantly thanks to long-term contracts with selected suppliers.

AmRest's supply strategy in the following periods will focus mainly on:

- consolidation of purchases within SCM to allow further introduction of new technologies and therefore lower production costs,
- consolidation of purchasing food for production of finished and semi-finished products,
- market research for purposes of building new restaurants and optimization of purchases in this area,
- price monitoring and decision-making with regards to purchases at an appropriate time, based on food market trends and situation in the rural sector.

The list of largest AmRest suppliers:

1. Eurocash Gastronomica (former McLane) – distributor in Poland
2. Dachser Cr. a.s. – distributor in the Czech Republic
3. Drobimex – supplier of chicken products in Poland
4. Vodnanská drůbež s.r.o. – supplier of chicken products in the Czech Republic
5. National Steak and Poultry – supplier of meat in the United States
6. Koch – supplier of poultry in the United States
7. Quantum Foods, LLC – supplier of beef foodstuffs in the United States
8. Konspol – supplier of chicken products in Poland

9. RBD Distribution Co Ltd – distributor in Russia
10. LEKKERLAND – distributor in Hungary



3. Management and Supervisory bodies of the Company

3.1. Composition of the Management Board and the Supervisory Board

On 30 June 2010, during the General Shareholders' Meeting, resolutions on the extension and supplementation of the composition of the Supervisory Board of the Company have been passed. In accordance with the expiry of mandates of two of the Board members and the decision of General Shareholders' Meeting to increase the number of members to seven, the General Shareholders' Meeting resolved to appoint Jacek Kseń, Robert Feuer, Joseph P. Landy, and Raimondo Eggink as members of AmRest Supervisory Board. Information on each candidate can be found in the Company's Current Reports, RB 33/2010, RB 39/2010, RB 40/2010, RB 44/2010 respectively.

Management Board

The Management Board of AmRest comprises:

Wojciech Mroczyński
Piotr Boliński

Supervisory Board

The Supervisory Board of AmRest comprises:

Henry McGovern
Przemysław Aleksander Schmidt
Jan Sykora
Jacek Kseń
Robert Feuer
Joseph P. Landy

4. Information important for the assessment of the Company's personnel, economic and financial position

4.1. Key personnel changes

In the reported period, there were no significant changes in Company's personnel apart from changes in the Management Board mentioned in point 3.1.

4.2. Description of key domestic and foreign investments

The following table presents purchases of non-current assets as at 30 June 2010 and 30 June 2009.

Table 3 Purchases of non-current assets in AmRest Holdings SE (first half of 2009-2010)

<i>values in PLN'000</i>	30 June 2010	30 June 2009
Intangible assets, including:		
Trademarks	-	-
Favorable lease agreements	54	-
Licences for the use of Pizza Hut and KFC trademarks	1 573	2 611
Goodwill	-	-
Other intangible assets	206	2 137
Fixed assets, including:		
Land		-
Buildings	21 234	26 344
Equipment	11 837	19 150
Vehicles	61	37
Other (including fixed assets under construction)	23 870	12 919
Total	58 835	63 198

The investment expenditure incurred by AmRest relates mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in existing restaurants. The Company's investment expenditure depends mainly on the number and type of restaurants opened.

In 2010, investments were financed mainly with operating cash flows.

a) **QSR**

Table 4 Number of AmRest Holdings SE restaurants in QSR segment

Balance at the end of: at:		24.08.2010	31.12.2009	31.08.2009	31.12.2008
KFC	Poland	115	110	102	94
	Czech Republic	56	55	53	53
	Hungary	15	17	16	15
	Russia	38	37	38	41
	Bulgaria	2	2	2	2
	Serbia	2	2	2	1
Burger King	Poland	17	17	7	7
	Czech Republic	3	2	14	9
	Bulgaria	3	2	2	1
Starbucks	Poland	5	3	2	2
	Czech Republic	11	10	9	8
	Hungary	1	0	0	0
QSR Total		268	257	240	225

b) **CDR**

Table 5 Number of AmRest Holdings SE restaurants in CDR segment

Balance at the end of:		24.08.2010	31.12.2009	31.08.2009	31.12.2008
Pizza Hut	Poland	57	58	53	55
	Hungary	4	5	6	7
	Russia	11	14	17	17
Applebee's	USA	103	103	104	104
CDR Total		175	180	180	183

c) **AmRest total**

Table 6 Total number of AmRest Holdings SE restaurants

	24.08.2010	31.12.2009	31.08.2009	31.12.2008	31.12.2007
Openings	15	10	26	170	72
Closings	9	6	13	8	11
Net increase in the number of restaurants	6	4	13	162	61
Total number of restaurants	443	437	433	420	258

As at 24 August 2010 AmRest operated a total of 443 restaurants (437 as at 31 December 2009). In 2010 AmRest opened 15 restaurants, most of them located in Poland. In the reported period 9 restaurants were closed, mainly as a result of an announced conversion of „multibrands“ and Russian portfolio restructuring.

4.3. Other information

In current report no. 19/2010 dated 23 April 2010, AmRest Holdings SE Management Board informed about the signing, on 22 April 2010, a share subscription contract between AmRest and WP Holdings VII B.V., a company registered in Amsterdam, Holland. This event was also described in the annual report for 2009.

In reference to the above mentioned share subscription contract, the Management Board informed on 25 May 2010 (RB 23/2010) that Warburg Pincus transferred the total price of issue to the Company's bank account and purchased 4 726 263 AmRest shares from the new emission at an issue price PLN 65 per share, of total value of PLN 307.2 million.

On 11 June 2010, AmRest Management Board announced the end of the Finalization stage of contract with Warburg Pincus. The Finalization was completed with registering at a regional court in Wroclaw a raise in equity of EUR 47 262.63, in accordance with RB 22/2010 dated 14.05.2010. As a result of completing this stage, the funds accumulated on a trust account were put at AmRest's disposal.

On 9 June 2010 AmRest SE Management Board informed about signing on 8 June 2010 a share sale contract with FP SPV Sp. z o.o., a company designated to manage freshpoint brand and operate all 5 restaurants in Poland.

The contract was concluded between AmRest Sp. z o.o., a company 100% dependant on AmRest, and Mrs. Monika Czyz, previously the acting as a manager of freshpoint brand. The transaction was directly related to the decision to exclude freshpoint brand from AmRest's portfolio, which was discussed during the quarterly investors' teleconference (3Q 2009). 99 of 100 shares in FP SPV Sp. z o.o. were the object of this sale. Both parties reserved the right to repurchase the shares at a price established according to the formula stipulated in the contract. The repurchase of shares can take place no sooner than on 3 May 2015.

General Shareholders' Meeting took place on 30 June 2010. The content of its resolutions was included in an appendix to the current report no. 45/2010.

5. Planned investment activities and their feasibility assessment

AmRest will continue expansion mainly by organic growth on the Central and East European market. Additionally, the Company reviews the potential of the mergers and acquisitions market. Currently AmRest is not planning any further acquisitions in 2010. Nevertheless, a potential acquisition is not excluded if an appropriate target appears and if there is capability for financing the transaction.

AmRest's strategy is to further develop its key brand in CEE, KFC, by opening new restaurants, increasing sales in existing restaurants, developing new brands (Burger King and Starbucks) through opening new restaurants mainly on the core markets in Poland and the Czech Republic.

AmRest's goal is to achieve market leadership in core markets. Growth in 2010 (total of 50-60 new openings) will be funded through a combination of internal cash flow and debt financing. Additional proceeds raised through the Share Subscription Agreement, dated 22 April 2010 will be used to finance openings of over 100 restaurants in 2010. These proceeds are not intended to change the Company's leverage ratios over long-term.

The plan for new openings will be adapted to market conditions and possibilities for acquiring new attractive locations in particular countries on a current basis. In 2010 AmRest will be very restrictive and selective each time in taking decisions on allocating its cash flows – the aim is to achieve at least a 20% IRR on each investment.

The average cost of opening a new AmRest restaurant in Central and Eastern Europe differs depending on location and type of restaurant and amounts to PLN 2.4 million. Moreover, the Company stipulates continuing the constant modernization program of the existing restaurants – in 2010, the AmRest plans to spend ca. PLN 50 million on this program. A large portion of the renovation budget will be spent on modernization operations in Poland and Czech Republic.

AmRest intends to spend a significant part of capital expenditure in 2010 on implementation of a new POS (Point of Sale) system, an ERP (Enterprise Resource Planning) system and a central reporting BI (Business Intelligence) system. The purpose of the new IT systems is to standardize systems in all countries and achieve greater automation of business processes. These changes will result in increase of productivity and effectiveness of work in the whole Company and enhance the efficiency of business controlling and monitoring. The integration and improvement of IT systems will form the base for further expansion and growth of AmRest.

The Management Board expects long-term development to be financed mainly with own funds. The Company does not rule out accelerating the development, which could result in reaching for additional external financing.

6. External and internal factors material for the Company's development in 2010

In the opinion of the Management Board of AmRest, factors which have a significant impact on the future development of the Company and its future results comprise:

a) External factors

- competitiveness – in terms of price, quality of service, location and quality of food;
- demographic changes, trends in respect of the number of people using the restaurants and number, as well as location of competitors' restaurants;
- changes in law and regulations with a direct impact on the operation of restaurants and the people employed there;
- change in costs of rental of the real estate and related costs;

- change in prices of foodstuffs used to prepare meals and change in prices of packaging materials;
- changes in the overall economic condition of Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia and the United States, and consumer confidence, amount of disposable income and individual methods of spending money;
- changes in legal and tax regulations;
- negative changes on financial markets.

b) Internal factors

- acquiring and preparing human resources necessary to develop new and existing restaurant networks;
- acquiring attractive locations;
- effective implementation of new restaurant networks and products;
- building an integrated IT system.

7. Basic risks and threats to which the Company is exposed

The Management Board of AmRest is responsible for the risk management system and internal control system as well as for the system of reviewing those systems in terms of operating effectiveness. Those systems help to identify and manage risks which could prevent AmRest from realizing its long-term goals. Nevertheless, the existence of those systems does not allow for the total elimination of risks of fraud and illicit actions. The Management Board of AmRest reviewed, analyzed and ranked the risks to which the Company is exposed. The current basic risks and threats have been summarized in this section. AmRest reviews and enhances its risk management systems and internal control systems on a current basis.

a) Factors outside the Company's control

This risk is related to the impact of factors outside the Company's control on AmRest's development strategy, which is based on opening new restaurants. The factors include: possibilities of finding and ensuring available and appropriate restaurant locations, possibilities of obtaining the permits required by appropriate authorities on time, possibilities of delays in opening new restaurants.

b) Dependence on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Applebee's restaurants as a franchisee, therefore many factors and decisions in the course of operations run by AmRest depend on restrictions or specifications enforced by the franchisors or on their consent.

Franchise agreements relating to KFC, Pizza Hut and Burger King are binding for 10 years. AmRest is entitled to an option to extend this period by further 10 years, on condition that it meets the terms and conditions concluded in the franchise agreements and other requirements, including making an appropriate payment in respect of the extension of the term of the agreement. The term of the franchise agreements relating to Applebee's brand is 20 years, with an option for extending it by further 20 years – on similar conditions as in respect of the remaining AmRest brands.

Irrespective of meeting the above terms and conditions, there is no guarantee that after the end of the term the franchise agreement will be extended for a further period. In respect of KFC and Pizza Hut restaurants, the first period began in 2000, in respect of Burger King restaurants, the first period began in 2007 with the opening of the first restaurant of the brand. In respect of some of Applebee's restaurants, the first period began in 2000, for others – in 2008.

c) Dependence on joint venture partners

AmRest will open Starbucks restaurants by establishing Joint Venture Companies in Poland, the Czech Republic and Hungary on partnership terms, under joint venture agreements. Therefore, some decisions under jointly run operations will depend on the partners' consent.

The JV Agreements with Starbucks were concluded for a period of 15 years, with an option to extend them for further 5 years after meeting specific terms and conditions. In the event that AmRest does not meet the obligation relating to opening and running a minimum number of cafés, Starbucks Coffee International, Inc. will have the right to increase its share in the Joint Venture Companies by repurchasing shares from AmRest Sp. z o.o. at a price agreed by the parties on the basis of a valuation of the Joint Venture Companies.

d) Lack of exclusivity

Franchise agreements relating to operating KFC, Pizza Hut, Burger King and Applebee's restaurants do not include provisions on awarding AmRest any exclusivity clauses on a given territory, protection or any other rights on the premises, area, or market surrounding AmRest restaurants. In practice, however, in connection with the scale of operations of AmRest (among other things, an extensive distribution network), the possibility of a competitive operator appearing (in respect of the brands currently operated by the Company), which could effectively compete with AmRest restaurants is relatively limited.

In respect of Starbucks, joint venture companies will be the only entities entitled to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some of the institutional locations.

e) Rental agreements and their extension

Almost all AmRest restaurants operate in rented facilities. Most of the rental agreements are long-term, and usually they are concluded for a period of 20, 11 and 5 years for USA, Europe and Russia respectively (without accounting for agreements for an unspecified period). Many rental agreements grant AmRest the right to extend the term of the agreement on condition that the Company abides by the terms and conditions of the rentals. Irrespective of the need to meet the terms and conditions, there is no guarantee that AmRest will be able to extend the periods of the rental agreements on terms and conditions satisfactory from the point of view of commercial practices. If there is no such possibility, the potential loss of significant restaurant locations may have an unfavorable impact on the operating results of AmRest and on its activities. Moreover, in some circumstances, AmRest may take the decision to close a given restaurant and the termination of the respective rental agreement on cost-effective terms may prove impossible. Such situation may also have a negative impact on the Company's operations and operating results. The closing of any restaurant depends on the consent of the franchiser, and it is uncertain whether such consent would be obtained.

f) Risk related to consumption of food products

Consumer preferences may change in connection with doubts arising as to the nutritional value of chicken, which is the main component of KFC menu, or as a result of unfavorable information proliferated by mass media relating to the quality of products, diseases caused by them and damage incurred as a result of using AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, and as a result of disclosing unfavorable data by the government or a given market sector relating to products served in AmRest restaurants and at other KFC, Pizza Hut, Burger King, Starbucks and Applebee's franchisees', health issues and issues relating to the manner of functioning of one or a larger number of restaurants operated by AmRest, and its competitors. The risk referred to above is limited by using the highest quality components in AmRest restaurants – from checked and renowned suppliers, abiding by stringent quality and hygiene standards and applying state of the art equipment and processes enabling total safety of the food.

g) Risk related to refinancing of existing debt

As it is described in "note 13 Borrowings" financial liabilities resulting from loan agreement signed December 15, 2008 between AmRest Holdings SE, AmRest sp. z o.o. and AmRest s.r.o. ("Borrowers") and ABN AMRO Bank (Polska) S.A. (currently named RBS Bank (Polska) S.A.), ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. according to terms of this agreement will be paid in total till the end of 2010 year. Condensed consolidated financial statements for the first half-year of 2010 were prepared in accordance with going concern assumption by the Company in foreseeable future, which assumes realization of assets and liabilities throughout the normal terms of Company business operations. Application of going concern assumption is dependable on positive realization of financing scenarios. As at the date of this financial statements issuance in assessment made by Parent Entity there are no circumstances indicating threats for Company's business going concern.

h) Risk related to the development of new brands

AmRest has been operating Burger King, Starbucks and Applebee's brands only for a short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by consumers.

i) Risk related to opening restaurants in new countries

Openings or acquisitions of restaurants operating on a new geographical and political territory are connected with a risk of different consumer preferences, risk of lack of good knowledge of the market, risk of legal restrictions resulting from local regulations and political country risk.

j) Foreign exchange risk

AmRest results are prone to currency risk related to transactions and translations in currencies other than the currency in which the business operations are measured in particular Group companies.

k) Risk of increased financial costs

In 2009 and 2010, the Company significantly increased its gearing. Changes in the reference interest rate may have an impact on the net profit margin.

l) Risk of slowdown in the economies

The slowdown in the economics of Central and Eastern Europe economies as well as in the United States of America may have an impact on expenditure on consumption on those markets which, in turn, may impact the results of AmRest restaurants operating on those markets.

m) Risk of seasonality of sales

The seasonality of sales and inventories of AmRest is not significant which is typical for the whole restaurant industry. In Central and East European markets restaurants have lower sales in the first half of the year, which is mainly the result of a smaller number of days of sale in February and less frequent customers' visits in restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight revival related to Christmas season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and large number of holidays.

n) Risk related to implementing new IT systems

Disruption of business related to implementing new IT systems may in the short term have a negative impact on Company's results. However, in the long term, the expected benefits will have a positive impact on the Company's efficiency.

8. The Company's development direction and strategy

AmRest's strategy is to achieve market dominance¹ through mergers, acquisitions and operating scalable (minimum USD 50 million of annual restaurant sales) and highly profitable (minimum 20% IRR) branded QSR & CD restaurants concepts. AmRest, through its "Everything is possible!" culture delivers delicious taste and exceptional service at affordable prices.

AmRest assesses that in respect of brands currently operated by the Company in Central and Eastern Europe, the current potential on the markets on which it operates is many times higher than the currently held restaurant portfolio. Therefore, the Company plans to significantly accelerate its growth. AmRest will realize its strategy in Central and Eastern Europe by continuing development of the existing brands in the countries in which it is present, increasing sales of existing restaurants and further acquisitions in the region.

AmRest goal is to achieve market leadership in core markets. 2010 growth (total of 50-60 new openings) will be funded through a combination of internal cash flow and debt financing. However, the accelerated growth plan in 2011 (total of more than 100 new openings) will be funded through proceeds raised through the Share Subscription Agreement, dated 22 April 2010. These proceeds are not intended to change the Company's leverage ratios over long-term.

In the following years, in Central and Eastern Europe, AmRest plans to grow at a rate of ca. 20% per annum in terms of sales revenues. The planned increase in the pace of growth and significantly increased number of new restaurants will have a short-term pressure on net profit margin, related to increased financial costs (costs related to debt servicing) and one-off costs of opening new restaurants.

The Company intends to consistently continue actions aimed at increasing their customer value. By further excelling in customer service, offering tasty dishes prepared with fresh components and introducing new products AmRest intends to increase clients' awareness of the excellent value-for-money of its services.

Through its company AmRest USA, which operates 103 Applebee's restaurants in the United States, AmRest is present on the largest global restaurant market. The growth strategy on American market stipulates acquisitions and consolidations under the Applebee's brand. Our purpose is further use the abundant experience of the management of AmRest LLC in consolidating Applebee's business and to use the potential of Applebee's brand – the largest casual dining chain in the world.

¹ **Dominance** defined as clear sales leader in the country

9. Management representations

9.1. Correctness and fairness of the presented financial statements

The Management Board of AmRest Holdings SE hereby represents that to its best knowledge, the Condensed Consolidated Financial Statements for the first half-year of 2010 and comparable data presented in the above mentioned financial statements of AmRest have been prepared in accordance with binding accounting policies and that they give a true and fair view of the financial position of AmRest Company and its results. The semi-annual Directors' Report included in this document reflects the actual development and achievements and the position of AmRest, including a description of basic risks and threats.

9.2. Appointment of the registered audit company

The registered audit company – PricewaterhouseCoopers Sp. z o.o., has reviewed the Stand Alone Financial Statements for the first half-year of 2010 of AmRest, and was appointed in accordance with legal regulations. Both the registered audit company and the registered auditors who performed the review met the conditions necessary to issue an unbiased and independent report based on the review, in accordance with appropriate regulations.

Wrocław, 24 August 2010

Wojciech Mroczyński

AmRest Holdings SE

Member of the Management Board

Piotr Boliński

AmRest Holdings SE

Member of the Management Board

AmRest Holdings SE Report for the First Half-Year of 2010

Part II Supplement to Directors' Report

Content:

1. AmRest Holdings SE Management comments on previously published forecasts of financial results II-2
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8. Information on dividends paid II-5

1. AmRest Holdings SE Management comments on previously published forecasts of financial results

The Company has not previously published any forecasts of financial results.

2. Shareholders owning at least 5% of votes at the General Shareholders' Meeting of AmRest Holdings SE as at date of this report

According to the Company's knowledge, as at date of submitting of this report (24 August 2010), the following shareholders have declared holding directly or indirectly (through their subsidiaries) at least 5% of votes at the General Shareholders' Meeting (GSM) of AmRest:

Table 7 Shareholders owning at least 5% of votes

Shareholders	Number of shares	% of shares	Number of shares at the GSM	% of votes at the GSM
WP Holdings VII BV	4 726 263	24.96	4 726 263	24.96
BZ WBK AIB AM*	3 583 385	18.93	3 583 385	18.93
ING OFE	2 822 812	14.91	2 822 812	14.91
Henry McGovern **	1 295 110	6.84	1 295 110	6.84
AVIVA OFE	1 000 000	5.28	1 000 000	5.28
Free float	5 506 529	29.08	5 506 529	29.08

* BZ WBK AIB AM manages assets which include, among other things, funds belonging to BZ WBK AIB TFI

** shares held directly by Henry McGovern and through his wholly-owned subsidiaries, i.e. IRI and MPI

2.1. Changes in shareholding structure

Since the publication of the previous periodical report (report for the first quarter of 2010 published on 14 May 2010) the Company obtained the following information about changes in the structure of significant blocks of AmRest shares:

As a result of sale of shares as of 17 May 2010, OFE PZU „Złota Jesień” became a holder of 530 966 shares in AmRest, which constitutes 3.74% of the Company's share capital and carry 530 966 votes, i.e. 3.74% of total number of votes at the General Shareholders' Meeting of the Company. Prior to the change in shareholding, OFE PZU held 727 431 shares of AmRest, which constituted 5.13% of Company's share capital and carry 727 431 votes, i.e. 5.13% total number of votes at the General Shareholders' Meeting of the Company.

Following the registration at a regional court on 10 June 2010 a raise in Company's share capital (RB 30/2010) due to share issue to Warburg Pincus fund, the Company notified about changes in shares ownership of below mentioned shareholders.

WP Holdings VII B.V. became holder of 4 726 263 shares, which constitutes 24.99% of the Company's share capital and carry 4 726 263 votes at General Shareholders' Meeting of the Company. Prior to the change in shareholding, WP did not hold any votes at the the General Shareholders' Meeting of the Company.

ING OFE became holder of 2 822 812 shares, which constitutes 14.93% of the Company's share capital and carry 2 822 812 votes at General Shareholders' Meeting of the Company, i.e. 14.93% of total number of votes. Prior to the change in shareholding, ING OFE held 2 822 812 votes, i.e. 19.90% votes at the General Shareholders' Meeting of the Company.

BZ WBK AIB AM became holder of 3 583 385 shares, which constitutes 18.95% of the Company's share capital and carry 3 583 385 votes at General Shareholders' Meeting of the Company, i.e. 18.95% of total number of votes. Prior to the change in shareholding WBK held 3 583 972 votes, i.e. 25.26% votes at the General Shareholders' Meeting of the Company.

Arka BZ WBK Akcji became holder of 738 975 shares, which constitutes 3.91% of the Company's share capital and carry 738 975 votes at General Shareholders' Meeting of the Company, i.e. 3.91% of total number of votes. Prior to the change in shareholding WBK held 738 975 votes, i.e. 5.21% votes at the General Shareholders' Meeting of the Company.

BZ WBK AIB TFI became holder of 2 230 427 shares, which constitutes 11.79% of the Company's share capital and carry 2 230 427 votes at General Shareholders' Meeting of the Company, i.e. 11.79% of total number of votes. Prior to the change in shareholding the funds managed by BZ held a total of 2 230 427 votes, i.e. 15.72% votes at the General Shareholders' Meeting of the Company.

The differences between engagement of particular shareholders reported by the Company and the data presented in table 10 resulted from raising the share capital of AmRest Holdings SE (RB 49/2010) due to Employee Stock Option Plan.

2.2. Other information on shareholding

In RB 19/2010 dated 23 April 2010, AmRest Holdings SE Management Board informed about the signing, on 22 April 2010, a share subscription contract between AmRest and WP Holdings VII B.V., a company registered in Amsterdam, Holland. This event was also described in the annual report for 2009. As a result of this transaction within 12 months from the date on which the Subscription Shares are registered by the registry court proper for the Company's registered office, WP Holdings VII B.V. will have an option to subscribe for additional shares to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the Additional Subscription Shares will be PLN 75 per share.

The Management Board of AmRest does not have any information about the holders of securities, which are associated with special control powers with regards to the Company.

3. Changes in the number of shares or share options owned by Supervisory and Management Board members

	Function*	Number of share options as at 31 December 2009	Number of share options as at 30 June 2010
Henry McGovern	SB	140 000	115 000
Wojciech Mroczyński	MB	22 250	25 250
Piotr Boliński	MB	14 800	17 300

* (MB) Management Board Member, (SB) Supervisory Board Member

4. Information on significant proceedings against the Company

As at date of this report, there are no significant pending proceedings against the Company.

5. Information on loan sureties or guarantees issued by the Company

During the period covered by these financial statements AmRest has not issued any loan sureties or guarantees whose value represent 10% or more of the Company's shareholders equity.

6. Information on debt Securities issued, redeemed and repaid by the Company

Since the date of publishing the report for first quarter of 2010 AmRest has not issued, repaid or redeemed any debt securities.

7. Information on transactions made by the Company or its subsidiaries with related entities on different than market conditions

7.1. Agreements with related entities

On 27 May 2010 AmRest informed about a capital increase in its subsidiary AmRest Coffee s.r.o. ("AmRest Coffee Czech"). The share capital of AmRest Coffee s.r.o. was increased by CZK 130 000 000 through cash contribution made by AmRest Holdings SE.

On 29 March 2010 AmRest decided about an increase of capital of a subsidiary AmRest KFT ("AmRest Hungary"). The share capital of AmRest Hungary was increased by the total amount of HUF 1 683 000 000 in form of cash contribution made by AmRest Sp. z o.o. After the registration of this change the capital of AmRest Hungary amounts to HUF 5 145 460 000.

On 8 February 2010 AmRest decided about an increase of capital of a subsidiary AmRest Kavezo Kft („AmRest Coffee Hungary”). The share capital of AmRest Coffee Hungary was increased by the total amount of HUF 70 000 000 through cash contribution made by AmRest Sp. z o.o. and Starbucks Coffee International Inc. The court in Budapest registered this change on 18 March 2010. Following the registration the share capital of Amrest Kavezo Kft amounts to HUF 73 000 000. After the change, the shareholding structure remained unchanged: AmRest sp.z o.o. – 82%, Starbucks Coffee International Inc. 18%.

On 29 April 2010 AmRest decided about an increase of capital of a subsidiary AmRest Kavezo Kft („AmRest Coffee Hungary”). The share capital of AmRest Coffee Hungary was increased by the total amount of HUF 120 000 000 through cash contribution made by AmRest Sp. z o.o. and Starbucks Coffee International Inc. The court in Budapest registered this change on 2 June 2010. Following the registration the share capital of Amrest Kavezo Kft amounts to HUF 193 000 000. After the change, the shareholding structure remained unchanged: AmRest Sp. z o.o. – 82%, Starbucks Coffee International Inc. 18%.

On 15 February 2010 AmRest decided about an increase of capital of a subsidiary AmRest EOOD (AmRest Bulgaria). The share capital of AmRest Bulgaria was increased by the total amount of BGN 1 050 000 in the form of cash contribution made by AmRest Sp. z o.o. After the registration of this change the capital of AmRest Bulgaria amounts to BGN 3 975 000.

On 10 May 2010 AmRest decided about an increase of capital of a subsidiary AmRest EOOD (AmRest Bulgaria). The share capital of AmRest Bulgaria was increased by the total amount of BGN 3 000 000 in the form of cash contribution made by AmRest Sp. z o.o. After the registration of this change the capital of AmRest Bulgaria amounts to BGN 6 975 000.

8. Information on dividends paid

During the period covered by these financial statements no dividend was paid by the Company

AmRest Holdings SE Report for the First Half-Year of 2010

Part III Selected Financial Information

Content:

1. Selected financial information of AmRest Group

III-2

1. Selected financial information of AmRest Group

Selected financial information including key financial statement lines from condensed consolidated financial statement for the six months period ended 30 June 2010.

<i>(in PLN'000)</i>	6 months period ended 30 June 2010 PLN'000	6 months period ended 30 June 2009 PLN'000	6 months period ended 30 June 2010 EUR'000	6 months period ended 30 June 2009 EUR'000
Restaurant sales	-	-	-	-
Operating profit	(193)	(600)	(48)	(134)
Profit/(loss) before tax	(3 403)	(377)	(851)	(84)
Net profit/(loss)	(4 031)	(377)	(1 008)	(84)
Total assets	838 359	426 064	202 219	95 325
Total liabilities and provisions	187 475	77 785	45 219	17 403
Long-term liabilities	186 592	71 699	45 007	16 041
Short-term liabilities	883	6 086	213	1 362
Total equity	650 884	348 279	156 998	77 922
Issued capital	622	427	150	96

* There have been no profit distributions or dividend payments in 2010 and 2009.

Assets and liabilities are translated into the Polish zloty at exchange rates quoted as at the balance sheet date by the National Bank of Poland. Income and expenses are translated at exchange rates approximated to the rates quoted for the date of a given transaction.

The selected financial information were translated into euro in accordance with the following policies:

- * Assets and liabilities – at average exchange rates quoted by the National Bank of Poland for a given balance sheet date
- * Items in the income statement – at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given quarter.

AmRest Holdings SE Report for the First Half-Year of 2010

Part IV Auditor's Report

Content:

1. Auditor's Report

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**Independent registered auditor's report
on the review of the interim condensed financial statements
for the period from 1 January to 30 June 2010
to the General Shareholders' Meeting and the Supervisory Board
of AmRest Holdings SE**

We have reviewed the attached interim condensed financial statements of AmRest Holdings SE (hereinafter called the Company), with its registered office in Wrocław, 25-27 Pl. Grunwaldzki, comprising:

- (a) the interim income statement for the period from 1 January to 30 June 2010, showing a net loss of PLN 4,031 thousand;
- (b) the interim statement of comprehensive income for the period from 1 January to 30 June 2010, showing a total comprehensive income of PLN (4,031) thousand;
- (c) the interim statement of financial position as at 30 June 2010, showing total assets and total liabilities & equity of PLN 838,359 thousand;
- (d) the interim statement of cash flows for the period from 1 January to 30 June 2010, showing a net increase in cash and cash equivalents of PLN 300,115 thousand;
- (e) the interim statement of changes in equity for the period from 1 January to 30 June 2010, showing an increase in equity of PLN 304,515 thousand;
- (f) additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing interim condensed financial statements which comply with the International Financial Reporting Standards as adopted by European Union adequate for interim reporting (IAS 34). Our responsibility was to present a report on these interim condensed financial statements based on our review.

We conducted the review in accordance with national standards of auditing issued by the National Chamber of Registered Auditors. We planned and performed the review to obtain reasonable assurance that the interim condensed financial statements are free of material misstatements. We conducted the review by analyzing the interim condensed financial statements, inspecting the accounting records, and making use of information obtained from the Company's Management Board and the employees.



The scope of the work performed was significantly narrower than the scope of an audit of the financial statements, because the review was not aimed at expressing an opinion on the truth and fairness of the interim condensed financial statements. This report does not constitute an audit opinion within the meaning of the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2009, No. 152, item 1223 with further amendments, hereinafter called the Act).

Our review did not indicate the need for any significant changes to the attached interim condensed financial statements to ensure that they are in accordance with the International Financial Reporting Standard 34: Interim Financial Reporting.

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Marcin Sawicki

Key Registered Auditor
No. 11393

Wroclaw, August 24, 2010