Annual Report 2011

Stand-alone

Directors' Report

20 March 2012

Letter to the Shareholders

Dear Shareholders,

2011 was a remarkable year for AmRest on every level. Our financial results improved significantly not only in our core business but also from strong contribution derived from the acquisition last April of the Restauravia Group. We are very excited about the new business opportunities emerging from this acquisition. We now own a brand that will allow us to enter new markets and enhance our ability to be a global diversified growth company.

AmRest has never been so well positioned for profitable growth. Our confidence comes from knowing that we have an excellent leadership team across all locations and brands. We are confident that we have the right structure and the right people in the right seats needed to guide AmRest to the next step in its growth stage.

With the economic situation improving in all markets in which we operate, we have strengthened our unit economic model and continued to successfully open new restaurants. As we promised to you last year, we substantially increased in 2011 our new restaurant build rate with 96 new openings and numerous renovations. We now operate close to 700 restaurants in 10 countries.

We have accomplished the before mentioned while continuing our focus on providing exceptional experience to our customers. This focus allows us to seek for the best ingredients, deliver cravable taste and create special people culture which leads to superior service and an extraordinary dining experience. Today over 21 thousand people draw strength and inspiration from our Core Values and belief in "Wszystko Jest Możliwe!". We know that great companies are formed by great people. To ensure that we continue to deliver strong results we strive to hire and retain the best people. We provide state-of-the-art training, opportunities and incentives to drive superior performance.

AmRest now has two powerful growth engines. Our core business in CEE and Russia will continue to be developed aggressively. In addition we will also focus on our new brand La Tagliatella to become AmRest's leading global growth platform entering China, India, Germany and strengthening our US operations in 2012. Leveraging our solid core business with highly profitable La Tagliatella operations, we will become truly a global diversified growth company capable of long term rapid development regardless of the market conditions.

2011 was a breakthrough year for AmRest. We not only acquired an exceptional new brand but we also proved to be greatly positioned for creating shareholders value even during somewhat uncertain economic conditions. The great quality of our food enhanced by passion and disciplined execution by our people has resulted in constant improvement in our customers' experience and enabled us to further differentiate ourselves from competitors. Our foundation has never been more solid and we are well positioned to confirm our rapid growth for 2012 and beyond.

Thank you for your continued support and confidence,

Sincerely,

Supervisory Board of AmRest Holdings SE

1.1. Information about financial data in the stand-alone report

AmRest Holdings SE is a holding company and does not run any operations. From this reason any financial data found in this report refers to the AmRest Group.

1.2.Selected financial data

CHART 1 REVENUE (IN PLN MILLION),

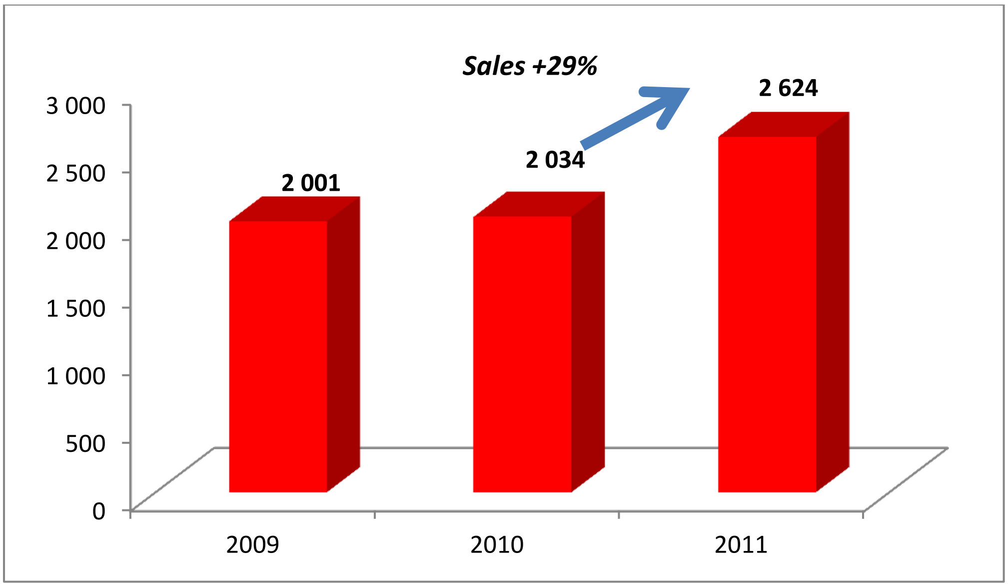


CHART 2 EBITDA (IN PLN MILLION)

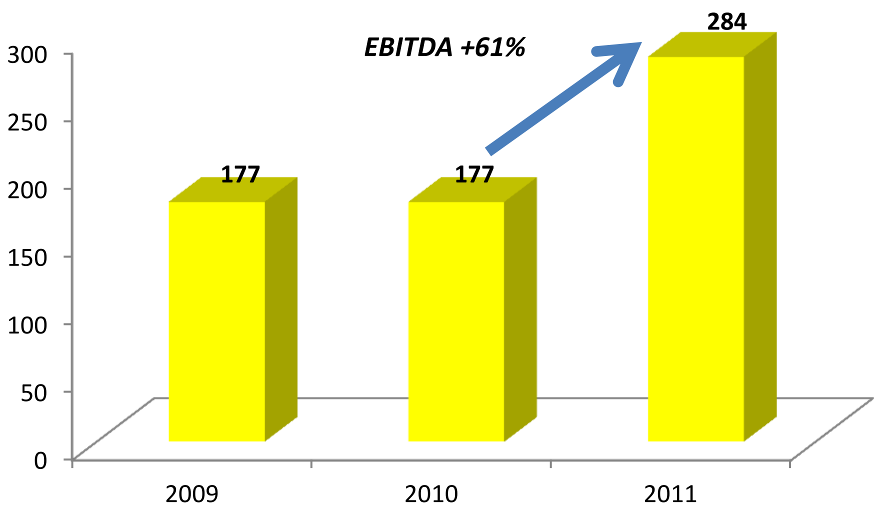


CHART 3 NUMBER OF AMREST RESTAURANTS IN 2009 – 2011, AS OF END OF 2011

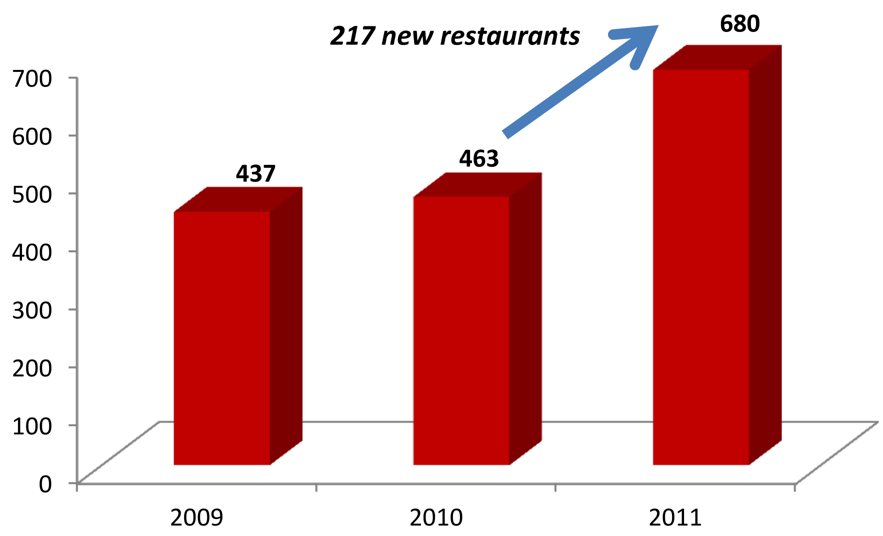


CHART 4 NUMBER OF AMREST RESTAURANTS BY BRANDS, AS OF END OF 2011

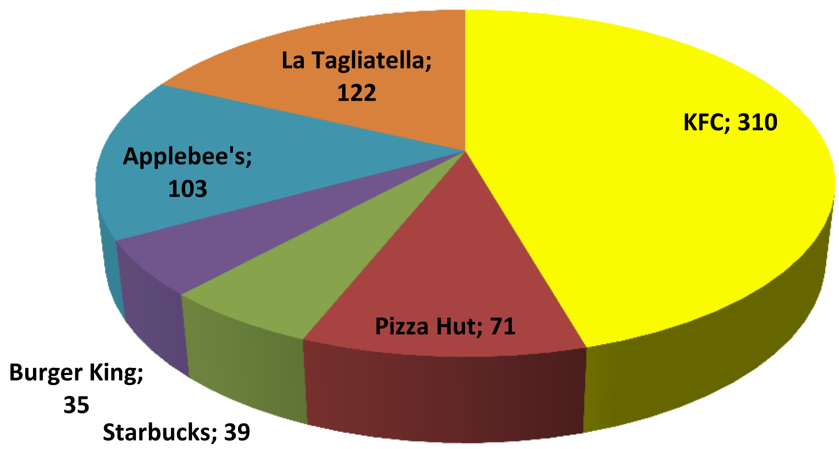
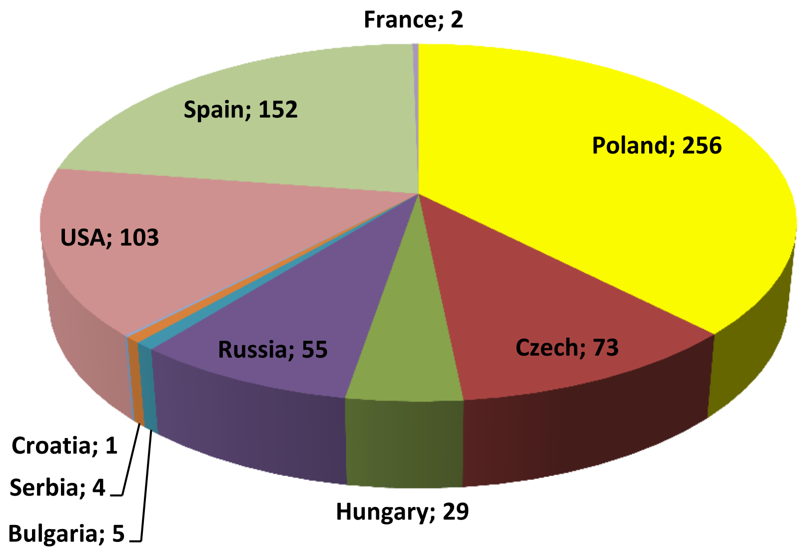


CHART 5 NUMBER OF AMREST RESTAURANTS BY COUNTRY, AS OF END OF 2011



2. *Description of the Company*

2.1.Basic services provided by the Group

AmRest Holdings SE ("AmRest") manages 6 restaurant brands in 10 countries of Europe and North America. Every day over 20 thousand AmRest employees deliver cravable 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) – La Tagliatella, Pizza Hut, Applebee's.

AmRest restaurants provide on-site catering services, take away services, drive thru 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, Applebee's and La Tagliatella 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 licenses 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. La Tagliatella restaurants are operated both by AmRest and by entities who operate restaurants on a franchise basis leased from the Company.

2.2.Quick Service Restaurants (QSR)

2011 was a very successful year for KFC. Among many major initiatives implemented by KFC, a few should be noted as those which have had or soon will have a decisive impact on the condition of the KFC brand.

To begin with, in 2011, a record high number of restaurants were opened. KFC strengthened its position not only in the cities where KFC restaurants had already been present, but also in those cities where there was no access to KFC services. The first

Drive Thru restaurants were opened on the Polish motorways (A4 and A2), as well as two concept restaurants, in Warsaw and Kraków. In the past year, restaurants opened before 1 January 2011 recorded growth in the number of customers, which contributed to the level of sales exceeding that of 2010.

The KFC brand was largely affected by initiatives relating to the introduction of new, better French fries and increasing the portion size in the menus by nearly 50% without changing their prices. In the prior year, grilled products, which represent an interesting alternative to the existing products, were introduced on the Polish, Czech and Hungarian markets for the first time. In the coming year, this category will be strengthened and our customers may expect a growing number of grilled products. A campaign introducing a new strapline, "KFC So good", met with significant interest, emphasizing the brand's strengths such as fresh, chicken manually prepared in restaurants prepared in accordance with the original recipe of Colonel Sanders.

In addition, 2011 was the year of introduction of KFC Lean – a program to improve operational effectiveness in restaurants by increasing the commitment of all staff to removing all activities and expenditure which do not contribute to the restaurant guests. The program was received very favourably in the restaurants and has already improved the speed of service in KFC.

In 2011, KFC restaurants in Poland started the "sprawni w AmRest" ("able at AmRest") initiative to hire disabled people, and continued financially supporting the Corporate Social Responsibility Foundation, which funded more than 5 million hot meals for the poorest children in North-Western Poland.

In addition to KFC restaurants in CEE and Russia, AmRest operates 32 KFC restaurants in Madrid and Barcelona. In 2011, 3 new KFC restaurants were opened in Spain. The Spanish KFC restaurants had excellent sales results in 2011. Due to the first ever KFC TV campaign on the Spanish market, sales in comparable restaurants increased by more than 8% in 2011.

The BURGER KING® system operates more than 12,000 restaurants in in 76 worldwide. Approximately 90 percent of BURGER KING® restaurants are owned and operated by independent franchisors. The BURGER KING® brand is currently owned by 3G Capital fund, which acquired Burger King Holdings, Inc. in the second half of 2010.

In 2011, AmRest added an additional eight Burger King restaurants to its portfolio, representing a 29% increase vs. 2010. In addition to unit and sales growth, AmRest introduced several exciting initiatives such as a new exciting menu board and pricing structure that resulted in improved food costs and higher AGC. In addition, AmRest introduced a new modern restaurant design based on the Burger King consistent with the brand’s global strategy. The menu offering (from the brand’s flag product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, and pieces of chicken and high quality desserts) delivers on Burger King’s core attributes – great taste and value for money.

At present, AmRest operates 35 Burger King restaurants, 27 in Poland, 6 in the Czech Republic and 2 in Bulgaria.

Looking ahead in 2012, AmRest will accelerate the development of Burger King restaurants with emphasis on Drive Thru units, focusing strongly on marketing activities aimed at increasing brand awareness.

Starbucks is a global leader in the coffee sector and operates over 17 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.

In 2011, Starbucks stores recorded improved financial results, both in terms of profit and revenue. This was due to both an increasing brand awareness on the markets on which we operate and continuously improving the offer in our stores. In summer, we introduced a new Frappuccino to our menu, enabling customers to modify it according to their tastes. This product has become very popular among our guests.

In 2011, Starbucks continued to develop in other Polish and Hungarian cities. In Poland, we opened stores in three new cities: Szczecin, Gdynia and Gdańsk.

At the start of 2012, we opened the first Drive Thru in Wrocław.

In 2012, Starbucks will continue to develop in Poland, the Czech Republic and Hungary. Currently we have 41 Starbucks stores: 23 in Poland, 12 in the Czech Republic and 6 in Hungary.

2.3.Restaurants in the Casual Dining Restaurants (CDR) segment

La Tagliatella is the leading brand of the CDR segment in Spain. As at the end of 2011, there were 122 La Tagliatella restaurants, of which 87 were operated by 54 franchisees in Spain, France and Andorra.

In 2011, 20 new La Tagliatella restaurants were opened, of which 12 are operated by our franchisees. A strong interest on the part of franchisees, in spite of the difficult conditions in the Spanish market, is proof of the market's confidence and the brand's strength.

In 2011, we expanded the menu offered by including new starters and salads which have become very popular among our clients.

The opening of the first restaurants in shopping centres is another important event. Given a significant number of such centres in Spain, this gives a potential to faster growth.

In 2012, La Tagliatella will start expanding into new markets. This will be possible due to, *inter alia,* the development of operational systems and procedures, the supply chain and, chiefly, human resources. In addition, we engaged professional teams with expertise in specific markets to help us develop the brand globally.

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.

Throughout 2011, Applebee's remained focused on value and food quality. Popularity of the "$2 for $20" menu remained strong, similarly as in 2010. The success of this initiative resulted in its introduction to Applebee's core offering.

In addition, Applebee's continues to focus on increasing labour efficiency and the effectiveness of items offered in our restaurants.

Our plans for 2012 assume continuing a positive trend of renovation started in 2010. The revitalisation comprises changes both outside and inside the restaurants. We also intend to continue the „Late Nights" segment launched in 2010 and the "All you can eat" lunch offer.

At present, the Applebee's network includes more than 2,000 restaurants globally, of which approx. 80% are owned by franchisees. AmRest owns 103 restaurants in 8 states of the USA.

AmRest operates currently 58 Pizza Hut restaurants in Poland, 11 in Russia and 2 in Hungary being one of the biggest franchisees implementing pioneering brand revival solutions in Europe.

2011 was the year of strengthening Pizza Hut's position in the "*casual dining*" segment. A significant increase in sales in the base restaurants and a significant improvement in profitability, against the backdrop of unfavourable macroeconomic conditions, allow us to optimistically assess the brand's potential. The improvement in results is the effect of bold and creative marketing activities (e.g., the Pizza Festival and the Pasta Festival campaigns), active presence in the media (commercials on TV and in the radio) and stabilization of the management teams, a systemic review of tools and cost control processes.

In 2011, we opened new restaurants in Szczecin, Radom, Kielce and Wrocław and modernized certain key locations by implementing a more modern interior decoration scheme and new product platforms. Thus, we continued the plan of renovating all restaurants in Poland in the coming years.

The product development strategy is bringing the expected results: the share of new products (e.g., pastas, starters) and categories (e.g., lunch) is growing, attracting new customer groups and offering good prospects for the future. At the same time, Pizza Hut remains the leading expert in the pizza category, as evidence by the success of an innovative product, Pizza Korona – an outstanding offer for a group of friends.

Pizza Hut was the first of the network restaurants to start promoting and developing a lunch offer at a very attractive price and the guaranteed short serving time. Hot lunch is an offer addressed to the growing group of customers who need a quick meal during the day. In addition to the short time guarantee, Pizza Hut offers: a large selection of excellent quality products with full service by waiters in a nice, relaxing atmosphere.

„Hospitality" is part of the brand strategy introduced in 2009 and developed in subsequent years. By carefully selecting the crew, trainings and praising particular behaviors. Pizza Hut wants to be a pioneer in creating and executing the highest quality customer care and building positive relations with the Customers. The effectiveness of this strategy has been confirmed in the feedback received from independent auditors (mystery shoppers) and a growing group of loyal Customers.

3. Structure of revenues

In 2011, AmRest Group's revenue increased by 29.0% (PLN 2,624,171 thousand compared with PLN 2,033,816 thousand in 2010). A dynamic revenue growth was due to both a marked (12.0%) improvement in sales in CEE, Russia and the USA, and the consolidation of the Spanish business taken over in April 2010, which generated PLN 346,804 thousand.

Restaurants in CEE continue to have the largest share in the Group's revenue structure and account for 51.7% of the Company's revenue. Revenue generated by Spanish restaurants represents 13.2% of the Group's sales. We anticipate that their share will increase in 2012 when AmRest will consolidate the full 4 quarters of Restauravia results for the first time.

TABLE 1 AMREST SALES BY DIVISIONS

	2011		**2010**	
Divisions	PLN '000	% share	PLN '000	% share
CEE	1,357,195	51.7%	1,158,645	57.0%
USA	702,392	26.8%	704,392	34.6%
Western Europe	346,804	13.2%	-	0.0%
Russia	217,780	8.3%	170,779	8.4%
Total	2,624,171	100%	2,033,816	100%

Seasonality of sales and inventories of the AmRest Group are not significant, which is a feature of the entire restaurants sector. On the markets of Central and Eastern Europe restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants. The United States market is characterized by higher sales in the first half of the year compared with the second half. After a period of lower sales in the summer months and a slight revival related to the Christmas holidays, the first half of the year is a period of intensified traffic due to the use of gift cards, promotional coupons and a large number of days off and holidays.

4. Clients

AmRest products are addressed to a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, Croatia, Spain, France and the US. The graphs below show customer profiles by education in the QSR and CDR segment on the basis of KFC AmRest and Pizza Hut AmRest restaurants operating on the Polish market.

4.1.Education

CHART 6 CLIENT STRUCTURE OF THE POLISH KFC BY EDUCATION

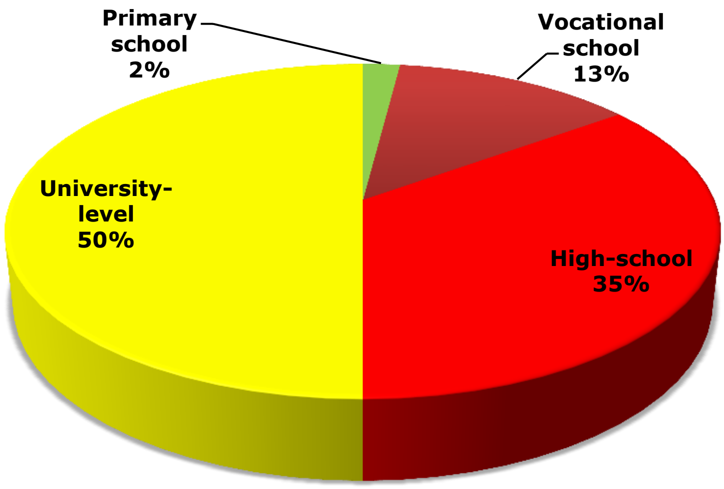
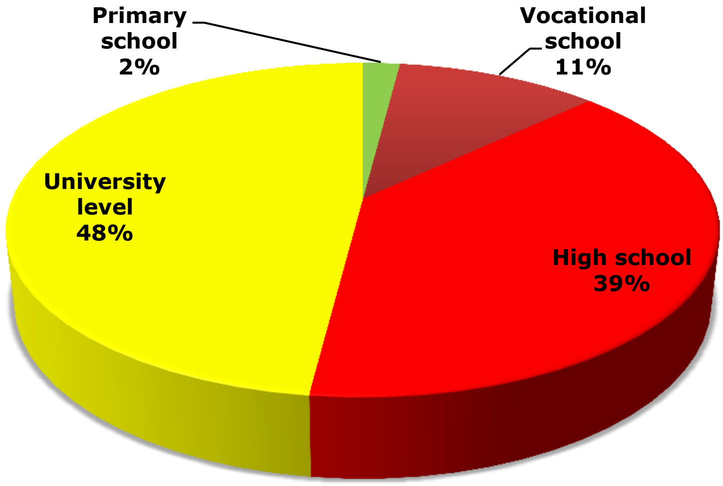


CHART 7 CLIENT STRUCTURE OF THE POLISH PIZZA HUT BY EDUCATION



5. Supplier chain

Towards the end of 2011, we recorded an increase in food prices resulting from an increase in the prices of beef and pork, fuels and energy in the European market, as well as the depreciation of local currencies against the EUR and USD. However, for most of the brands the increase was below the inflation.

Building an appropriate portfolio is a material component of our strategy. In the prior year, we closed long-termed positions for selected key products at the right time. This should significantly reduce the risk of a selling costs increase in the future. Due to the dynamic growth of AmRest in the region, our key suppliers will continue to invest in increasing their production capacity, modernizing production lines and improving the effectiveness across the entire supply chain.

Key tasks for the coming period include 2012:

1. Developing a logistics strategy in Europe in order to optimize costs in this segment and to support AmRest's development objectives in the region. The strategy will be implemented in 2013.
2. Increasing the effectiveness of chicken production in the Czech Republic.
3. Increasing the capacity for chicken production in the region.
4. Selecting a supplier of soft drinks for 2013-2018.
5. Monitoring market prices of raw materials and adopting a decision which will enable AmRest to gain a competitive advantage in the market.

The list of the largest suppliers of AmRest:

1. Eurocash S.A. – a distributor in Poland
2. Dachster Cr. a.s.– a distributor in the Czech Republic

3. Drobimex – a supplier of chicken products in Poland
4. Jihoèeská drùbež s.r.o. – a supplier of chicken products in the Czech Republic
5. RBD Distribution Co Ltd – a distributor in Russia
6. Konspol – a supplier of chicken products in Poland
7. Lekkerland – a distributor in Hungary
8. Roldrob – a supplier of chicken products in Poland
9. Cargill – a supplier of oil, dressings and eggs in Poland
10. Beskyd Frycovice – a supplier of vegetables and fresh products in the Czech Republic


6. Employment level

The table below shows employment in the Group in 2011-2009.

TABLE 2 EMPLOYMENT AT AMREST (AS AT THE END OF THE YEAR)

Year	**2011**	**2010**	**2009**
Employment in restaurants	20,060	17,121	16,937
Employment in administration	459	343	353
Total	**20,519**	**17,464**	**17,290**

7. Changes in management

7.1.Changes in the Management Board of the Company

On 1 March 2011 the Management Board of AmRest informed that as of 28 February 2011 Mr Wojciech Mroczyński had handed in his resignation as member of the Management Board of AmRest. The reason for the resignation is that he is taking a sabbatical which will last for the next 12 months.

On 13 December 2011, the Supervisory Board of AmRest adopted resolutions dismissing Mr Piotr Boliński from the position of Management Board member and appointing Mr Wojciech Mroczyński. The resolutions entered into force on 1 March 2012.

Mr Piotr Boliński will continue performing executive functions in the AmRest Group subsidiaries and will assume the CFO position of the Spanish Division.

Mr Wojciech Mroczyński performed the role of the Management Board Member of the Issuer from 23 June 2008 to 28 February 2011. As communicated in the current report RB 9/2011, as of 28 February 2011 Mr Wojciech Mroczyński resigned from the position of AmRest's Management Board Member due to his decision to take a sabbatical.

Mr Wojciech Mroczyński graduated with an MA in Economics from the University of Gdańsk, Faculty of Foreign Trade. Mr Mroczyński has an International MBA title awarded from Central Connecticut State University and is a graduate of the Harvard Business School in Boston.

He has many years of professional experience. In 1998-2005, he performed executive roles in Mondi Packaging Paper Świecie S.A., a paper sector company listed on the WSE. In 2003-2005, he also performed the role of the Finance Director in this company.

Mr Mroczyński joined AmRest in 2005. In 2005-2011, he was the Chief Financial Officer, Chief Operating Office and the Chief People Officer of the Issuer.

Mr Mroczyński informed that, in his opinion, he did not conduct any activities competitive to those conducted by the enterprise and he did not participate in an AmRest competitor as a partner, shareholder or member of a corporate body. Mr Mroczyński is not listed in the Register of Insolvent Debtors.

7.2.Changes in the Supervisory Board

During the Ordinary Annual Shareholders' Meeting of AmRest ("AGM"), which took place on 10 June 2011, resolutions were passed on completing the composition of the Company's Supervisory Board in connection with the expiry of the mandates of two existing members of the Supervisory Board. The AGM decided to appoint Mr Steen Breimyr and Mr. Jan Sykora as members of the Supervisory Board of AmRest. Information on particular candidates can be found in the Company's Current Reports, RB 29/2011, and RB 30/2011 respectively.

7.3. Composition of the Management Board and the Supervisory Board

Management Board

Piotr Boliński until 1 March 2012

Wojciech Mroczyński from 1 March 2012

Mark Chandler

Drew O'Malley

Supervisory Board

The Supervisory Board of AmRest consists of:

Henry McGovern - Chairman

Per Steen Breimyr

Raimondo Eggink

Robert Feuer

Jacek Kseń

Joseph P. Landy

Jan Sykora

8. Financial position of the Company

8.1.Assessment of the Company's results and balance sheet structure

TABLE 3 KEY FINANCIAL DATA OF AMREST (2011-2010)

in PLN thousand, unless otherwise stated	**2011**	**2010**
Sales revenue	2,624,171	2,033,816
Operating profit before amortization and depreciation (EBITDA)	284,052	176,505
Operating margin after amortization and depreciation (EBITDA margin)	10.82%	8.68%
Operating profit (loss)	103,015	68,662
Operating margin (EBIT margin)	*3.93%*	*3.40%*
Profit (loss) before tax	49,290	50,959
Gross margin	*1.88%*	*2.50%*
Net profit (loss)	48,485	40,598
Net margin	*1.85%*	*2.00%*
Net profit (loss)*	70,232	40,598
*Net margin**	*2.7%*	*2.00%*
Equity	927,791	746,030
Return on equity (ROE)	*5.23%*	*7.10%*
Return on equity (ROE*)*	*7.6%*	*7.10%*
Total assets	2,630,856	1,368,959
Return on assets (ROA)	*1.84%*	*3.20%*
Return on assets (ROA*)*	*2.67%*	*3.20%*

* Net assets excluding the effect of one-off events. In 2011, this was the remeasurement of the PUT option held by minority shareholders, which resulted in an increase in the Company's financial costs by PLN 21.7 million.

Definitions:

Operating margin after amortization and depreciation – operating profit before amortization and depreciation (EBITDA) to sales;

Operating margin – operating profit to sales;

Gross margin – profit before tax to sales;

Net profitability – net profit to sales;

Return on equity (ROE) – net profit to equity;

Net profit – net profit attributable to shareholders of the parent company;

Return on assets (ROA) – net profit to assets;

TABLE 4 LIQUIDITY ANALYSIS (FOR 2011-2010)

in PLN thousand, unless otherwise stated	**2011**	**2010**
Current assets	293,545	334,848
Inventories	40,770	20,886
Short-term liabilities	385,036	231,389
Quick ratio	*0.66*	1.36
Current ratio	*0.76*	1.45
Cash and cash equivalents	143,960	245,118
Cash ratio	*0.37*	1.06
Inventory turnover (in days)	*5.30*	3.80
Trade and other receivables	86,910	45,007
Trade receivables turnover (in days)	*10.74*	7.10
Operating ratio (cycle) (in days)	*16.04*	10.90
Trade and other payables	300,842	215,975
Trade payables turnover (in days)	*40.34*	37.80
Cash conversion ratio (in days)	*-24.31*	-26.90

Definitions:

Quick ratio – current assets net of inventories to current liabilities;

Current ratio – current assets to current liabilities;

Cash ratio – cash and cash equivalents to current liabilities at the end of the period;

Inventories turnover ratio (in days) – average inventories to sales multiplied by the number of days in the period;

Trade and other receivables turnover ratio (in days) – average trade receivables to sales multiplied by the number of days in the period;

Operating ratio (cycle) (in days) – total of inventories turnover and receivables turnover;

Trade and other payables turnover ratio (in days) – average trade payables to sales multiplied by the number of days in the period;

Cash conversion ratio – difference between the operating ratio (cycle) and the payables turnover ratio.

TABLE 5 DEBT ANALYSIS (FOR 2011-2010)

in PLN thousand, unless otherwise stated	**2011**	**2010**
Current assets	293,545	334,848
Non-current assets	2,337,311	1,034,111
Trade and other receivables	86,910	45,007
Liabilities	1,703,065	622,929
Long-term liabilities	1,318,029	391,540
Debt	916,902	383,281
Share of inventories in current assets (%)	*12.42%*	*6.24%*
Share of trade receivables in current assets (%)	*25.16%*	*13.44%*
Share of cash and cash equivalents in current assets (%)	*49.04%*	*73.20%*
Fixed assets to equity ratio	*0.40*	*0.70*
Gearing	*0.75*	*0.40*
Long-term gearing ratio	*1.42*	*0.50*
Liabilities to equity ratio	*2.13*	*0.80*
Debt/Equity	*0.99*	*0.50*

Definitions:

Share of inventories, trade receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets

Equity to fixed assets ratio – equity to fixed assets;

Gearing – total liabilities and provisions to total assets;

Long-term gearing – long-term liabilities to equity;

Liabilities to equity – liabilities and provisions as at the end of a given period to equity;

Debt – sum of long-term and short-term loans and borrowings.

As discussed in Note 3, in 2011 sales increased by 29% compared with 2010 (PLN 2,624,171 thousand compared with PLN 2,033,816 thousand in 2010).

The marked improvement in the results was due to both a strong 12% organic growth of the business in CEE and the USA and the acquisition and development of Restauravia restaurants. Restauravia, which was acquired in April 2011, added PLN 346,804 thousand to AmRest's revenue.

It should be noted in particular that the Russian market recorded excellent results. Restaurants operating in Russia improved their sales by 27.5% to PLN 217,718 thousand compared with PLN 170,779 thousand in 2010, mainly due to excellent results in comparable restaurants (open for at least 12 months – LFL, SSS) of both KFC and Pizza Hut.

A very strong growth can be seen also in the CEE region where sales increased by 17.1% to PLN 1,357,195 thousand compared with PLN 1,158,645 thousand in the prior year. This was due to a dynamic development in new restaurants and increased sales in comparable restaurants across all markets of the region.

USD-denominated sales on the US market increased by 2% in 2011. Expressed in PLN, revenue remained unchanged in relation to 2010 and amounted to PLN 702,392 thousand.

The Group's revenue growth in the fourth quarter was even higher than in the entire 2011 and reached 51.3%, with the Group's revenue of PLN 782,346 thousand. Similarly, as in the case of annual results, revenue growth was due to both the consolidation of the Spanish business and a significant increase in revenues of other parts of the business. In the fourth quarter, Restauravia added PLN 145,048 thousand to AmRest's revenue.

The largest revenue growth in the fourth quarter of 2011 was recorded on the Russian market where sales in restaurants increased by 46.6% compared with the last quarter of the prior year.

A strong improvement in sales was noted also in the CEE region where revenue increased by 26.3% to PLN 392,277 thousand.

In 2011, the Company recorded an operating profit of PLN 103,015 thousand, which represents a 50.0% increase compared with PLN 68,662 thousand in the previous year.

A marked increase in the EBIT profit was largely due to consolidation of the Spanish Restauravia Group which generates very high margins and added PLN 40,481 thousand to AmRest's results.

Additional factors which positively contributed to the cost structure included measures aimed at improving the effectiveness of labour costs in the entire Group, the program for employing disabled persons in Poland and the Czech republic and reduction in unit costs of new restaurant openings in CEE and Russia.

The EBIT profit increased by 11.8% to PLN 16,854 thousand in the fourth quarter of 2011. The results of the Spanish Group added PLN 10,079 thousand to the EBIT profit. Lower results of the remaining parts of the business compared with the prior year are due to one-off events.

The EBITDA profit increased by 60.9% to PLN 284,052 thousand in 2011 from PLN 176,505 thousand in 2010. The EBITDA margin generated by the Group was 10.8% compared with 8.7% in the previous year. Restauravia added PLN 74,873 thousand to the Group's EBITDA, recording the highest margin the Group of 21.6%.

The EBITDA profit of the restaurants operating on the Russian market amounted to PLN 29,556 thousand, which represents an increase of 27.9%. The EBITDA margin generated on the Russian market was 13.6%.

Restaurants operating in CEE generated the EBITDA profit of PLN 152,361 thousand, which represented an increase of 14.8% compared with 2010.

The EBITDA profit increased by 87.1% to PLN 85,814 thousand in the fourth quarter of 2011. The Restauravia restaurants acquired an added PLN 28,973 thousand to the Group's result. The EBITDA profit of the restaurants operating in CEE increased by 18.4% to PLN 40,674 thousand. The increase in the EBITDA profit of 75.3% in the USA was due to a one-off event in the fourth quarter of 2010, namely the recognition of a write-down of non-current assets of PLN 3,673 thousand.

In 2011, financial costs increased to PLN 65,091 thousand from PLN 37,098 thousand in 2010. This was due to a one-off event, i.e., the recognition of revaluation costs in respect of the Put Option of PLN 21,747 thousand. Detailed information on the Put option is presented in Note 2 to the consolidated financial statements. Revaluation costs were charged to financial costs in the fourth quarter of 2011.

The net profit attributable to AmRest's shareholders, net of the effect of the Put Option revaluation, increased by 73.0% to PLN 70,232 thousand, from PLN 40,598 thousand in 2010.

A significant increase in short-term liabilities resulting from an increase in trade payables combined with a decrease in cash and cash equivalents resulted in decreases in the quick and current liquidity ratios, to 0.66 from 1.36 and to 0.76 from 1.45, respectively. An increase in trade payables resulted directly from the operating model of La Tagliatella, in particular in the centralized kitchen.

The increase in trade payables resulted in an increase in the payables turnover ratio to 40.34 days from 37.80 days in 2010.

Similarly as the increase in trade payables, the increase in inventories is also due to Tagliatella's operating model. It resulted in the increase in inventory turnover from 5.3 to 3.8 days in 2010.

The consolidation of the Spanish business also resulted in a significant increase in the level of receivables which, in turn, caused the receivables turnover ratio to increase to 10.74 from 7.10.

The cash conversion level is 24.31 days.

The liquidity ratios discussed above are at a level ensuring smooth operating activities. The generation of excess cash on a current basis allows efficient servicing of the existing debt and financing of the majority of the planned capital expenditure.

Cash generated from the issue of shares to Warburg Pincus in April resulted in an increase in equity from PLN 746,030 thousand to PLN 927,791 thousand.

As at the end of 2011, net debt amounted to PLN 776,623 thousand, and the net debt to EBITDA ratio was 2.7.

8.2.Loans, borrowings and bonds

On 11 October 2010, a credit agreement was signed between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. ("the Borrowers") and Bank Polska Kasa Opieki S.A. („PEKAO"), RBS Bank Polska S.A. („RBS Poland"), Royal Bank of Scotland N.V. („RBS") and Bank Zachodni WBK S.A. („WBK"). Based on the Agreement the Lenders granted a credit facility in the amount up to PLN 440 million to the Group. The facility should be repaid by 11 October 2015. The facility comprises two tranches and is intended for the repayment of all obligations under a syndicated loan agreements signed on 15 December 2008 and financing further development of AmRest. All Borrowers are jointly and severally liable for the repayment of the liabilities resulting from the credit agreement. In addition, two Group companies, OOO AmRest, AmRest LLC, AmRest TAG S.L., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U. and Pastificio Service S.L.U. granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid.

Based on the Annex of 18 April 2011 to the Credit Agreement, the amount of the loan was increased by an additional EUR 80 million as part of the C1 and C2 tranches. Additional funds were used to finance the acquisition of the majority interest in Restauravia Grupo Empresarial, SL. The final repayment of the C1 and C2 tranches is due on 11 October 2015.

On 8 August 2011, all parties of the Credit Agreement signed Annex No. 2 to the Credit Agreement with Rabobank S.A. Based on the Annex, Rabobank Polska S.A. joined the consortium as an additional Borrower, taking over a part of the receivables of RBS Bank (Polska) S.A. and The Royal Bank of Scotland N.V. The amount, interest rate, repayment date and other material terms and conditions of the agreement remained unchanged.

As at 4 December 2009, companies of the AmRest Group, LLC, WCM Oregon and Restaurant Concepts (currently merged into one entity, AmRest, LLC) signed a short-term credit agreement with Wells Fargo Bank, National Association. Under the agreement, the repayment of the credit drawn was to be secured with the assets of five selected restaurants. The maximum amount of the credit is USD 5,000,000 million, i.e. at the exchange rate applicable as at 31 December 2011, PLN 17,087,000. As at 31 December 2010, AmRest, LLC did not avail itself of the granted credit limit therefore the value of collateral is PLN 0.

On 7 December 2009, AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. a bond issue agreement on the basis of which a corporate bond program of AmRest was launched, allowing the issue of 15 000 bonds with the total nominal value of PLN 150 million. The agreement was signed for a specific period expiring on 9 July 2015 with extension options until the redemption of all bonds issued.

The Group is obligated to maintain specific financial ratios at a level specified in the agreement. They include the net debt ratio (the relation of net debt to annualized EBITDA), the interest coverage ratio and the balance sheet structure ratio defined as consolidated net equity attributable to the shareholders of the parent company to total assets).

The net debt ratio should not exceed 3.5, the interest coverage ratio should not be lower than 3.5 and the balance sheet structure ratio should not be lower than 0.35. As at 31 December 2011, the above ratios were not exceeded and amounted to: net debt ratio – 2.40, interest coverage ratio – 7.95, balance sheet structure ratio – 0.45.

Detailed information on loans and borrowings as at 31 December 2011 is presented in Note 21 of the financial statements.

As at 31 December 2010, the AmRest Group had the following credit lines available:

a) RBS Bank (Poland) SA – PLN 45 thousand (an overdraft facility in PLN)

b) RBS Bank (Czech) SA – PLN 5,952 thousand (an overdraft facility in CZK)

c) Wells Fargo Bank – PLN 10,704 thousand (an overdraft facility in USD)

8.3.Description of key domestic and foreign investments

The table below presents purchases of non-current assets as at 30 December 2011 and as at 31 December 2010.

TABLE 6 PURCHASES ON NON-CURRENT ASSETS BY AMREST HOLDINGS SE (2011-2010)

In PLN’000	2011	2010
Intangible assets, including:		
Trademarks	257,868	-
Non-onerous lease agreements	4,535	1
Licences for the use of Pizza Hut and KFC trademarks	9,049	8,099

Goodwill	374,068	-
Other intangible assets	192,859	11,768
Investment property	-	21,317
Fixed assets, including:		
Land	5,280	1,496
Buildings	223,150	103,195
Equipment	126,815	76,606
Vehicles	728	230
Other (including assets under construction)	72,678	19,104
Total	**1,267,030,**	**241,816,**

The capital expenditure incurred by AmRest relate mainly to the construction of new restaurants and modernization of the existing restaurants. In 2011, increased capital expenditure was due to entry into the Spanish market. The Company's capital expenditure depends mainly on the number and type of restaurants opened.

In 2011, capital expenditure was financed mainly from cash flows from operating activities and additional bank loans.

TABLE 7 NUMBER OF AMREST RESTAURANTS

Country	Brand	2011-03-31	06-30-2011	9-30-2011	12-31-2011	03-20-2012
Poland		**213**	**223**	**242**	**256**	**259**
	KFC	126	133	142	150	151
	BK	21	22	26	27	27
	SBX	9	11	16	21	23
	PH	57	57	58	58	58
Czech Republic		**75**	**75**	**74**	**73**	**74**
	KFC	58	58	57	56	56
	BK	5	5	5	5	6
	SBX	12	12	12	12	12
Hungary		**23**	**24**	**26**	**29**	**29**
	KFC	18	19	19	21	21
	SBX	3	3	5	6	6
	PH	2	2	2	2	2
Russia		**50**	**50**	**51**	**55**	**56**
	KFC	39	39	40	44	45
	PH	11	11	11	11	11
Bulgaria		**5**	**5**	**5**	**5**	**4**
	KFC	2	2	2	2	2
	BK	3	3	3	3	2
Serbia		**4**	**4**	**4**	**4**	**4**
	KFC	4	4	4	4	4
Croatia					**1**	**1**
	KFC				1	1
USA		**103**	**103**	**103**	**103**	**103**
	AB	103	103	103	103	103
Spain			**139**	**146**	**152**	**151**
	TAG, own		28	32	35	36
	TAG, franchised		81	82	85	84
	KFC		30	32	32	32
France			**2**	**2**	**2**	**2**
	TAG, franchised		2	2	2	2
AmRest		**473**	**625**	**653**	**680**	**683**

As at the end of 2011, AmRest operated 680 restaurants in total (463 at the end of 2010). The Group acquired 128 restaurants and opened 97 restaurants; 8 restaurants were closed.

	AmRest	Franchisees	Total
As at the end of 2010	463	0	**463**
Openings	84	13	**97**
Closings	-8	0	**-8**
Acquisitions	54	74	**128**
Total	**593**	**87**	**680**

As at 20 March 2012, AmRest operated 683 restaurants.

8.4. Description of the structure of key investments and capital expenditure projects

As at 31 December 2011, AmRest's equity investments amounted to PLN 140 thousand and related to shares in SCM s.r.o.

8.5. Major events with a significant impact on the Company's operations and results

On 10 February 2011 AmRest acquired 76.3% shares in Restauravia Grupo Empresarial S.L. (RB 7/2011) and the remaining portion of shares (23.7%) was taken up by the former management of the acquired Company. As at the transaction date, Restauravia operated a total of 130 restaurants in Spain: 30 KFC and 89 La Tagliatella restaurants (including 73 restaurants operated by franchisees), 6 Il Pastificio and 5 Trastevere restaurants (hereinafter called jointly "La Tagliatella"). Restauravia is the owner of the brands of La Tagliatella restaurants. In 2010 the Company earned sales of ca. EUR 100 million and normalized EBITDA of EUR 23.9 million.

AmRest has the call option ("Call Option") for all or a portion of shares from minority shareholders. AmRest is entitled to exercise the Call Options after 3 and up to 6 years from the date of finalization of the Contract (28 April 2011) between 1 May and 1 December of every year in the period. At the same time minority shareholders have put options ("Put Option") for all or a portion of the shares. The Put Option may be exercised after 3 and up to 6 years of the date of the Finalization of the Contract. The exercise price for both options will be equivalent to 8.2 times the value of EBITDA for the last 12 months adjusted by the value of the net debt as at the date of exercising the option.

On 28 April 2011, with reference to RB 7/2011, the Management Board of AmRest informed of the finalization of the Share Sale, Purchase and Take-up Agreement concluded on 10 February 2011 by and between AmRest and the Shareholders of Corpfin and Managers of Restauravia Grupo Empresarial S.L. ("Restauravia").

The value of Restauravia is EUR 198 million. The transaction was financed with an equity investment of AmRest in the amount of EUR 90 million, taking up shares worth EUR 28 million by the Managers of Restauravia and with an external bank debt.

On 1 March 2011, the Management Board of AmRest informed, with reference to RB 19/2010, of making a subscription for 1 048 000 shares at an issue price of 75 per share by the shareholder WP Holdings VII B.V ("WP") under the Additional Subscription for Shares on 28 February 2011.

On 25 March 2011, the Management Board of AmRest informed, with reference to RB 19/2010, of making a subscription for 1 223 590 shares at an issue price of 75 per share by the shareholder WP under the Additional Subscription for Shares on 25 March 2011.

On 18 April 2011 the Management Board of AmRest informed, with reference to RB 10/2011 and RB 12/2011, that it had received information on the registration of an increase in the share capital of AmRest as part of the target capital as a result of a private share issue of 7 and 8 series shares addressed to WP Holdings VII B.V. with its registered office in Amsterdam, the Netherlands, with the total exclusion of pre-emptive rights for the former shareholders, by the District Court for Wroc³aw-Fabryczna in Wroc³aw, on 8 April 2011. The share capital of AmRest was increased by EUR 22 715.90 from EUR 189 340.99 to EUR 212 056.89 by way of issuing 1 048 000 ordinary bearer series 7 shares and 1 223 590 ordinary bearer series 8 shares with a nominal value of EUR 0.01 each. The total number of the Company's shares after the capital increase amounts to 21 205 689 ordinary bearer shares.

On 19 April 2011, the Management Board of AmRest informed, with reference to the Loan Agreement ("Agreement") referred to in RB 56/2010, of signing, on 18 April 2011 a Modified Loan Agreement ("Modified Agreement") by and between AmRest, AmRest Sp. z o.o. ("AmRest Polska") and AmRest s.r.o. ("AmRest Czech") – jointly "the Borrowers" and Bank Polska Kasa Opieki S.A. ("PEKAO"), RBS Bank Polska S.A. ("RBS Polska"), Royal Bank of Scotland N.V. ("RBS") and Bank Zachodni WBK S.A. ("WBK") – jointly "the Creditors". AmRest Polska and AmRest Czechy are 100% subsidiaries of AmRest.

On the basis of the Modified Agreement, the Creditors (with the exception of RBS Polska) granted an additional tranche of a loan of EUR 80 million ("Tranche C") to the Borrowers. The funds obtained from Tranche C are earmarked for financing the costs of acquisition of shares in Restauravia Grupo Empresarial S.L. under the Share Take-up Agreement described in RB 7/2011 and for refinancing the existing debt of Restauravia Group companies. Tranche C should be repaid by 11 October 2015. Other terms of the loan granted under Tranche C are arm's length. All Borrowers are jointly and severally liable for the repayment of the liabilities resulting from the Modified Agreement.

The loan bears a floating interest rate and is available in EUR.

On 8 August 2011, all parties of the Credit Agreement signed Annex No. 2 to the Credit Agreement with Rabobank S.A. Based on the Annex, Rabobank Polska S.A. joined the consortium as an additional Borrower, taking over a part of the receivables of RBS Bank (Polska) S.A. and The Royal Bank of Scotland N.V. The amount, interest rate, repayment date and other material terms and conditions of the agreement remained unchanged.

During the General Shareholders' Meeting of AmRest which took place on 10 June 2011, resolutions were passed on completing the composition of the Company's Supervisory Board. in connection with expiry of the mandates of two existing member of the Supervisory Board. the AGM decided to appoint Mr Steen Breimyr and Mr Jan Sykora members of the Supervisory Board of AmRest. Information on particular candidates can be found in the Company's Current Reports, RB 29/2011, and RB 30/2011 respectively.

On 18 August 2011, the Management Board of AmRest informed that, at the request of the shareholder WP Holdings VII B.V., on 17 August 2011 the Management Board adopted a resolution on conversion of 2,271,590 series 7 and 8 registered shares in the Company held by the Shareholder to bearer shares.

On 27 September 2011, the Management Board of AmRest informed, with reference to RB 35/2011 of 29 June 2011, that it had received information on the registration of an increase in the share capital of AmRest as part of the target capital as a result of a private placement of 9 series shares addressed to specific parties (the Company's employees) under the Employee Option Plan, with the total exclusion of pre-emptive rights for the former shareholders, by the District Court for Wrocław-Fabryczna in Wrocław, on 13 September 2011. The share capital of AmRest was increased by EUR 82.04 from EUR 212,056.89 to EUR 212,138.93 by issuing 8,204 series 9 ordinary bearer shares with a nominal value of EUR 0.01 each. The total number of the Company's shares after the capital increase amounts to 21,213,893 ordinary bearer shares.

On 15 December 2011, the Management Board of AmRest informed that on 13 December 2011 the Supervisory Board of AmRest had adopted a resolution dismissing Mr Piotr Boliński from the position of Management Board member and appointing Mr Wojciech Mroczyński. Resolutions enter into force on 1 March 2012.

9. AmRest Holdings SE in 2012

9.1.Investment plans and an assessment of the possibility of their execution

AmRest will continue its expansion mainly through organic growth on the Central and Eastern Europe market. Additionally, the Company monitors the mergers and acquisitions market for potential acquisition opportunities.

The objective of AmRest in the Central and Eastern Europe is to continue the development of the best developed brand of the AmRest Group, namely KFC, by opening new restaurants and increasing sales in the existing ones, and the development of Burger King and Starbucks brands by opening new restaurants, mainly on the main markets in Poland and the Czech Republic. The Company is able to finance its development in 2012 using its internal cash flows and debt financing.

The plan for new launches will be adapted on an on-going basis to the market conditions and to opportunities in obtaining new attractive locations in the individual countries. In the new year 2011, AmRest will be very restrictive and selective each time when making a decision on how to allocate its cash – the objective being to achieve a minimum of 20% IRR on each investment.

The average cost of opening a new AmRest restaurant in Europe differs by location and the type of restaurant and amounts to PLN 2.8 million. Moreover, the Company plans to keep up the program of continued modernization of existing selected restaurants – throughout 2012 the AmRest Group plans to allocate approx. PLN 50 million to this purpose. A considerable part of the renovations budget will be eaten up by modernizations in Poland.

Additionally, in the Company's opinion the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand, the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

The Management Board anticipates that the long-term growth will be financed mainly with own funds and debt financing.

9.2. External and internal factors which are significant to the Company's development in 2012

The Management Board of AmRest believes that the following factors will have a significant effect on the Company's future development and results:

9.2.1. External factors

competitiveness – in terms of prices, quality of service, location and quality of food;

demographic changes, trends as to the number of people using the restaurants and the number and location of the competitors' restaurants; changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein; change in real estate rental costs and related costs; changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials; changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Spain, France and the United States and consumer trust, the amount of disposable income and individual spending patterns; changes in legal and tax determinants; adverse changes on the financial markets.

9.2.2. internal factors

gaining and training the human resources necessary for the development of the existing and new restaurant networks; obtaining attractive locations; effective launching of new restaurant networks and products; building an integrated information system.

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

The Management Board of AmRest is responsible for the risk management system and the internal control system as well as for reviewing these systems for operating efficiency. These systems help identify and manage risks which may prevent the execution of the long-term objectives of AmRest. However, having these systems in place does not ensure complete elimination of the risk of fraud and violation of the law. The Management Board of AmRest performed a review, an analysis and a ranking of risks to which the Company is exposed. The main current risks and threats have been summarized in this section. AmRest reviews and improves its risk management and internal control systems on an on-going basis.

10.1. Factors remaining outside the Company's control

This risk is related to the effect of factors remaining outside the Company's control on AmRest's development strategy which is based on opening new restaurants. Such factors include: opportunities for finding and securing available and appropriate locations for restaurants, the ability to obtain the permits required by relevant bodies, the possibility of delays in opening new restaurants.

10.2. Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Applebee's as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisor or on their consent.

The duration of the franchising agreements related to the KFC, Pizza Hut and Burger King brands is 10 years. AmRest has the option of extending this period for the next 10 years provided that it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuation fee. The duration of the franchising agreements related to the Applebee's brand is 20 years with a continuation option for the next 20 years, on similar terms as in the case of the remaining AmRest brands.

Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period. In the case of KFC and Pizza Hut restaurants, the first period commenced in 2000, in the case of Burger King, the first period commenced in 2007 with the opening of the first restaurant of this brand. In the case of some Applebee's restaurants, the first period commenced in 2000. For the remaining Applebee's restaurants, the first period commenced in 2008.

10.3. Dependency on joint venture partners

AmRest will open Starbucks restaurants through Joint Venture Companies in Poland, the Czech Republic and Hungary, based on partnership as part of joint venture agreements. Therefore, some decisions as part of the joint business activities will be dependent on the partners' consent.

The JV agreements with Starbucks have been concluded for a period of 15 years with a possibility of their extension for the next 5 years after meeting the specified conditions. Should AmRest fail to comply with the obligation to open and run the minimum specified number of cafés, Starbucks Coffee International, Inc. shall have the right to increase its share in the Joint Venture Companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the Joint Venture Companies.

10.4. No exclusive rights

The franchising agreements concerning the running of KFC, Pizza Hut, Burger King and Applebee's restaurants do not contain provisions on granting AmRest any exclusive rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest's restaurants. However, in practice, due to the scale of AmRest's operations (including a well-developed distribution network), the possibility that a competitive operator (to the brands currently operated by the Company) should appear who would be able to effectively compete with the AmRest Group restaurants is relatively limited.

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

10.5. Rental agreements and continuation options

Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental (assuming that all continuation options are exercised, on specified terms, and not including contracts which are not subject to periodic renewal, unless they are terminated, and contracts concluded for an indefinite period). A number of rental contracts grant AmRest the right to prolong the contract provided that the Company complies with the terms of rental. Regardless of whether the terms are complied with or not, there is no guarantee that AmRest will be able to prolong a rental contract on terms satisfactory from the point of view of business practice. If this is not possible a potential loss of important restaurant locations may have an unfavourable effect on AmRest's operating results and its business activities.

Moreover, in certain circumstances AmRest may make a decision to close a given restaurant and terminating the relevant rental contract on cost effective terms may prove impossible. This situation may also have an adverse effect on the business activities and operating results of the Company. Closing any of the restaurants is subject to approval by the franchisor and it is not certain that such approval will be obtained.

In the case of Russian restaurants acquired by AmRest in July 2007, the average term of the rental contracts is relatively shorter compared with AmRest restaurants in the remaining countries. This results from the specific nature of the Russian market.

10.6. Risk related to the consumption of food products

Consumer preferences may change in connection with doubts arising as to the healthful properties of chicken which is the main ingredient in KFC menu, or as a result of unfavourable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health as a result of eating in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, and as a result of revealing unfavourable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, health-related issues and issues related to the functioning patterns of one or more restaurants run both by AmRest and the competition. The above-mentioned risk is limited by using the highest quality ingredients in AmRest restaurants, which come from reliable and reputable suppliers, compliance with strict quality control and hygiene standards and the use of top modern equipment and processes which ensure the absolute safety of the meals.

10.7. Risk related to keeping key personnel in the Company

The Issuer's success depends to some extent on the individual effort of selected employees and key members of management. The methods of remunerating and managing human resources developed by the Issuer help ensure a low rotation of the key personnel. Additionally, the career planning system supports preparing successors ready to execute tasks in key positions. The Issuer believes it will be able to replace its key personnel. Regardless of that, their loss may have a short-term adverse effect on the business activities and operating results of the Issuer.

10.8. Risk related to labour costs of restaurant employees and employing and keeping professional staff

Running catering activities on as large a scale as the Issuer does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Due to the fact that salaries in Poland, the Czech Republic and Hungary (including in the catering sector) are still decidedly lower than in other European Union countries, there is a risk of outflow of qualified staff and thus a risk of the Issuer being able to ensure the appropriate staff necessary for providing the highest quality catering services. In order to avoid the risk of losing qualified staff it may be necessary to gradually increase the salary rates, which may have an adverse effect on the financial standing of the Issuer.

10.9. Risk related to limited access to foodstuffs and the variability of their cost

The Issuer's situation is also affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Company cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavourable weather conditions, changes in legal regulations or withdrawing some foodstuffs from trading. Also the increased demand for certain products accompanied by limited supply may lead to difficulties in obtaining them or to price increases for those products. Both the deficits and product price increases may have an adverse effect on the Group's results and financial standing. In order to mitigate this risk (among others) AmRest Sp. z o.o. concluded a contract with SCM Sp. z o.o. for the provisions of services comprising intermediation and negotiating terms of delivery to restaurants, including negotiating terms of distribution agreements.

10.10. Risk related to developing new brands

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

10.11. Risk related to opening restaurants in new countries

Opening or taking over restaurants operating in a new geographical and political area involves the risk of varying consumer preferences, a risk of insufficient knowledge of the market, the risk of legal restrictions arising from local regulations and the political risk of these countries.

10.12. Currency risk

The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in the individual group companies.

10.13. Risk of increased financial costs

The Issuer and its subsidiaries are exposed to the significant adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating and fixed interest rates. The interest rates of bank loans and borrowings and issued bonds is based on floating reference rates which are updated over periods shorter than one year. Interest on financial assets with fixed interest rates is fixed over the entire period to maturity of these instruments. Additionally, the Issuer and its subsidiaries may, as part of the interest rate hedging strategy, enter into derivative and other financial contracts the valuation of which is significantly affected by the level of reference rates.

10.14. Risk of economic slowdowns

Economic slowdown in the Central and Eastern Europe and the United States of America may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

10.15. Risk related to seasonality of sales

Seasonality of sales and inventories of the AmRest Group are not significant, which is a feature of the entire restaurants sector. On the markets of Central and Eastern Europe restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants. The United States market is characterized by higher sales in the first half of the year compared with the second half. After a period of lower sales in the summer months and a slight revival related to the Christmas holidays, the first half of the year is a period of intensified traffic due to the use of gift cards, promotional coupons and a large number of days off and holidays.

10.16. Risk of computer system breakdowns and temporary breaks in serving customers in network restaurants.

A potential partial or complete loss of data in connection with computer system breakdowns or damage or loss of key tangible fixed assets of the Company might result in temporary interruptions in serving customers in restaurants, which might have an adverse effect on the Group's financial results. In order to minimize this risk, the Issuer has implemented appropriate procedures in order to ensure the stability and reliability of IT systems.

11. The Company’s development trends and strategy

The Issuer’s strategy is to gains a leader position in terms of sales in the segment of Quick Service Restaurants and in the segment of Casual Dining Restaurants through mergers and acquisitions and running brand-name restaurant networks which are able to achieve the required scale (annual sales at a minimum of USD 50 million) and the profitability criterion (IRR at a minimum of 20%).

The Issuer estimates that as far as the brands currently operated by the Company in Europe are concerned, the present potential of the market on which it operates is many times higher than the portfolio of restaurants it currently owns. The Company plans to significantly accelerate its growth. The Issuer will implement its strategy in Europe by continuing the development of the existing brands, increasing sales in the existing restaurants and new acquisitions in the region. The planned acceleration of growth and the considerable increase in the number of newly-opened restaurants will cause short-term pressure on the net profit margin related to increased financial costs (expenditure related to settlement of debt) and increased one-off costs related to opening of new restaurants.

The Issuer, through AmRest LLC which operates 103 Applebee’s restaurants in the United States, is present on the largest restaurant market in the world. The growth strategy on the American market assumes acquisitions and consolidations within the Applebee’s brand. The Issuer’s objective is to continue to benefit from the extensive experience of AmRest LLC’s management in consolidating the Applebee’s business and use the potential of the Applebee’s brand.

In the Company’s opinion the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand, the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

The Company intends to steadily continue its activities aimed at adding value to clients. By continuing to improve the quality of service, offering tasty meals prepared from fresh ingredients and introducing new products, the Issuer intends to deepen the clients awareness of a perfect balance between the price and value of the service.

12. Management representations

12.1. True and fair financial statements

To the best knowledge of the Management Board of AmRest Holdings SE, the annual financial statements and the comparative figures presented in the annual financial statements of the AmRest Holdings SE have been prepared in accordance with the binding accounting policies and they give a true, fair and clear view of the financial position of the AmRest Holdings SE and its results. The annual Directors' Report included in this document provides a true image of the development and achievements and the situation of the AmRest Holdings SE, including a description of the key risks and threats.

12.2. Selection of the registered audit company

The entity authorized to audit the financial statements, PricewaterhouseCoopers Sp. z o.o., which carried out the annual audit of the annual financial statements of the AmRest Group has been selected in compliance with the provisions of the law. Both the entity and auditors conducting the audit met the requirements necessary to enable them to issue an unbiased and independent audit opinion, in accordance with the relevant laws. The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on 21 June 2010.

Selection of the registered audit company

	Period	
	From 01.01.2011 To 31.12.2011	From 01.01.2010 To 31.12.2010
PricewaterhouseCoopers Sp.z o.o.	264	100
Statutory audit	140	100
- audit of annual financial statements	80	60
- audit of financial statements	60	40
Other services	124	-
Other companies from PricewaterhouseCoopers Group	170	100
Statutory audit:		
- Other assurance services	170	100
- Tax advisory services	-	-
- Other services	-	-

Wrocław, 20 March 2012

Mark Chandler

AmRest Holdings SE

Board Member

Wojciech Mroczyński

AmRest Holdings SE

Board Member

Drew O'Malley

AmRest Holdings SE

Board Member