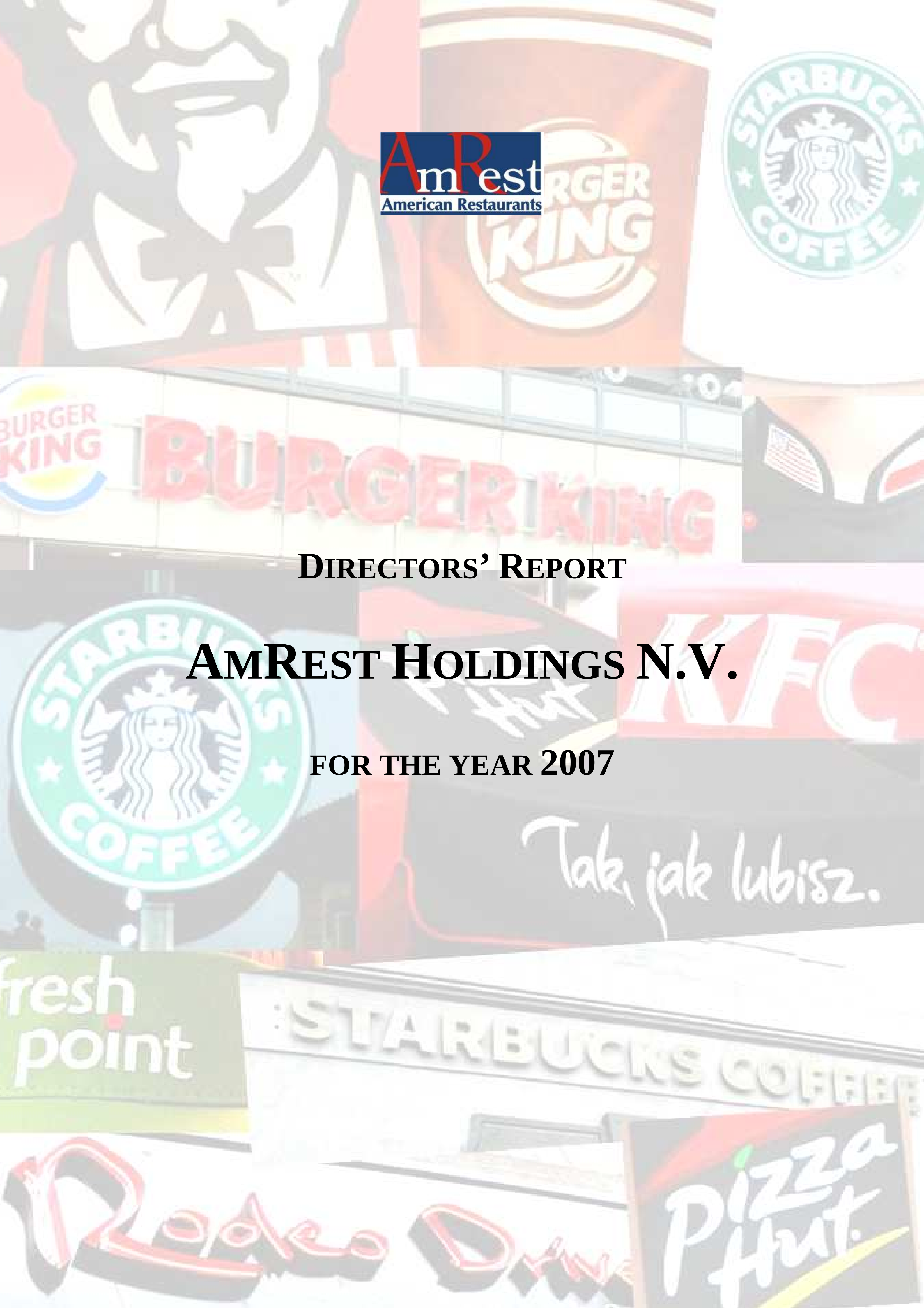


AmRest
American Restaurants

DIRECTORS' REPORT

AMREST HOLDINGS N.V.

FOR THE YEAR 2007

TABLE OF CONTENTS

1. Letter to the Shareholders

Dear Shareholders,

First of all I would like to thank you for the trust you have put in me and all the team at AmRest. 2007 was a fantastic year and laid the foundation to build what is now the largest independent restaurant company in CEE into a dominant company across the region. The year was a key inflection point, not just because of the record earnings up 26.4%, or sales up 35.6%, or adding 72 new restaurants the most ever, but especially because of the important investments we made in our future growth potential. The development of our 3x3 Plan which will see us triple the size of AmRest by 2009 from 2006 and the expansion into Russia, Serbia, Bulgaria and the addition of two power house brands, Burger King and Starbucks marks an enormous investment into our future.

AmRest Strategy:

CEE market dominance of QSR & CD through operating scalable (+ $50 mil in annual sales), highly profitable (20%+ IRR) branded restaurant concepts.*
Through our „WJM" culture we will deliver craveble taste
and exceptional service at affordable prices.

Four enablers:

1. Core Value driven team.
2. Disciplined operating systems
3. Industry leading Brand partners
4. Disciplined allocation of capital

First is our people; we are dedicated to matching the growth in our brands with being an employer of choice for our people. We are investing heavily in training and development and have founded AmRest University which is an in-house leadership development school. As well we are recruiting new talent and have been extremely pleased with the management that has joined us in our new markets. The restaurant business is a people business and we believe our people and the culture make the difference. We have an energizing human resource agenda for the coming three years and when combined with our unique core value inspired culture will ensure AmRest as an employer of choice.

Operational excellence is one of our core values and we have developed some world class systems. Our brand synergies and critical mass are substantial advantages in the increasingly complex and competitive settings. We have the benefit of working with our Brand partners and taking best practices from around the world which enable us to make continual improvement and capitalize on the experiences among them. We enjoyed rising like for like sales in our core brands and markets and our systems made the most of the increased volume, delivering increased profit margins.

We are honored to be working with the strongest brands in the industry; we represent a portfolio of category leading brands in the QSR and CDR restaurant segments which are outperforming and defining the industry worldwide. We operate a dedicated brand leadership structure to ensure focus, a better understanding of the brand values, deeper Brand partner relations and a performance management orientation. Our brand Presidents are empowered and resourced to make fast decisions for the benefit of their customers while at the same time the company enjoys the scale and synergies of industry leading best practices and operating standards. We will continue to add new brands as we see appropriate to enhance our portfolio and meet the ever developing desire of the CEE customer base.

Today we are more prepared than ever to take advantage of our growth potential. We have the scale, capability, and the market knowledge necessary to make AmRest the brand partner of choice for new concepts interested in entering CEE. Our allocation of capital maintains the discipline of requiring all capital expenditures to hurdle a 20% IRR. We therefore feel we have a nice balance between the safety for shareholders wealth in our core brands and markets and are carefully making the investments required in new markets and brands to ensure the growth we have become accustomed to. A special note must be made to our acquisition in Russia which has gone extremely well and provides us an excellent platform for expanding in this very large market.

Growth: ***The AmRest model offers major opportunities for growth!***

Since our IPO in April 2005 AmRest has enjoyed significant earnings growth and value creation for our shareholders. This has generated a high level of pride and energy in the business and I am proud to have the opportunity to work with such a strong and dedicated management team.

We will continue to build on our success and further leverage our unique business model to drive the next stage of growth. I am very excited by our growth agenda; we plan to invest extensively with our Brand partners across the region. We will accelerate our new restaurant additions in 2008 and will begin to bring scale to our new markets. In established markets we will continue to increase our penetration and leverage our scale.

The wealth of expertise and local knowledge we have acquired in our Russian acquisition will prove to be invaluable. The next step is achieving scale in Moscow; we have announced a series of small acquisitions which will help us reach over 20 Moscow restaurants by year end 2008. New markets will see more organic growth as we look to penetrate those markets. The rapid development of new restaurants in 2008 will weigh on short term earnings but we have the benefit of an extremely strong base in our core business and believe we have correctly balanced securing shareholders value and investing in the growth opportunity we have.

AmRest has tremendous growth opportunities; our strategy will deliver a healthy balance between same stores sales growth, organic new builds and further acquisitions as we consolidate the industry. Our multi concept partnership with the leading brands in the industry is a unique business model and has created a platform that is extremely strong across all dimensions; financially, customer perception, and operating systems. We enjoy market leadership in some key markets and have set the foundation for growth in others, combine that with the relationship we have with our Brand partners and the growth of AmRest is clear. We have a solid track record of integrating acquisitions and of driving

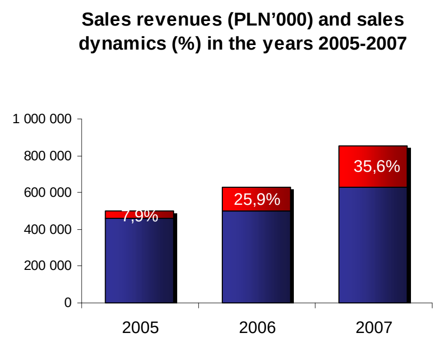
AmRest profitability and growth. Our strong balance sheet, operating cash flows, and financial capacity mean we can take advantage of the many scale opportunities we see in the industry today.

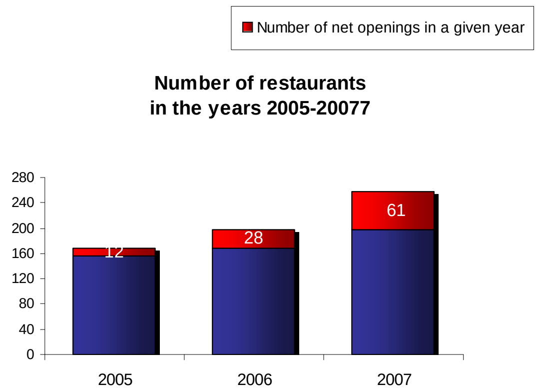
The foundation of AmRest is strong and our strategic direction clear. Our focus on the customer experience and driving operational excellence makes us well placed to deliver continued organic growth this year. This together with our regional expansion and the full year effect of our entry into the high growth Russian market mean we look forward to 2008 with confidence. We are excited to be a growth company and all the opportunities this creates for our people, shareholders and Brand partners.

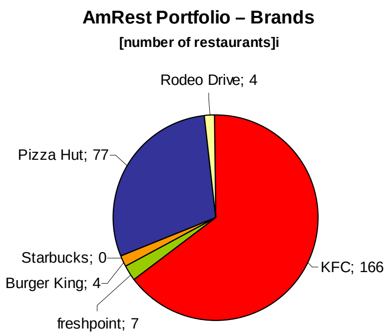
Sincerely,

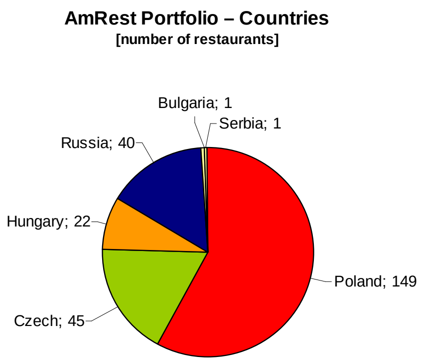
Henry McGovern
CEO, AmRest Holdings N.V.

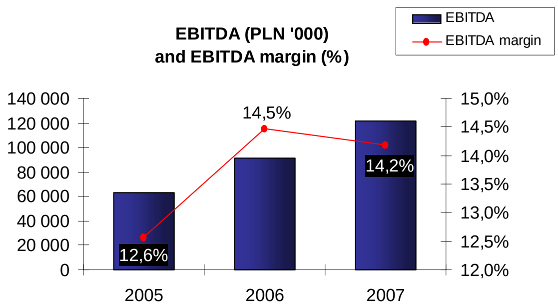
Financial and operating results - summary:

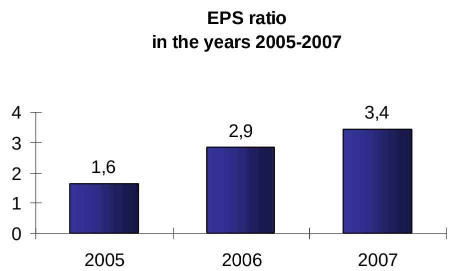












2. Description of the Company

2.1. Basic services provided by the Group

AmRest Holdings N.V. ("AmRest") manages 6 restaurant brands in 6 countries of Central and Eastern Europe. According to our corporate culture "Everything is possible!" (Wszystko Jest Możliwe!), every day nearly 9 thousand AmRest employees deliver craveble taste and exceptional service at affordable prices.

AmRest operates its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King, Starbucks and freshpoint and Casual Dining Restaurants (CDR) – Pizza Hut and Rodeo Drive. In 2007 two new brands were added to the Company's portfolio, Burger King and Starbucks, and three new countries – Russia, Serbia and Bulgaria have now joined Poland, the Czech Republic and Hungary.

AmRest restaurants provide on-site catering services, take away services, drive-in services in special sales points and telephone deliveries. The AmRest restaurant menus include brand dishes prepared from fresh products in accordance with the original recipes and with KFC, Pizza Hut, Burger King and Starbucks chain standards, and dishes prepared on the basis of proprietary ideas (freshpoint and Rodeo Drive).

AmRest is the franchisee of Yum! Brands Inc. in respect of KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following from 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, the Czech Republic and Hungary. Rodeo Drive and freshpoint are AmRest's proprietary brands, therefore, sales in those restaurants are not charged with franchise fees.

a) Restaurants in the *Quick Service Restaurants (QSR)* segment

KFC is a quick service restaurant network serving various dishes based on the unique taste of chicken. The largest part of KFC products sold are meals 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 deserts, hot and cold drinks. The chicken prepared in KFC is freshly marinated and crumb-coated every day at the restaurant, which results in the highest quality flavour and quality of the served dishes. Suppliers of chickens to KFC meet the highest EU standards and products are delivered to each restaurant many times during the week.

In terms of revenues and the number of restaurants, KFC AmRest is one of the largest network restaurant operators in Central and Eastern Europe. Restaurants built by AmRest in 2007 include both free standing restaurants, adapted to providing quick service to drivers, and restaurants located in shopping centres with common premises for customers, and restaurants with their own customer service premises. KFC restaurants have also been established in those towns where they had not been present before.

In 2007, KFC continued operations aimed at increasing its customer value. With the introduction of Qurrito to the KFC menu, a new platform of grilled products was launched. In most KFC restaurants in Poland and the Czech Republic a free-of-charge WiFi on-line access was launched. Additionally, in most KFC restaurants in Poland and part of the Czech Republic, a “Free Refill” option is now available in respect of the drinks served in the restaurant. It is worth emphasizing the launch of the Trio Box in 2007. This is a set meal based on juicy parts of boneless chicken served warm with unique sauces. Along with Trio Box, KFC began introducing new packaging which will gradually come into use in 2008.

In 2007 KFC also began changing its restaurant image in the direction of “Fast Casual”. The change is aimed at ensuring higher comfort in spending time in the restaurants depending on customer needs. So-called club zones were introduced, where customers may enjoy the unique flavour of KFC chicken sitting in comfortable armchairs or on leather sofas, in the company of their friends or relations. At the same KFC has retained the capability of servicing large traffic and significant numbers of customers. The changed restaurants bear the new KFC logo.

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

The freshpoint sandwich chain is targeted at people who lead a busy life but who would nevertheless like to eat healthy food. freshpoint sandwiches are a fresher and healthier alternative to eating out. The freshpoint chain offers a wide range of various breads and rolls, fresh ingredients and various sauces.

All the ingredients of the menu are offered in a comfortable form enabling easy consumption in the restaurant or as take-away. The freshness of the freshpoint sandwiches is ensured by using natural ingredients and the possibility of watching the preparation of each sandwich ordered. The bread used to prepare the sandwiches is fresh as it is baked on site. freshpoint restaurants offer sandwiches with meat, and vegetarian – with fresh vegetables and cheese.

After opening, in 2007, 4 new freshpoint restaurants – 3 in Warsaw and 1 in Wrocław – AmRest decided to discontinue developing the brand until the results of the existing restaurants achieve a satisfactory level and in which new markets and new AmRest, Burger King and Starbucks brands achieve their critical mass. Currently the Company operates 7 freshpoint restaurants – all of them located in Poland.

At the beginning of March 2007 AmRest signed a Development Agreement with Burger King Europe GmbH related to developing and operating Burger King restaurants in Poland. Adding the Burger King brand to the AmRest portfolio represents the Company's entry to the largest QSR sector. Burger King is the second largest quick service restaurant network in the world. Currently there are more than 11 thousand Burger King restaurants in more than 65 countries.

The first Burger King restaurant was opened with a great success in May 2007 in Warsaw. In Poland there are already 5 restaurants under the Burger King logo – 4 of them are located in Warsaw, and 1 in Wrocław. At the beginning of 2008 a Letter of Intent was signed relating to developing and operating Burger King restaurants in Bulgaria. Currently negotiations are in progress to determine the content and terms and conditions of the Development Agreement and Franchise Agreement to be signed for operations in this country.

The products on the menu of Burger King restaurants – bigger, tastier, flame grilled burgers – are addressed especially to customers aged 18-35. Apart from the *Whopper*, which is the key Burger King product, the restaurants offer a wide range of salads and chicken sandwiches. Also, Burger King's "Have It Your Way" allow customers to personalize their Whopper to their taste. Burger King's mission is to deliver to customers the unique taste of flamed grilled burgers, served in a friendly and comfortable atmosphere.

In May 2007, joint venture agreements were signed with Starbucks Coffee International, Inc. ("Starbucks") relating to cooperation in the area of developing and operating Starbucks stores in Poland, the Czech Republic and Hungary. The parties decided to establish three separate Joint Ventures ("AmRest Coffee") in each of the 3 countries. AmRest will take up 82%, and Starbucks 18% of the share capital of the Joint Venture Companies (RB 23/2007 dated 25 May 2007). In June Drew O'Malley, the former KFC Brand President, took up the position of Brand President of Starbucks.

Starbucks is the leading purveyor of premium coffee globally, currently comprising over 13 thousand stores. AmRest's experience in Central and Eastern Europe, its high quality operations, its developed network of suppliers, and the global domination of Starbucks in a dynamically developing specialty coffee segment, is the lever which the joint ventures of both companies intend to apply.

For AmRest Coffee, 2007 was the year for preparing the structure and basis for operation before launching the Starbucks brand in Central and Eastern Europe. In this period a management, financial and legal team dedicated to the brand was established. The team together with the members of the staff of the first Starbucks store participated in training conducted in Seattle, at the Starbucks Coffee International head office. The success of the Starbucks brand is based to a large extent on the concept of a 'Third Place' – a comfortable and relaxing ebvironment outside home and work (the *Starbucks Experience*). The culminating point of the preparations made in 2007 was successfully opening the first Starbucks store in the very heart of Prague in January 2008.

In 2008, AmRest Coffee will further develop the Starbucks brand in Central and Eastern Europe, and the preparations made in 2007 will support the expansion of Starbucks in the Czech Republic, Poland and Hungary in the next few years. The opening of the first Starbucks store in Poland is planned in the second half of 2008.

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

Pizza Hut is one of the largest chains of casual dining restaurants in Central and Eastern Europe; such restaurants ensure waiter service and a wide variety of different dishes. In Poland, the Pizza Hut chain has been present for 15 years. The brand strategy is to strengthen the long-term advantage of the restaurants in order for them to become the favourite "casual dining" brand in each town and city where they are present. Operations in this respect relate to three major areas: the product, the service and the atmosphere.

The products offered by Pizza Hut respond to the quickly changing expectations of customers and are included in the "Pizza – Pasta – Salad" offer. The richness of flavours, a world-wide culinary art, freshness and lightness were the key assumptions behind the subsequent product promotions.

The first promotion entitled "New Italian Menu" was a festival of pasta and products inspired by Italian cuisine – which is very popular among clients. The next line of 14 kinds of pizzas ("The Whole World in Pizza Hut") allowed customers to "travel" through the cuisines from different parts of the world and strengthened the brand's position as "pizza expert". Another promotion "Become acquainted with new Tastes" was the answer to a summer line of products based on a variety of fresh vegetables accompanied by bruschetta prepared with fresh pastry in various flavours. In 2007 the promotion of "Cheesy Bites" was very popular with the customers. This was an innovative pizza surrounded by 24 pastry balls with baked cheese.

Many of the ideas remained on the menu – such as 8 new pizzas, a new flavour of pasta, Alfredo with chicken and a very popular lemonade prepared with fresh lemons. Among Pizza Hut's regular offers are thick crust and classic pizzas, a "no limits" salad bar, lasagna and pasta.

Under the "Excellent service, every time" slogan in the prior year Pizza Hut conducted several analyses aimed at enhancing and establishing systems to ensure the best possible service for customers. These included, among other things: reviving the Mysterious Client assessment system (CMS – customer monitoring system); revising the system for training staff and managers; harmonizing the structure of regional trainers responsible for direct support of restaurants; intensive recruitment activities based on a new recruitment profile; the "ask&act" programme consisting of direct contacts with the customers and collecting feedback on restaurants; the WOW programme – a service programme based on “small positive surprises”.

Work on the ambiance – appointing “customer experience managers” – helped Pizza Hut to systematically plan activities related to work on the internal design and other elements for creating the atmosphere of a casual dining restaurant. The systematized operating plan has been realized since the beginning of 2008, and its key elements will be tested during this year’s refurbishments of the largest flagship restaurants and in the newly-opened restaurants.

Rodeo Drive (American Bar & Grill) is a *casual dining* restaurant serving dishes based chiefly on grilled meat and a wide variety of drinks. Rodeo Drive is a place where you can eat lunch, have business meetings and evening parties with friends and family. The décor of the restaurant refers to the American tradition – wooden benches, tables, beams on the ceiling, stone elements on the walls, “ranch” gadgets: ranchers’ hats, saddles, cart wheels. The grill, in full view of the visitors, is an element which distinguishes this place and emphasizes the character of the restaurant. The restaurants are located in attractive locations and are capable of servicing up to 200 guests at once.

Rodeo Drive means real American food – the food of the true cowboy. The signature dish is beefsteak grilled over a slow fire. Another very popular dish is grilled spare ribs served with BBQ sauce, chilli, garlic or honey. The Rodeo Drive menu also includes a large selection of soups, salads, burgers, side dishes and desserts.

After opening 2 new Rodeo Drive restaurants – in Warsaw, at ul. Nowy Świat and in Poznań, in Stary Browar in 2007 – AmRest decided to discontinue further development of the brand until the results of the existing restaurants reach a satisfactory level and new markets and new AmRest, Burger King and Starbucks brands achieve critical mass. Currently, the Company operates 4 Rodeo Drive restaurants – 3 located in Poland and 1 in the Czech Republic.

c) New markets

At the end of the first half of 2007, a full year of operations of the Hungarian restaurants (acquired in June 2006) in the AmRest structures was completed. Currently, 13 KFC restaurants and 9 Pizza Hut restaurants operate in Hungary, and all of them are run by AmRest. Under the restructuring program of the Hungarian business adopted upon the purchase transaction, in 2007 eight new KFC and one new Pizza Hut restaurant were opened. At the same time, 4 Pizza Hut restaurants were closed.

The key aim in 2007 was the construction of a solid team of people to become the foundation for the further faster development of the KFC and Pizza Hut brands on the Hungarian market. Since the beginning of the year, as a result of external and internal recruitment, over 70 new managers were employed. Moreover in the period, among other things as a result of additional training and acquiring new suppliers, further improvement was achieved in the quality of products and customer service. In the second part of the year, the basic version of the new sales system (POS) was introduced – and will achieve full functionality by the end of 2008.

In 2008, a further increase in KFC brand awareness among customers is planned, among other things by starting the first KFC television campaign in Hungary and finalization of the process of refurbishing the oldest and largest restaurants located in Budapest.

In November 2007 the first KFC AmRest restaurant on the Bulgarian market was opened in Sofia and it was a huge success. Additionally, in January 2008 a Letter of Intent was signed relating to opening and running Burger King restaurants in Bulgaria. Based on the positive results of the first KFC restaurant, preparations began to open consecutive restaurants on this market of both brands.

The main aim in 2007 was to build a KFC and Burger King team, develop local suppliers and prepare for a central distribution system. The quickly developing Bulgarian market is a new experience for AmRest –for the first time, operations are being conducted by the Company on a market on which other KFC operators are already functioning. This experience will be used on other markets, such as the Russian market, where AmRest engages in operations in a similar environment.

After acquiring 41 Rostik's–KFC and Pizza Hut restaurants in Russia, in July 2007 AmRest actions concentrated on defining the development strategy for these brands on the Russian market, preparing an integration plan for the operating systems and other areas supporting operations (IT, finances, procurement, human resources, etc.). The main purpose of all those actions was to establish a foundation on which future growth may be built. The integration process is very efficient, due to – among other things – the fact that Pizza Nord (currently AmRest Russia) operated in the prior years on solid operating and structural foundations.

The good organizational condition of the subsidiary in Russia allows AmRest further fast expansion on this market, both through the construction of new and the acquisition of existing restaurants. Russia is a very dynamically developing restaurant market – analysts assess a 30% growth per annum. St. Petersburg and Moscow – the two most dynamically developing Russian agglomerations - will remain the main areas of development. In Moscow actions are concentrated around intensive expansion, so as to achieve critical mass – most of the restaurants acquired together with Pizza Nord are located in St. Petersburg. Currently the Company is in the process of taking over several small operators of Rostik's-KFC restaurants – in the first quarter of 2008 final agreements will be signed relating to a total of 14 restaurants located in Moscow. AmRest will take up full control over the restaurants upon the actual transfer of the lease rights relating to particular locations.

In the foreseeable future, AmRest Russia – apart from further expansion – will concentrate on implementing the new sales system (POS). The new system will contribute to improving the speed of service and will enable fast and effective access to operating data. Additionally, the Company concentrates on building a team in Moscow availing itself of human resources from other AmRest Group countries.

In November 2007 in Belgrade, the first KFC restaurant on the Serbian market was opened accompanied by enormous interest from customers. After opening the first restaurant, despite its satisfactory results, the number of restaurants in Serbia was not increased. Further steps on the market will depend on the development of the current political situation in Serbia.

2.2. Structure of revenues

2007 was another year of increase in sales revenues for the AmRest Group – an increase of 35.6% was noted (PLN 853.4 million in 2007 compared with PLN 629.3 million in 2006). To compare, the CAGR ratio for sales in the years 2004–2007 amounted to 22.6%. The high sales dynamics was achieved mainly thanks to the systematic increase in sales in the existing restaurants and the sales revenues earned by the chain of restaurants in Russia. In the second half of 2007 sales in Russia amounted to PLN 57.3 million.

The AmRest Group generates most of its revenues in the Quick Service Restaurants (QSR) segment – KFC, Burger King and freshpoint. Revenues from the QSR segment comprised 78.9% of the Company's total sales in 2007 (similarly to 2006). At the same time the sales dynamics in this segment was 35.8%. The other segment of AmRest, Casual Dining Restaurants (CDR), includes such restaurants as Pizza Hut and Rodeo Drive. CDR segment sales amounted to 21.1% of the Company's total sales in 2007 (similarly to 2006). In this segment sales dynamics amounted to 35.0%. Restaurants operating in the QSR segment had a 79.2% share in the total increase in sales and CDR restaurants a 20.8% share.

Table: Structure of AmRest sales by business segment

	2007		2006	
SEGMENTS	**PLN'000**	**Share (%)**	**PLN'000**	**Share (%)**
Quick Service Restaurants	673 646	78.9%	496 233	78.8%
Casual Dining Restaurants	179 709	21.1%	133 093	21.2%
Total	**853 355**	**100.0%**	**629 326**	**100.0%**

In Poland, in 2007, AmRest generated 64.9% of its sales compared with 69.2% in 2006. The share of the Czech Republic dropped from 27.4% in 2006 to 22.6 % in 2007. Hungarian restaurants had a 6.7% share in the annual sales of AmRest.

The sales dynamics of Polish restaurants in the first half of 2007 amounted to 27.1% compared with 12.0% in respect of Czech restaurants. Restaurants operating in Poland had a 52.7% share in the total sales increase, restaurants in the Czech Republic 9.3%, restaurants in Russia 25.6% and restaurants from other countries 12.5%.

Table: Structure of AmRest sales by country

	2007		2006	
COUNTRY	**PLN'000**	**Share (%)**	**PLN'000**	**Share (%)**
Poland	553 692	64.9%	435 718	69.2%
Czech Republic	192 974	22.6%	172 247	27.4%
Russia	57 332	6.7%	-	-
Other	49 357	5.8%	21 361	3.4%
Total	**853 355**	**100.0%**	**629 326**	**100.0%**

The Company's sales are characterized by seasonality. The lowest sales were achieved by restaurants in the first quarter of the year, due to the smaller number of business days in February and lower number of visitors to restaurants. The second quarter of the year, in which higher results are achieved due to improved weather conditions, and the positive impact of the month of June when the holidays begin, is second. The best results are achieved at the turn of the third and fourth quarters of the year. In the third quarter of the year a material factor with an impact on the very good results is the increased tourist traffic. The autumn period is traditionally associated with a large number of customer visits to restaurants and in effect, good sales results. In the last months of the year the Christmas season is very visible and restaurants located in shopping centres generate exceptionally good results.

2.3. Customers

AmRest products are directed at a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria, mainly located in cities or in their vicinity.

In Poland which represents ca. 65% of revenues of the AmRest Group, the target group of potential KFC clients are people aged between 15 and 39 who comprise about 74% of all the restaurants' guests. Around 70% have at least secondary school education and over 61% live in towns with a population or more than 20 000. The key target group of Pizza Hut customers, about 73%, are people aged from 15 to 39. About 69% of Pizza Hut customers have at least secondary school education and 64% of them live in towns with more than 20,000 inhabitants.

2.4. Suppliers

2007 was a special year for the food market in Poland, AmRest's key market, and for the world as a whole. Prices of basic components used in food production, i.e. cereals, milk and oils noted a large increase which translated into the prices of end products. The main reason for the increased pressure on prices of foodstuffs is the increased demand of the fuel markets (biofuels) and the increased consumption of China and India. An additional factor which strengthens this trend is the system of production limits in the European Union and the droughts in Australia and South Europe.

Despite unfavourable trends on the global markets, the AmRest Group is able to increase its competitive edge in this area by applying appropriate actions. The strategy for purchasing foodstuffs and packaging by AmRest is based on the following criteria: ensuring quality, a high level of services and competitiveness on the market – after the first two conditions have been met.

The increase in competitiveness on the market was achieved by:

- central distribution which allows AmRest to consolidate purchases and price negotiations as well as direct cooperation with food and packaging manufacturers and – first and foremost – creating a system whereby restaurant employees may concentrate on the end consumer. In 2007, companies which do not have central distribution systems were significantly affected by the increase in prices at each stage;

- cooperation with suppliers who have implemented or are implementing a vertical integration system. This is especially significant in the case of chicken production – such a solution means that the cost of raw materials, i.e. fodder, is the factor with a real impact on the final manufacturing cost. The vertical integration system allows the Company access to data which enables it to determine the optimum manufacturing costs of a chicken – from the stage of an egg right up to the final product;

- consolidation of purchases by exporting products of AmRest suppliers to the Yum! system in Western Europe and Russia. This allows suppliers to invest in new technologies and achieve economies of scale;

- consolidation of purchases at the level of raw materials – knowing specific parameters of production AmRest is able to negotiate raw material prices for its suppliers which means an increase in scale in this respect and the ability to make purchases at the right time.

The strategy described above, despite the increase in food prices on the restaurant market, allowed AmRest to significantly increase its competitive edge on the market. The main assumptions of this strategy are constant and will be continued in the foreseeable future.

The most important tasks with which AmRest will have to deal in the area of supplies and procurement include: McLane opening a second warehouse in Czeladź, consolidating raw material purchases, developing central distribution and the supply base in Russia and Bulgaria and launching the import of key products from the USA and the Argentine to Russia.

The list of largest AmRest suppliers:

McLane – distributor in Poland

Agropol Food – supplier of chicken in the Czech Republic

Drobimex – supplier of chicken in Poland

E.S.T – distributor in the Czech Republic

Pepsi – drinks

Konspol – supplier of chicken in Poland

Huhtamaki – packaging

Lactalis – cheeses

Bona Agra – vegetables

Stoever – french fries

2.5. Employment level

In the years 2007-2005 employment in the Group was as follows (balance as at the end of particular years):

Table: Employment in AmRest (2007-2005)

Year	**2007**	**2006**	**2005**
Restaurants	8 516	6 659	5 609
Administration	280	179	112
Total	**8 796**	**6 838**	**5 721**

2.6. Changes in management

From the beginning of 2007 the following changes were noted in the manner of managing the enterprise and the Group:

With reference to good practices and corporate governance rules in 2007 AmRest extended its ethical program by the code of Ethics (“the Code”). The Code supplements basic corporate values and constitutes a set of rules and ethical standards. The purpose of the document is to present behaviours that are acceptable and unacceptable within the Company. The rules and standards written up refer to relations with customers, suppliers, counterparties, media, local authorities and communities in the areas where AmRest operates. The rules also relate to internal relations within the Company. Each AmRest employee is obliged to acquaint himself with the guidelines of the Code and act in accordance with them. Additionally, the Management Board of AmRest appointed an Ethics Committee. The Committee’s task is to administer and interpret the rules and investigate and resolve any doubtful or disputed issues relating to the Code.

In 2007, AmRest structures prepared for a significant increase in the pace of growth – as of 2008 the Company plans to open 100 restaurants a year. Therefore, the Development Department has been significantly strengthened and newly established teams were dedicated to the new brands, Burger King and Starbucks.

Due to the launch of two new brands in the AmRest portfolio, Burger King and Starbucks, as of 1 June 2007 significant changes took place in the area of human resources. Drew O'Malley, the former KFC Brand President in AmRest, took up the position of Brand President of Starbucks. Olgierd Danielewicz, formerly responsible for introducing the Burger King brand to Poland assumed the position of Brand President of KFC. Daniel Kasper, formerly Director General of Spar Poland Sp. z o.o. became the leader of the Burger King brand.

Additionally, in October 2007, there were changes in the management of two AmRest proprietary brands – Rodeo Drive and freshpoint. Richard Kerchenko took the position of Brand President of Rodeo Drive. Formerly, Mr Kerchenko had managed several restaurant chains in the USA. Simultaneously, Monika Czyż, who had been the Regional Manager of KFC, became leader of freshpoint,. Norbert Okowiak, who had been managing the freshpoint brand, discontinued working at AmRest.

In February 2008 Wojciech Mroczyński, Chief Financial Officer and Member of the Management Board of AmRest, took up the newly-opened position of Chief Operating Officer. In his new role, Wojciech Mroczyński is responsible for the long-term operating strategy of all restaurant brands of AmRest operating on the Company's key markets. Wojciech Mroczyński remained a Member of the Management Board of AmRest. At the same time, the newly-established position of Financial Director was taken up by Piotr Boliński, who until then had been the Group's Financial Controller. This change has strengthened the operations of AmRest and is at the same time another significant step in the realization of the Company's strategy aimed at achieving domination in the Quick Service and Casual Dining restaurant sector in Central and Eastern Europe.

3. MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

3.1. Composition of the Management Board and the Supervisory Board

There were no changes in the principles for appointing and dismissing members of management bodies, or in their competencies.

a) Management Board

The Management Board of AmRest comprises:

Henry McGovern

Wojciech Mroczyński

b) Supervisory Board

On 23 August 2007 a Member of the Supervisory Board of AmRest, Mr Christian Eisenbeiss, resigned as Chairman of the Supervisory Board. Mr Christian Eisenbeiss resigned for personal reasons. After the resignation of Mr Eisenbeiss Mr Donald Kendall Jr. is acting as Chairman of the Supervisory Board.

On 31 March 2008 Mr Per Steen Breimyr, resigned as Member of the Supervisory Board due to a conflict of interests after taking up a new job.

The Management Board of AmRest intends to complete the composition of the Supervisory Board during the Annual General Shareholders' Meeting.

Currently, the Supervisory Board of AmRest comprises:

Donald Macintosh Kendall Sr.

Donald Macintosh Kendall Jr.

Przemysław Schmidt

Jan Sykora

4. FINANCIAL POSITION OF THE COMPANY

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

Table: Financial highlights of AmRest (2005-2007)

(in PLN thousand, unless otherwise stated)	**2007**	**2006**	**2005**
Sales revenue	853 355	629 326	499 810
EBITDA	120 984	91 061	62 850
EBITDA margin	*14.2%*	*14.5%*	*12.6%*
Operating profit (loss)	67 079	44 351	23 298
Operating margin (EBIT margin)	*7.9%*	*7.0%*	*4.7%*
Pre-tax profit (loss)	63 930	48 812	15 339
Pre-tax margin	*7.5%*	*7.8%*	*3.1%*
Net profit (loss)	48 693	38 525	22 111
Net margin	*5.7%*	*6.1%*	*4.4%*
Equity	291 423	155 875	123 090
Return on equity (ROE)	*22%*	*28%*	*31%*
Total assets	582 603	321 455	288 941
Return on assets (ROA)	*11%*	*13%*	*9%*

Definitions:

- *EBITDA margin – operating profit before amortization and depreciation (EBITDA) to sales;*
- *Operating margin – operating profit to sales;*
- *Pre-tax margin – profit before tax to sales;*
- *Net margin – net profit to sales;*
- *Return on equity (ROE) – net profit to average equity;*
- *Return on assets (ROA) – net profit to average assets.*

Table: Liquidity analysis (2005 – 2007)

(in PLN thousand, unless otherwise stated)	2007	2006	2005
Current assets	103 786	64 656	64 299
Inventories	11 594	8 134	5 973
Current liabilities	155 342	81 155	73 267
Quick ratio	*0.59*	*0.70*	*0.80*
Current ratio	*0.67*	*0.80*	*0.88*
Cash and cash equivalents	46 873	25 241	31 575
Cash ratio	*0.30*	*0.31*	*0.43*
Inventory cycle (in days)	*4.22*	*4.09*	*4.31*
Trade receivables	33 295	11 460	13 463
Average collection period (in days)	*9.57*	*7.23*	*7.86*
Average operating cycle (in days)	*13.79*	*11.32*	*12.17*
Trade payables	111 550	77 903	54 896
Average payment period (in days)	*40.52*	*38.51*	*38.58*
Cash conversion ratio (in days)	*(26.73)*	*(27.19)*	*(26.41)*

Definitions:

- Quick ratio: current assets less inventories to current liabilities;

- Current ratio: current assets to current liabilities;

- Cash ratio: cash and cash equivalents to current liabilities as at the end of the period;

- Inventory cycle (days): average inventories to sales revenue, times the number of days in the period;

- Average collection period (days): average trade receivables to sales revenue, times the number of days in the period;

- Average operating cycle (days): sum of the inventory cycle and the average collection period;

- Average payment period (days): average trade payables to sales revenue, times the number of days in the period;

- Cash conversion ratio: difference between the operating cycle and trade payables.

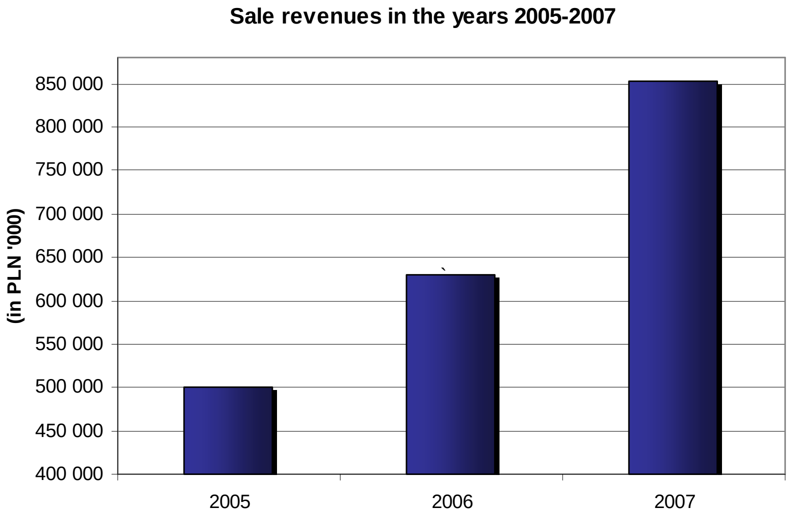
Table: Debt analysis (2005 – 2007)

(in PLN thousand, unless otherwise stated)	2007	2006	2005
Current assets	103 786	64 656	64 299
Non-current assets	478 817	256 799	224 257
Trade receivables	33 295	11 460	13 463
Liabilities	291 180	165 580	165 815
Non-current liabilities	135 838	84 425	92 589
Debt	162 698	73 058	98 761
Inventories to current assets (%)	*11.17%*	*12.58%*	*9.29%*
Trade receivables to current assets (%)	*32.08%*	*17.72%*	*20.94%*
Cash and cash equivalents to current assets (%)	*45.16%*	*39.04%*	*49.11%*
Equity to non-current assets	*0.61x*	*0.61x*	*0.55x*
Debt ratio	*0.50x*	*0.52x*	*0.57x*
Long-term debt ratio	*0.47x*	*0.54x*	*0.75x*
Debt to equity ratio	*1.0x*	*1.1x*	*1.3x*
Debt/ equity	*0.6x*	*0.5x*	*0.8x*
Debt/EBITDA	*1.3x*	*0.8x*	*1.6x*

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;*
- *Debt ratio – total liabilities and provisions to total assets;*
- *Long-term debt ratio – long-term liabilities to total assets;*
- *Debt to equity – liabilities and provisions as at the end of a given period to the value of equity.*
- *Debt – total long-term and short-term loans and borrowings*

AmRest sales in 2007 amounted to PLN 853 355 thousand and increased by 35.6% compared with 2006. Sales dynamics in 2007 compared with 2006 were higher in the second half of the year and amounted to 39.9%. The high sales dynamics was achieved mainly thanks to the systematic increase in sales in existing restaurants and sales revenues earned by the chain of restaurants in Russia. Sales of Russian restaurants are accounted for in the Group’s results as of the third quarter of 2007. Sales in Russia in the third and fourth quarter of 2007 amounted to PLN 57 322 thousand in total.



The sales results in 2007 also account for the negative impact of the falling exchange rates of the Czech crown against the Polish zloty (compared with 2006), of ca. 0.8%, and the positive impact of the strengthening of the Hungarian forint against the zloty of ca. 2.1%.

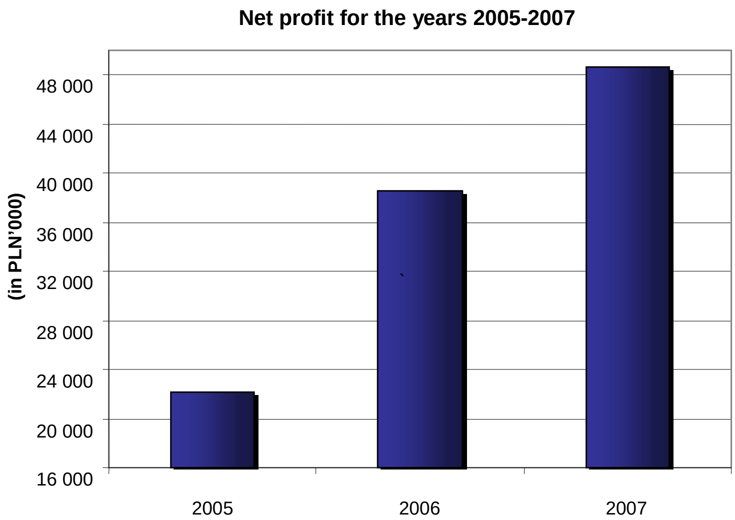
AmRest is systematically improving its operating profitability. In 2007, the dynamics of restaurant costs were lower than the sales dynamics; therefore, the gross profit margin increased to 13.9% (compared with 13.6% in 2006). In 2007, the lower costs of depreciation and amortization, and food compared to sales had a favourable impact on the results. On the other hand, higher costs of occupancy and other operating expenses, in relation to sales, had a negative impact on margins.

The increase in occupancy and other operating expenses relative of sales is due mainly to the higher costs of lease of the Russian restaurants whose results had not been included in the consolidated AmRest results in 2006. This is related to general trends observed on the Russian real estate market. Accounting for the results of the Russian restaurants in the Group results is also the key reason for the costs of payroll and employee benefits remaining at an almost unchanged level – Russian restaurants are characterized by comparatively lower costs of payroll and employee benefits.

In 2007 food prices compared to sales remained at a level similar to that in 2006. The relative increase in those prices in the fourth quarter of 2007 resulted mainly from their increase on the Polish market.

Operating profit in 2007 increased to PLN 67 079 thousand (51.2% compared with 2006), and EBITDA amounted to PLN 120 984 thousand (an increase of 32.9% compared with 2006). The EBITDA margin in 2007 was 14.2% compared with 14.5% in 2006. The one-off costs related to opening new restaurants (start-up costs) – the number of new restaurants in 2007 was twice as large as in the prior year – and a relatively lower result on other operations, resulting mainly from sales of real estate in 2006 (PLN 2.0 million), had both mainly the negative impact on EBITDA in 2007.

In 2007, net profit amounted to PLN 48 693 thousand (an increase of 26.4% compared with 2006), and the net profit margin dropped from 6.1% to 5.7%. In 2007, increased interest expense resulting from increased debt had an impact on the result on financing operations. Additionally – apart from increased interest expense – also the one-off IRI loan waiver noted in 2006 (PLN 3.4 million) had an impact on the result on financing operations in 2007 compared with 2006.



The relative increase in trade payables and increased financing of operations with trade credit led to a small drop in the quick and current ratios compared with 2006. In 2007 those ratios amounted to 0.59 and 0.67 respectively, compared with 0.70 and 0.80 as at the end of 2006. Due to the fact that the balance of cash and cash equivalents increased at a rate similar to that of short-term payables, the cash ratio as at the end of 2007 remained unchanged compared with the end of 2006.

Thanks to the expanding scale of the Group and knowledgeable management of the supply chain, the level of inventories remained at a level similar to that at the end of 2006. This led to an inventory turnover of 4.2 days in 2007 compared with 4.1 days in 2006. Maintaining the cash conversion ratio at a level similar to 2006 enables the Group to continue financing the current operations with trade credit.

The above liquidity ratios are at a level that ensures uninterrupted operation. Generating surplus cash inflows on a current basis allows efficient servicing of the existing debt and financing of the planned investment expenditure.

The Company's total liabilities increased by 75.9% compared with the end of 2006 and amounted to PLN 291 180 thousand. This is related to a loan drawn in the third quarter of 2007 to finalize the purchase of restaurants in Russia. Equity increased, mainly as a result of the issue of 670,606 shares by AmRest also related to the purchase of Russian restaurants. It increased from PLN 155 875 thousand as at the end of 2006 to PLN 291 423 thousand. Debt to equity increased slightly – from 0.5 as at the end of 2006 to 0.6 as at the end of 2007.

Total assets as at the end of 2007 amounted to PLN 582 603 thousand and increased by 81.2% compared with the balance as at the end of 2006. This was due mainly to an increase in the value of non-current assets related to the take-over of the Russian restaurants and construction of new ones. The acquisition of OOO Pizza Nord (currently OOO AmRest) had an impact on the increase in goodwill from PLN 23 516 thousand as at the end of 2006 to PLN 155 353 thousand.

4.2. Description of key domestic and foreign investments.

The table below presents purchases of non-current assets in 2007 and comparable data for 2006.

Table: Purchases of non-current assets in AmRest Holdings N.V. (2006-2007)

Value in PLN'000		2007	2006
Intangible assets, including:			
	Trademarks	-	-
	Favourable lease agreements	-	1 076
	Licences for the use of Pizza Hut and KFC trademarks	4 853	1 369
	Goodwill	142 696	18 666
	Other intangible assets	3 142	283
Fixed assets, including:			
	Land	-	-
	Buildings	61 309	24 271
	Equipment	47 887	14 998
	Vehicles	204	450
	Other (in consideration of fixed assets under construction)	17 061	20 305
Total		**277 152**	**81 418**

The investment expenditure incurred by AmRest relates mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in the existing restaurants. In 2007, the acquisition of OOO Pizza Nord in Russia also had an impact on investment expenditure. The Company's investment expenditure depends mainly on the number and type of restaurants opened.

Table: Number of restaurants of AmRest Holdings N.V. (2005-2007)

As at	31.12.2007	31.12.2006	31.12.2005
Number of restaurants			
Pizza Hut in Poland	50	52	52
Pizza Hut in Hungary	9	12	0
Pizza Hut in Russia	18	0	0
KFC in Poland	85	79	76
KFC in the Czech Republic	44	43	41
KFC in Hungary	13	5	0
KFC in Russia	22	0	0
KFC in Serbia	1	0	0
KFC in Bulgaria	1	0	0
Burger King in Poland	4	0	0
freshpoint in Poland	7	4	0
Rodeo Drive in Poland	3	1	0
Rodeo Drive in the Czech Republic	1	1	0
Total	**258**	**197**	**169**
Total opened restaurants	72	33	25
Total closed restaurants	11	5	13
Net increase in the number of restaurants in the reporting period	**61**	**28**	**12**

In 2007, 2 new brands were added to the Company’s portfolio, Burger King and Starbucks, and 3 new countries – Russia, Serbia and Bulgaria. In this period, the first Burger restaurants were opened and the first Starbucks store was opened in 2008, in January. In 2007, as a result of acquiring OOO Pizza Nord in Russia, the operator of 41 restaurants, the company began operating in Russia. AmRest also started operating in Serbia and Bulgaria where it opened the first KFC restaurants, operating via its subsidiaries.

In 2007, 72 restaurants were added to the portfolio of AmRest, mainly as a result of acquiring restaurants in Russia. Among the 42 KFC restaurants added to the AmRest portfolio in 2007, 22 were acquired after taking over OOO Pizza Nord in Russia. The number of Pizza Hut restaurants increased by a total of 20 restaurants of which 18 were acquired as a result of taking over the Russian business. Additionally, 4 freshpoint restaurants were opened, 2 Rodeo Drive restaurants and 4 Burger King restaurants.

In the period discussed above, a total of 11 restaurants were closed. The closures resulted mainly from reorganization of the Pizza Hut brand in Hungary and multibrand concepts (KFC and Pizza Hut in one location) in Poland.

In 2007, investments were financed mainly with operating cash flows and a bank loan related to acquiring the business in Russia. In 2007 total capital expenditure of AmRest amounted to PLN 177 801 thousand. The above amount comprises:

- cash expended on acquisitions: OOO Pizza Nord – PLN 70 332 thousand (PLN 69 370 thousand including cash taken up) and Bécsi út. 13 Kft. - PLN 1 900 thousand;

- purchases of fixed assets of PLN 99 262 thousand and intangible assets of PLN 6 307 thousand.

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

Capital expenditure of AmRest as at 31 December 2007 amounted to PLN 2 353 thousand of which PLN 678 thousand comprises shares in Worldwide Communication Services LLC (WCS), and PLN 1 675 thousand comprises shares in SCM Sp. z o.o. and SCM s.r.o.

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

Mergers and acquisitions

a) Russia

On 21 May 2007, AmRest informed about establishing AA Subsidiary. Details of the transaction are described in Appendix No 4. At the same time, an Agreement and Merger Plan ("Merger Agreement") were signed between AmRest, AA Subsidiary, USSI and Michael Tseytin relating to the acquisition of OOO Pizza Nord, operator of 41 restaurants in Russia (RB 20/2007 dated 21 May 2007). The final conclusion of the Merger Agreement depended, among other things, on AmRest successfully finalizing its due diligence process in respect of USSI and its subsidiaries, and obtaining approval from the shareholders of AmRest. The Merger Agreement was finalized with certain amendments on 2 July 2007 (Appendix No 8). As a result of finalizing the Merger Agreement, USSI merged with AA Subsidiary (AA Subsidiary is the company which is continuing in operation). Before the merger, USSI held a 91% interest in OOO Pizza Nord. The remaining 9%, held by minority shareholders, was acquired by American Restaurants Sp. z o.o., a 100% subsidiary of AmRest.

On 28 June 2007, an Extraordinary General Shareholders' Meeting of AmRest took place. Two companies with at least 5% of the total voting rights at the General Meeting participated: IRI with 4 756 850 voting rights, i.e. 76.87% of votes at the General Shareholders Meeting and 35.24% of the total number of voting rights and ING Nationale-Nederlanden Poland OFE with 750 000 voting rights, i.e. 12.12% of votes at the General Shareholders' Meeting and 5.56% of the total number of voting rights. The General Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions giving consent to AA Subsidiary merging with USSI, the issue of shares relating to a part of the payment following from the Merger Agreement and a change to the Company's Memorandum of Association. The contents of all the resolutions passed are included in the Appendix to RB 30/2007 dated 28 June 2007.

In connection with finalizing OOO Pizza Nord on 2 July 2007, an AmRest Share Loan Agreement was signed by and between IRI ("the Lender") and AmRest ("the Borrower"). On the same date, Annexe No. 3 to the Loan Agreement dated 4 April 2005 was signed. On 3 July 2007 a Bond Issue Agreement was signed by and between AmRest ("the Issuer") and AmRest Poland ("the Bondholder"). On 3 August 2007 AmRest Poland signed a loan agreement with OOO Pizza Nord. Details of this agreement are discussed in Appendix No 5.

On 19 September 2007 AmRest provided information about obtaining confirmation of registration, from the Commercial Chamber in Amsterdam, of changes to the Company's share capital. In accordance with the confirmation received, the capital authorized by AmRest was increased from EUR 150,000 to EUR 160,000 (from 15,000,000 shares to 16,000,000 shares), whereas the capital issued by the Company was increased from EUR 135,000 to EUR 141,706.06 (from 13,500,000 shares to 14,170,606 shares). The nominal value of one share of AmRest is equal to EUR 0.01. After registering the changes, the total number of votes following from all the AmRest shares issued amounts to 14,170,606 (100% of the total number of votes). The above-mentioned changes in the capital of AmRest result from the Company acquiring 100% of shares in OOO Pizza Nord. The increase in authorized capital was approved by the Extraordinary General Shareholders' Meeting of AmRest dated 28 June 2007 by passing Resolution No. 3 (RB 30/2007 dated 28 June 2007). The issue of 670,606 shares (an increase in capital issued to 14,170,606 shares) was approved by the Extraordinary General Shareholders' Meeting of AmRest dated 28 June 2007 by passing Resolution No. 2 (RB 30/2007 dated 28 June 2007). The issue is the result of concluding the Share Loan Agreement on 2 July 2007 (RB 36/2007 dated 3 July 2007) by and between AmRest and International Restaurant Investments, LLC ("IRI"), the former key shareholder of the Company. The Share Loan Agreement enabled the Company to finalize the share purchase transaction of OOO Pizza Nord (AmRest Russia). The newly issued shares were accepted in deposit by resolution of the National Securities Deposit dated 9 October 2007 after being assigned the code: NL0000474351. On 12 October 2007 the above mentioned shares were admitted to trading in the stock exchange (resolution of the Warsaw Stock Exchange in Warsaw of 10 October 2007). Also on 12 October 2007, 670,606 AmRest shares with a nominal value of EUR 0.01 each were returned to IRI.

On 15 October 2007 AmRest and Andrei Kononchuck and Vitaly Naumenko (jointly: "the Sellers") signed a preliminary memorandum ("Memorandum") relating to the purchase transaction of a 30% share in quick service restaurants Kroshka-Kartoshka, operating in Russia and the Ukraine (RB 64/2007 dated 15 October 2007). The purpose of AmRest as a strategic investor in the transaction was to facilitate further expansion of the Kroshka-Kartoshka network in Russia, the Ukraine and other geographical markets. In February 2008 AmRest provided information about finalizing negotiations relating to the purchase of shares in this chain. On the basis of due diligence completed, it was not possible to reach an agreement on the final structure and key parameters of the transaction, therefore, both parties decided not to continue negotiations.

In October 2007 appropriate preliminary agreements were signed with three entities, OOO Tetra, OOO Fast Food Restaurants Group and KARO a closed joint stock company (RB 62/2007 dated 12 October 2007, RB 66/2007 dated 29 October 2007 and RB 67/2007 dated 29 October 2007), relating to the transfer of assets and the rights to run the restaurants. These companies jointly operate 20 Rostik's-KFC restaurants located in Moscow.

In February 2008 AmRest provided information about signing the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 9 Rostik's–KFC restaurants run by OOO Tetra. The total amount of the transaction relating to both agreements amounted to USD 12 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be transferred to a separate escrow account and final payments will be made after the actual transfer of lease rights relating to particular locations from Tetra to AmRest. In March 2008 AmRest signed the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 5 Rostik's–KFC restaurants run by OOO Fast Food Restaurants Group ("FFRG"). The total amount of the transaction relating to both agreements amounted to USD 6.15 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be made after the actual transfer of lease rights relating to particular locations from FFRG to AmRest. The Company will take up full control over the Tetra and FFRG restaurants upon actual transfer of the rights.

b) Hungary

On 19 April 2007 AmRest Hungary acquired shares in Bécsi út 13. Kft. The details of the transaction were described in Appendix No 9. On 7 August 2007 AmRest provided information about an increase in the share capital of AmRest Hungary. After registration of the change, the share capital of AmRest Hungary amounted to HUF 584,000,000. After the change AmRest Poland will remain the 100% shareholder in AmRest Hungary (Appendix No 9). On 3 October 2007 Annexe No. 2 was signed to the loan agreement by and between AmRest Poland and AmRest Hungary. Details of the Annexe were described in Appendix No 9. On 23 April 2008 AmRest provided information about an increase in the share capital of AmRest Hungary. After registration of the change, the share capital of AmRest Hungary amounted to HUF 1,084,000,000. After the change AmRest Poland will remain the 100% shareholder in AmRest Hungary (Appendix No 9).

New brands

a) Burger King

On 8 March 2007 a Development Agreement was signed with Burger King Europe GmbH relating to opening and running Burger King restaurants in the territory of Poland on a franchise basis. The details of the agreement are described in Appendix No 8. On 9 March 2007 AmRest informed of the framework terms of the Franchise Agreements concluded each time on the opening of particular Burger King restaurants. Details of the agreement are described Appendix No 8. The first Burger King restaurant was opened in May 2007 in Warsaw. Currently AmRest is running 4 Burger King restaurants in Poland.

On 21 January 2008 AmRest provided information about signing a Letter of Intent with Burger King Europe GmbH (“BKE”) relating to Bulgaria. Both parties confirmed the intention to undertake cooperation in opening and running Burger King restaurants in Bulgaria by AmRest. Currently negotiations are in progress to determine the content and terms and conditions of the Development Agreement and Franchise Agreement relating to this market.

b) Starbucks

On 27 March 2007, AmRest Coffee Sp. z o.o. was established. The details relating to the establishment of the company are described in Appendix No 9. On 25 May 2007 Joint Venture Agreements were signed between AmRest Poland and Starbucks Coffee International, Inc. (“Starbucks”) relating to cooperation in the area of development and operating Starbucks stores in Poland, the Czech Republic and Hungary (“the Territory”). The parties decided to establish three separate Joint Ventures in each of the three countries on the Territory. AmRest Poland will take up 82%, and Starbucks 18% of the share capital of the Joint Venture Companies (RB 23/2007 dated 25 May 2007).

On 19 September 2007 AmRest provided information that AmRest Coffee Sp. z o.o. and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly “Starbucks”) had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and operating Starbucks stores in Poland (jointly called “the Agreements”). AmRest Coffee Sp. z o.o. is a joint venture established by AmRest Poland, a subsidiary of AmRest, and Starbucks Coffee International, Inc. (82% AmRest Poland and 18% Starbucks Coffee International). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee Sp. z o.o. will be the only entity entitled to develop and run Starbucks stores in Poland in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee Sp. z o.o. will be as follows: (i) development fee of USD 100 thousand and a fee for the provision of services of USD 300 thousand relating to the initial operating support in respect of Poland, (ii) initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee Sp. z o.o. will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of sores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee Sp. z o.o. not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

Also on 19 September 2007, AmRest Coffee s.r.o. was established. The details relating to the establishment of the company are described in Appendix No 9. On the same day AmRest provided information that AmRest Coffee s.r.o. and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly "Starbucks") had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and running Starbucks stores in the Czech Republic (hereinafter jointly called "the Agreements"). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee s.r.o. will be the only entity entitled to develop and run Starbucks stores in the Czech Republic in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee s.r.o. will be as follows: (i) development fee of USD 275 thousand, relating to the initial operating support for the Czech Republic, (ii) an initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee s.r.o. will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of stores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee s.r.o. not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

On 3 January 2008 AmRest provided information that American Restaurants Sp. z o.o. ("AmRest Poland") and Starbucks Coffee International, Inc. ("Starbucks") had registered AmRest Coffee Kft with its registered office in Budapest, Hungary. The new company was established to develop and run Starbucks stores in Hungary in connection with the Joint Venture Agreements signed on 25 May 2007. The total amount of the share capital of AmRest Coffee Kft is HUF 3 million. AmRest Poland contributed 82% of the share capital of AmRest Coffee Kft and Starbucks contributed 18% of the share capital to the new company. On the same date AmRest provided information that AmRest Coffee Kft ("AmRest Coffee Hungary") and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly "Starbucks") had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and running Starbucks stores in Hungary (hereinafter jointly called "the Agreements"). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee Hungary will be the only entity entitled to develop and run Starbucks stores in Hungary in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee Hungary will be as follows: (i) fee for provision of services of USD 275 thousand, (ii) an initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee Hungary will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of stores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee Hungary not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

In accordance with the agreements signed by and between AmRest and Starbucks relating to the development and running of Starbucks stores in Poland, the Czech Republic and Hungary – the first Starbucks store was opened by AmRest Coffee Czech on 22 January 2008 in Prague. The opening of the first Starbucks store in Poland is planned in the second half of 2008.

New markets

a) Bulgaria

On 16 March 2007 AmRest provided information about obtaining the acceptance of Yum!, the franchiser of the KFC and Pizza Hut brands, relating to opening and running restaurants of those bands in Bulgaria. On 27 April 2007 American Restaurants EOOD ("AmRest Bulgaria") was established. The details relating to the establishment of the company were described in Appendix 9. Due to the fact that Yum! brands are already present on the Bulgarian market, currently 11 KFC and Pizza Hut restaurants are operating there in total, AmRest does not have exclusivity rights to the brands in Bulgaria. In the initial phase of the Bulgarian investment the Company will concentrate on developing KFC restaurants. The first restaurant of this brand was opened in November 2007 in Sofia.

On 8 August 2007 AmRest provided information about increasing the capital of its subsidiary American Restaurants EOOD ("AmRest Bulgaria"). After registration of the change, the share capital of AmRest Bulgaria amounted to BGN 1,225,000. After the change AmRest Poland remains the 100% shareholder in AmRest Bulgaria. On 29 January 2008 a loan agreement was signed between AmRest Poland and AmRest Bulgaria. Details of the loan are described in Appendix No 9.

b) Serbia

On 10 September 2007 a Joint Venture Agreement was signed between AmRest Poland and PROFOOD INVEST GMBH ("ProFood") relating to establishing a Joint Venture, whose aim will be to open and operate quick service and casual dining restaurants in Serbia. On the basis of the agreement, on 12 October 2007 both parties signed an agreement setting up AmRest D.O.O. ("AmRest Serbia"), with its registered office in Belgrade, Serbia. AmRest Poland contributed 60% of the share capital and ProFood contributed 40% of the share capital to the new company. The total amount of the share capital of AmRest Serbia is EUR 350 thousand. The Management Board of the new company comprises one representative of AmRest and one representative of ProFood. The Joint Venture Agreement stipulates that the Annual Operating Plan and the Business Plan will be approved each year by the General Shareholders' Meeting. After the end of the fifth year of the Agreement, AmRest Poland will be entitled to repurchase ProFood's share in AmRest Serbia. In November 2007 the first KFC restaurant on the Serbian market was opened in Belgrade.

Other

On 22 May 2007, an Extraordinary General Shareholders' Meeting of AmRest took place. Two companies with at least 5% of the total voting rights at the General Meeting participated: IRI with 4 756 850 voting rights, i.e. 81.85% of votes at the General Shareholders Meeting and 35.24% of the total number of voting rights and ING Nationale-Nederlanden Poland OFE with 750 000 voting rights, i.e. 12.90% of votes at the General Shareholders' Meeting and 5.56% of the total number of voting rights. The General Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions relating to the approval of the financial statements for the financial year 2006, appropriation of the 2006 profit to offset prior years' losses, approving the operations of the Members of the Supervisory Board and Management Board of AmRest. The contents of all the resolutions passed are included in an Appendix to RB 21/2007 dated 22 May 2007.

On 10 December 2007 AmRest provided information about signing an Annexe to the Distribution Agreement dated 2 April 2003 concluded by and between AmRest Poland and McLane Poland Sp. z o.o. with its registered office in Błonie (RB 8/2006 dated 24 March 2006). The Annexe will come into force on 1 August 2008. In accordance with the Annexe, the term of the Agreement was extended by a further 2 years, i.e. until 1 August 2010. At the same time, both parties decided that the term of the Agreement must be extended in writing by 1 December 2009 – otherwise the agreement will expire automatically on 1 August 2010.

On 24 December 2007 the Ministry of Finance decided to extend until 2010 the period for applying a lower 7-percent VAT rate for catering services in Poland (Journal of Laws No. 249, item 1861).

On 17 April 2008 AmRest Hungary and Lekkerland Export-Import Kft ("Distributor") signed the Distribution Agreement. The Agreement is concerning distribution services provided by Distributor to the restaurants operated by AmRest Hungary. The products and ingredients delivered to restaurants come from authorized suppliers and are in line with stringent standards of AmRest and Yum!. Pursuant to the Agreement the fee paid to the Distributor, in lieu of provided services, depends on the value of goods delivered. The Agreement was signed for the period of 3 years with an option to prolong it for another period.

4.5. Planned investment activities and assessment of their feasibility

AmRest's goal is to further develop the core Group brands, KFC and Pizza Hut, by opening new restaurants and increasing sales in the existing ones; developing new brands – Burger King and Starbucks – and engaging in regional expansion by entering new markets in Central and Eastern Europe.

Starting from 2008 AmRest plans to open 100 new restaurants a year. In the foreseeable future, KFC will remain the main driver of growth for AmRest – a total of ca. 50% of all planned openings in 2008. The Polish market, which in 2007 still had the largest share in AmRest sales, will be the Group's key driving force in 2008 – a total of ca. 50% of all openings. AmRest estimates that the burden of development in further periods will be consecutively borne by: the Russian market, Burger King and Starbucks. It should be added that the plan of new openings will be adapted on a current basis to market conditions and the possibilities of acquiring new attractive locations in particular countries.

The average cost of opening a new AmRest restaurant differs depending on location and type of restaurant and amounts on average to PLN 2.3 million. Moreover, the Company stipulates continuing the constant modernization programme of the existing restaurants – in 2008 the AmRest Group plans to spend ca. PLN 50 million on this programme. A large part of the renovation budget will be spent on the modernization operations in Poland.

The AmRest Group intends to spend a significant part of the capital expenditure in 2008 on new IT systems and integration of the systems currently possessed. The key projects will relate to implementing a new sales 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 the systems in all countries and achieving a larger automation of business processes. These changes increase the productivity and effectiveness of work in the whole group and enhance efficiency of business controlling and monitoring. The integration and improvement of IT systems will form the basis for the further expansion and growth of AmRest.

The Management Board expects the long-term development to be financed mainly with own funds and additional external finance.

Development of proprietary brands, Rodeo Drive and freshpoint, was suspended at the end of 2007. Currently AmRest has 4 and 7 restaurants of these brands respectively. Further development of AmRest proprietary brands will depend on the restaurants generating satisfactory results and the pace of achieving the critical mass by new markets and new brands (Burger King and Starbucks).

5. AMREST HOLDINGS N.V. IN 2008

5.1. External and internal factors material to the development of the Company in 2008

In the opinion of AmRest's Management Board, the factors with a material impact on the Company's future development and results include:

a) external factors:

- competitiveness – in terms of prices, quality of service, location and quality of food;
- demographic changes, trends in respect of the number of people using the restaurant and the type and number and location of competitors' restaurants;
- changes in the law and regulations which have a direct impact on the functioning of the restaurants and their employees;
- change in the lease prices of the real estate and related costs;
- change in the prices of foodstuffs used to prepare the dishes and change in the prices of packaging materials;
- change in the overall economic condition of Poland, the Czech Republic, Hungary, Bulgaria, Russia and Serbia, and in consumer confidence, the amount of spendable income and individual methods of spending money.

b) internal factors:

- acquiring and preparing the human resources necessary to develop the existing chains of restaurants and open new ones;
- acquiring new attractive locations;
- effectiveness in implementing new chains of restaurants and new products;
- building an integrated computer information system.

5.2. 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. The systems help in the identification and management of risks which could prevent AmRest from realizing its long-term goals. Nevertheless, the existence of the systems does not allow for the total elimination of the risk of fraud and illicit actions. The Management Board of AmRest reviewed, analyzed and ranked the risks to which the Company is exposed. At the same time, the Management Board reviewed the Company's internal control systems for 2007. The basic risks and threats which are currently present 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 connected with the impact of factors outside the Company's control in AmRest's development strategy which is based on opening new restaurants. These factors comprise, among others: the ability to find and ensure available and appropriate locations for the restaurants, ability to obtain the permits required by relevant authorities on time, possibility of delays in opening new restaurants.

b) Dependence on the franchiser

AmRest manages KFC, Pizza Hut and Burger King restaurants as a franchisee; therefore, many factors and decisions relating to the activities in which AmRest engages depend on the restrictions or specifications requested by the franchiser or on its granting respective permission.

The term of all the franchise agreements is 10 years. AmRest is entitled to an option to extend the agreements by another 10 years on condition that the terms and conditions specified in the franchise agreements and other conditions are met; this includes making an appropriate payment for the extension of the agreements. Irrespective of meeting these terms, there is no guarantee that after the first two periods the given franchise agreement will be further extended. In respect of KFC and Pizza Hut restaurants, the first period began in 2000, in respect of Burger King, the first period will begin in 2007, when the first restaurant of the brand is opened.

c) Dependence on joint venture partners

AmRest will open Starbucks restaurants via its Joint Venture Companies in Poland, the Czech Republic and Hungary, on partnership terms, under a joint venture agreement. Therefore, some of the decisions under the mutually agreed policy will depend on the consent of the partners.

Agreements of the JV with Starbucks were concluded for a period of 15 years, with the possibility of extending them for an additional 5 years after the specific terms and conditions have been met. In the event that AmRest does not meet its obligations in respect of opening and running a minimum number of stores, Starbucks Coffee International, Inc. will be entitled to increase its share in the Joint Venture Companies by acquiring shares from AmRest Poland at a price mutually agreed by the parties on the basis of a valuation of the Joint Venture Companies.

d) Non-exclusivity

The franchise agreements which relate to running KFC, Pizza Hut and Burger King restaurants do not include any provisions on granting AmRest any exclusivity rights in a given territory or any other rights on a territory, area or market surrounding the AmRest restaurants. However, in practice, in connection with the scale of AmRest's operations (among other things, a well-developed distribution network), the possibility of a competitive operator arising (in respect of the brands currently maintained by the Company) who would be able to successfully compete with AmRest Group restaurants is relatively small.

In respect of Starbucks restaurants, joint venture companies will be the only entities authorized to run Starbucks stores in Poland, the Czech Republic and Hungary, with no exclusivity rights in respect of certain institutional locations.

e) Lease agreements and the option to extend them

Almost all AmRest restaurants operate in leased facilities. Most of the lease agreements are long-term leases, usually concluded for a period of at least 10 years from the date of commencement of the lease (on the assumption that all the extension options are used, on specific terms, and without taking into consideration the agreements which are periodically renewed if they are not terminated, and agreements for unspecified periods). Many lease agreements entitle AmRest to extend the term of the agreement on condition that the Company meets the terms of the lease. Irrespective of meeting these terms there is no guarantee that AmRest will be able to extend the period of the lease agreements on terms and conditions that are satisfactory from the commercial perspective. Should there be no such option, the potential loss of important locations for the restaurants may have an unfavourable impact on the operating results of AmRest and on its activities.

Moreover, in some instances AmRest may decide to close a given restaurant and terminating the respective lease agreement on cost effective terms may prove impossible. Such a situation may also have a negative impact on the operations and operating results of the Company. Closing any of the restaurants depends on the consent of the franchiser, and it is impossible to know whether such consent will be granted.

In respect of Russian restaurants acquired by AmRest in July 2007, the average period of lease is relatively shorter than in respect of the AmRest restaurants in other countries. This is due to the specific nature of the market.

f) Risk related to AmRest's status as a foreign entity

The Issuer is a joint-stock company established on the basis of the Dutch law, therefore, its relationships with third parties are also subject to that law. Polish investors should be aware that the shareholders' rights following from the Shares are subject to Dutch law and that there are many differences between the Dutch legal regulations relating to companies and the provisions of the Polish Code of Commercial Companies. Lack of knowledge of the Dutch regulations may hamper the execution of Polish investors' rights from the Shares. Moreover, taking into consideration the head office of the Company, investors who wish to make claims in respect of AmRest may have problems with delivering the written statements of claim and with handling the dispute.

g) Risk related to the consumption of food products

Consumer preferences may change in connection with doubts arising as to the health value of chicken meat which is the key component of the KFC menu, or as a result of unfavourable information proliferated by the mass media on the quality of the products, the respective diseases caused by them and the damage incurred as a result of using AmRest restaurants and the restaurants of other KFC, Pizza Hut, Burger King and Starbucks franchisees, as well as in consequence of disclosing unfavourable data obtained by the government or a given market sector on the products served in AmRest restaurants and in restaurants of other KFC, Pizza Hut, Burger King and Starbucks franchisees, health issues and the method of operation of one or more restaurants maintained by AmRest or by its competitors. The risk referred to above is mitigated by using the highest quality ingredients in AmRest restaurants – which come from verified and renowned suppliers, abiding by strict standards in respect of quality and hygiene control and applying state-of-the-art equipment and processes to ensure absolute safety of the dishes.

h) Risk related to the restrictions placed by lenders

In accordance with the loan agreements concluded with ABN Amro, the AmRest Group committed itself to abiding by specific restrictions in respect of the possibility of obtaining loans and advances, incurring capital expenditure, granting security and disposing of assets, as well as committed themselves to maintaining specific values of financial ratios. It is possible that accepting these obligations will significantly limit the possibility of AmRest’s engaging in business in the future, and potentially not meeting the requirements may result in the need to repay the loan tranches early, which in turn may have a negative impact on the financial condition and results of operations of AmRest.

i) Risk related to developing new brands

In the first half of 2007, AmRest opened its first Burger King restaurant in Poland. In January 2008, AmRest Coffee opened the first Starbucks store in the Czech Republic. As these are quite new concepts for the Company, there is a risk related to demand for the products offered and their acceptance by consumers.

Additionally, in connection with the currently unsatisfactory results of the Rodeo Drive and freshpoint proprietary restaurant brands, there is a risk of potential asset impairment losses.

j) Risk related to opening restaurants in new countries

The restaurants opened in Bulgaria, Russia, Serbia and Hungary will be the first AmRest restaurants opened in the new geographical and political area. This is connected with a risk of different consumer preferences, lack of good knowledge of the market, risk of legal restrictions which follow from the local regulations and the political risk of the countries.

k) Currency risk

AmRest results are exposed to currency risk related to transactions in currencies other than the measurement currency of particular Group companies. A detailed description of this risk may be found in Note 33.

l) Risk related to implementing new IT systems

The costs related to implementing new IT systems may in the short term have a negative impact on the Company's results. However, in the long term the expected benefits will have a positive effect on the Group's profitability.

m) End of the temporary period of a lower VAT rate in the Czech Republic

In the Czech Republic, as of the beginning of 2008, the reduced VAT rate (5%), on "take away" catering services will also be increased (to 9%). The change to the VAT rate in the Czech Republic may lead to an increase in the prices of catering services which in turn may lead to a drop in demand.

5.3. The Company's development trends and strategies

In May 2007 AmRest informed about the main assumptions for the Company's current strategy. AmRest plans to achieve the Central and Eastern Europe market dominance of Quick Service and Casual Dining Restaurants through operating scalable (+$50 m in annual sales) and highly profitable (20%+IRR) branded restaurants concepts. AmRest, through its corporate culture "Everything is possible!" (Wszystko Jest Możliwe!), delivers craveble taste and exceptional service at affordable prices.

AmRest assesses that in respect of the brands currently operated by the Company, the current market potential on the markets on which it operates is several times higher than the currently held restaurant portfolio. Therefore, the Company plans to significantly accelerate its growth. By the end of 2009, AmRest plans to triple its sales revenues (compared with 2006). AmRest will realize its strategy by continuing to develop the existing brands in the countries in which it is present, increasing sales of existing restaurants, introducing new brands and further acquisitions in the region.

In the following years, AmRest plans to grow at a rate of ca. 30% per annum in terms of increase in sales revenues. The planned accelerated growth and significantly increased number of new restaurants will put short-term pressure on the net profit margin, related to the increased financial costs (costs related to servicing debt) and the increased one-off costs of opening new restaurants (start-ups). Another material pillar of the Group’s development will be the integration of, and improvement to, the IT systems by the end of 2008.

In 2008 the process of simplifying the holding structure will be continued. Smaller companies will be included in the structures of American Restaurants Sp. z o.o. or American Restaurants s.r.o. – the largest of the holding’s companies. Restructuring is aimed at reducing management expenses.

The Company intends to consistently continue actions aimed at increasing its value to the customer. By further enhancing customer service, offering tasty dishes prepared with fresh ingredients and launching new products, AmRest intends to increase customers’ awareness of its excellent value for money.

6. MANAGEMENT REPRESENTATIONS

6.1. Truth and fairness of the presented financial statements.

According to AmRest Holdings N.V. Management Board's best knowledge, the financial statements and comparable data presented in the annual financial statements of the AmRest Group were prepared in accordance with the binding accounting principles and present in a true, fair and clear manner the financial position of the AmRest Group and its financial result. The annual Directors' Report included in this document reflects the actual development and achievements and the position of the AmRest Group, including a description of the basic risks and threats.

6.2. Appointment of the registered audit company.

The registered audit company – PricewaterhouseCoopers Sp. z o.o. – which has reviewed the annual consolidated financial statements of the AmRest Group was appointed in accordance with the provisions of the law. 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.

The contract for the audit of the consolidated financial statements for 2007 was signed on 30 July 2007 with PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, al. Armii Ludowej 14, an entity authorized to audit financial statements entered on the list of registered audit companies with the number 144. The contract related to the audit of the Company's consolidated financial statements for the period from 1 January 2007 to 31 December 2007 and the review of the consolidated financial statements for the period from 1 January 2007 to 30 June 2007. PricewaterhouseCoopers' total fee for the audit and review referred to above for the year 2007 and for other services amounted to EUR 124 thousand. Additionally, PricewaterhouseCoopers Accountants N.V. with its registered office in the Netherlands audits the Company's financial statements in the Netherlands for statutory purposes (separate and consolidated financial statements for the year ended 31 December 2007). The respective fees amounted to EUR 30 thousand.

In 2006 PricewaterhouseCoopers' total fees for auditing the company's financial statements for 2006 and for other services amounted to EUR 130 thousand.

Wrocław, ……………………

Henry McGovern	Wojciech Mroczyński
AmRest Holdings N.V.	AmRest Holdings N.V.
Board Member	Board Member