AmRest Holdings SE

Directors' report

for the year 2012

19 March 2013

Contents

Letter to the shareholders

Dear Shareholders,

I'm proud to present you with AmRest results for 2012. The company delivered on its commitment to grow sales and earnings by over 20% despite some macro headwinds. Our founding belief “Wszystko Jest Możliwe” and operational excellence helped us strengthen our core business as well as build foundations for global expansion.

Despite exposure to various markets, with a few notable exceptions like Russia, the overall sentiment in the global economy has been one of slowdown. Such a trend has not prevented us from expanding our business and improving our profitability. We delivered on our 20/20+ promise to grow sales at minimum 20% p.a. and our profitability at above that threshold by achieving growth of 22,5% and 46% (EBITDA), respectively.

Our Sales have been traditionally driven by a combination of dynamic new store development by adding 84 restaurants, acquisitions and slight organic growth. EBITDA has been affected by many one-off events being both positive and negative for our profitability. The events such as US divestment, VAT adjustment, start-up costs related to increased pace of openings. Without these, our profit growth was still very dynamic with a 20% increase compared to last year

Speaking about restaurant openings I am especially happy about Russia, where, after a couple years of stagnation, we finally succeeded in accelerating new store development in this booming market. In our broad endavors to enhance ROIC we have also launched a company-wide initiative to reduce our build cost. The first results look very promising.

Our efforts to drive greater strategic alignment improve our ROIC led us to optimize our business portfolio by divesting of our Applebee’s business in the U.S. Thanks to negotiating attractive sales terms and favorable exchange rate we were able to realize a very attractive return on this investment. At the same time we released plenty of cash for the growth of the rest of our portfolio.

The year 2012 was a major milestone in preparing our own brand La Tagliatella for international expansion. Opening of our first La Tagliatella restaurants in five test markets (China, USA, India, France, Germany) proved to be challenging and educational experience. With limited time of operations it is premature to draw final conclusions as to how fast and where we will want to grow this unique concept. Having said that we are extremely pleased with the quality of the guest experience and by customers initial positive reactions. We are determined to set up La Tagliatella for global success and we will spend the coming months tweaking the brand to make it even more relevant locally.

Near the end of the year we acquired a majority stake in a successful Chinese restaurant company, Blue Horizon, with two established Casual Dining proprietary brands, Blue Frog and KABB. Throughout the due diligence process and post closing we have been extremely impressed with both the quality of the BH management and the reputation of its brands in China. Through this acquisition and La Tagliatella development we have created a unique growth platform in this high growth market with huge pent up demand.

The year that is ahead of us will not be devoid of market pressures. I strongly believe that AmRest multiple growth platforms will help us not only to weather the short-terms challenges but will set up AmRest for its long-term success.

Concluding, I would like to deeply thank all AmRest employees for their top quality work that made all that I have mentioned above possible. I am really proud that the same AmRest culture that has been the cornerstone of our company from the very beginning of our journey 20 years ago is still strong, driving all our daily business.

Thank you!

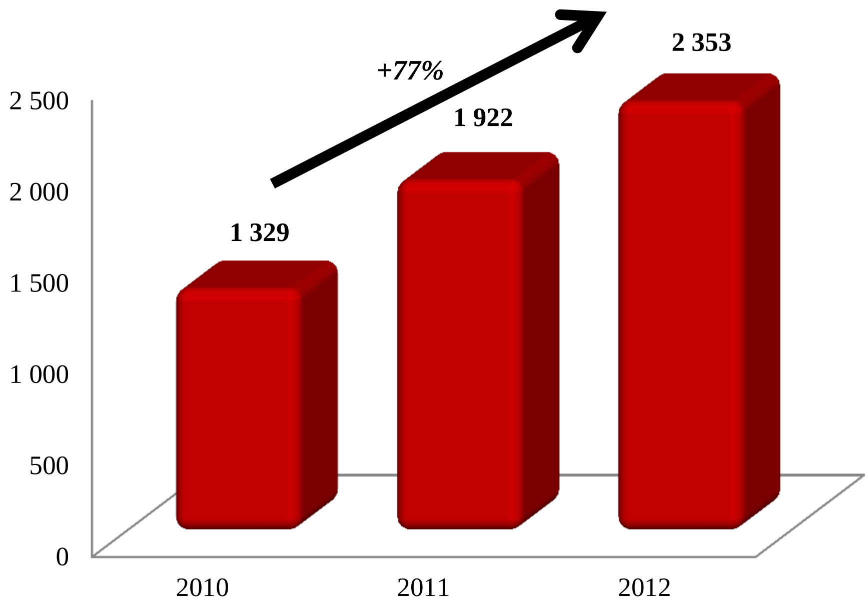
Henry McGovern

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

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

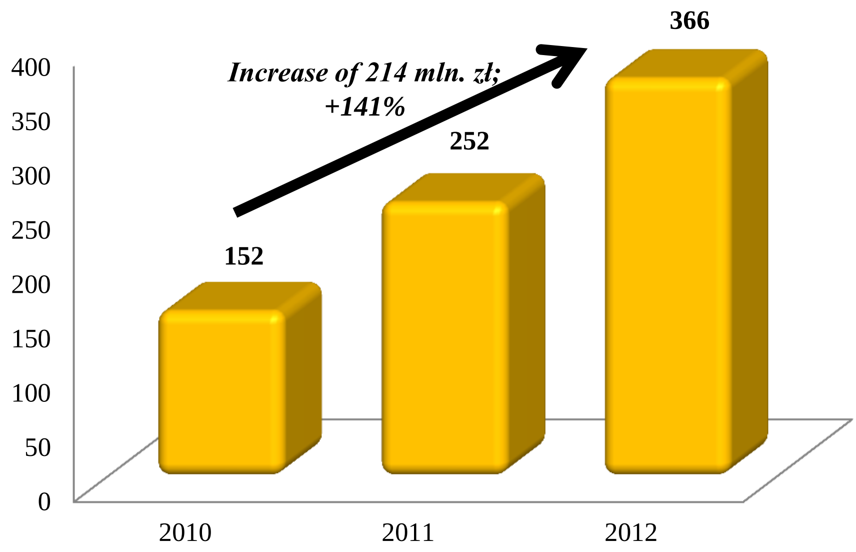
2. Selected financial data

CHART 1 REVENUE (IN PLN MILLION)



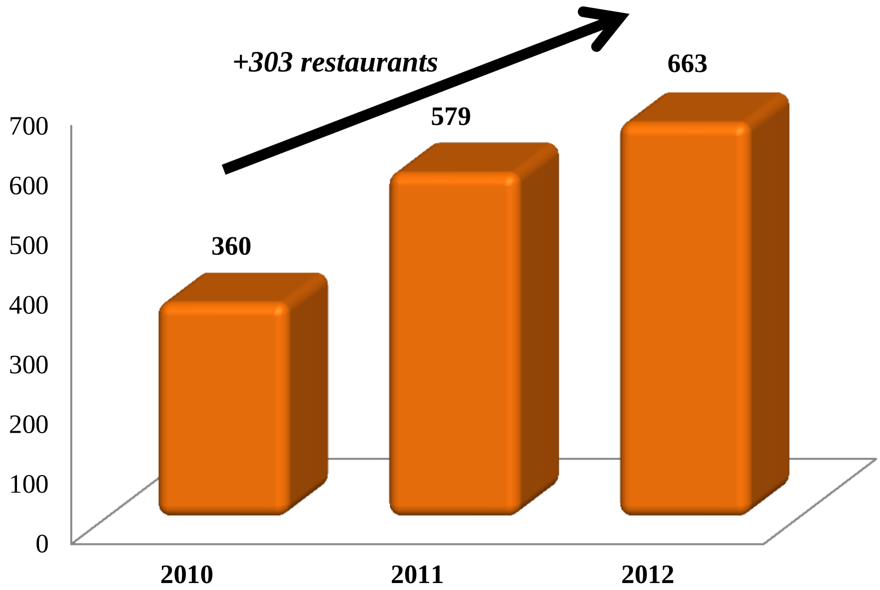
* Due to sale of assets of Applebee's to Apple American Group II, LLC, the data does not take account of 103 Applebee's restaurants

CHART 2 EBITDA (IN PLN MILLION)



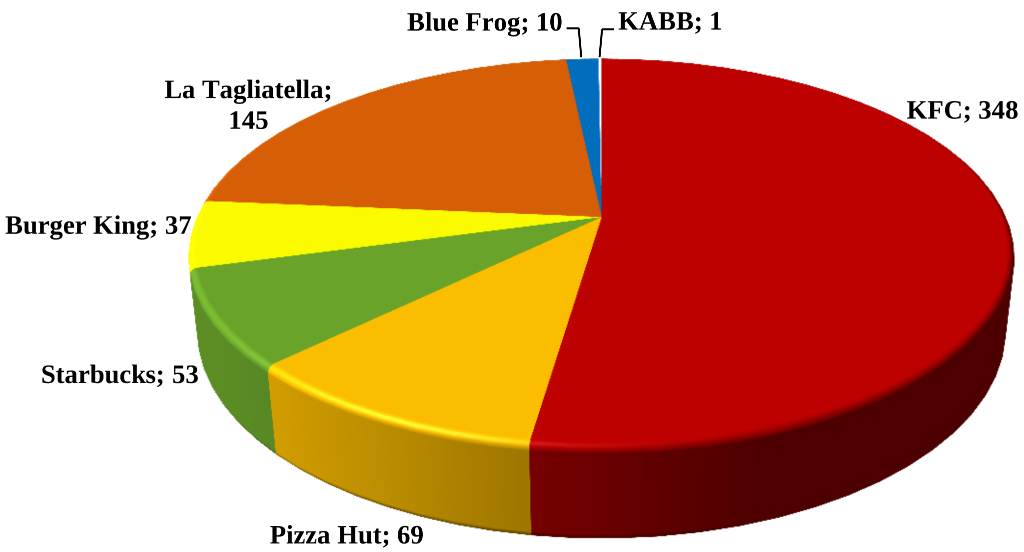
* Due to sale of assets of Applebee's to Apple American Group II, LLC, the data does not take account of 103 Applebee's restaurants

CHART 3 NUMBER OF AMREST RESTAURANTS IN 2010 – 2012, AS AT THE END OF 2012



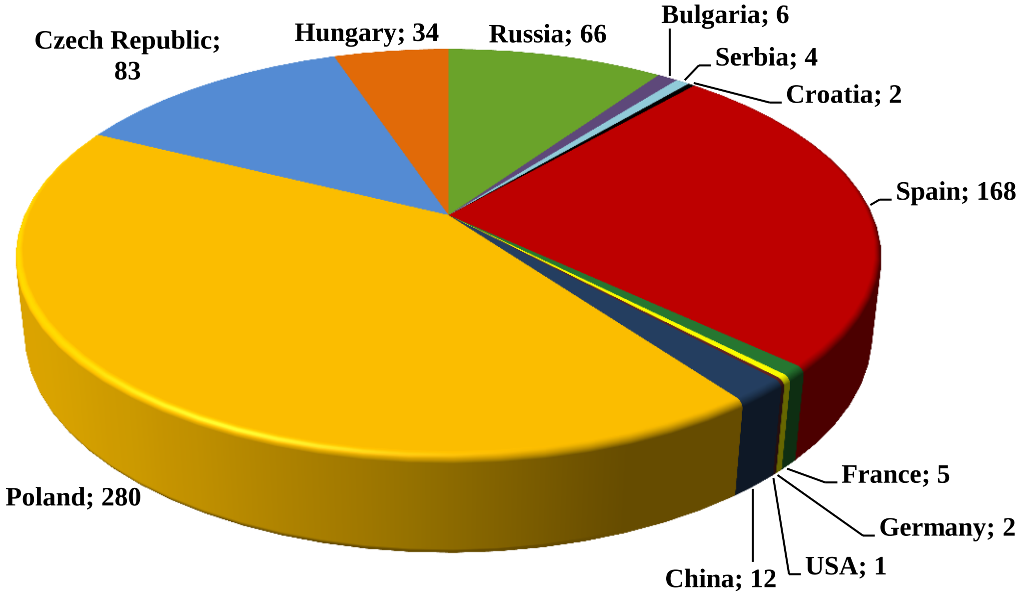
* Due to sale of assets of Applebee's to Apple American Group II, LLC, the data does not take account of 103 Applebee's restaurants.

CHART 4 NUMBER OF AMREST RESTAURANTS BY BRANDS, AS AT THE END OF 2012



* The chart does not take account of 3 Applebee's restaurants which have been temporarily excluded from the sale transaction of Applebee’s assets to Apple American Group II, LLC

CHART 5 NUMBER OF AMREST RESTAURANTS BY COUNTRY, AS AT THE END OF 2012



* The chart does not take account of 3 Applebee's restaurants which have been temporarily excluded from the sale transaction of Applebee’s assets to Apple American Group II, LLC

3. Description of the Company

3.1. Basic services provided by the Group

As at the date of publication of the report, AmRest Holdings SE ("AmRest") manages 8 restaurant brands in 13 countries of Europe, Asia and North America. Every day over 16 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our "Wszystko Jest Możliwe!" ("Anything is possible!") culture.

AmRest manages its restaurants in two restaurant sectors:

- Quick Service Restaurants — KFC, Burger King, Starbucks
- Casual Dining Restaurants — La Tagliatella, Pizza Hut, Blue Frog, KABB and Stubb's.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points ("Drive Thru"), and deliveries for orders placed by telephone. The AmRest restaurant menus include brand dishes prepared from fresh products in accordance with original recipes and with KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog, KABB and Stubb's chain standards.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants in Poland, Czech Republic and Hungary. The La Tagliatella brand is AmRest own brand, which became a part of the portfolio in May 2011. La Tagliatella restaurants are operated both by AmRest and by entities who operate restaurants on a franchise basis leased from the Company. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase agreement of a majority stake in Blue Horizon Hospitality Group LTD. The Stubb's restaurant has operated since 28 January 2013 under a joint venture agreement with AmRest HK Limited (65% AmRest, 35% Stubb's Asia Ltd.).

3.2. Quick Service Restaurants (QSR)

Established in 1952, KFC is currently the largest and fastest growing quick service chain, specialised in chicken dishes. KFC has over 15,000 restaurants spread across 105 countries.

2012 was another year during which KFC continued its strategy of building a dominant position in Central and Eastern Europe. A total of 25 restaurants were opened in the Polish, Czech and Hungarian markets, including 14 restaurants in shopping centres and 10 stand-alone Drive Thru restaurants. 17 restaurants were renovated, which allowed our customers to enjoy the new image of KFC. The KFC development strategy includes mainly medium-sized cities, as well as locations at express roads and motorways.

The past year was marked by "value offer" which provided a dynamic growth during the first half of the year and prevented a decline in sales in the second half of the year. Additionally, in 2012 the offer named "podróże kulinarne" ("culinary journeys") was supported, introducing new items to the menu — e.g. various versions of one of the most recognisable products- Twister or a "Kebab" which was not previously available at KFC. However, traditional products, such as "boxes" or "buckets", form a foundation of sales in KFC.

In 2012, KFC continued its works on “lean management” program which has become a part of the organisational culture. This allowed for a significant improvement in the work efficiency and a reduction in capital expenditures on restaurants and, at the same time, improved operational standards (including restaurant equipment and maintenance standards).



A further increase in the number of restaurants is planned for 2013. In addition to traditional types of KFC restaurants, new, modern restaurants with a smaller format and limited menu, located in places with high traffic will be introduced to the chain. The “value offer” will still be supported, both in terms of a new, lower price and a diversity of offers. Further works on the introduction of innovative products based both on local tastes and international cuisines are also planned.

As at the date of publication of the report, AmRest operates 349 KFC restaurants, 165 in Poland, 61 in the Czech Republic, 21 in Hungary, 56 in Russia, 31 in Spain, 3 in Croatia, 4 in Serbia and 4 in Bulgaria.

The Burger King restaurant chain was established in 1954. Burger King (“Home of the Whopper”) operates more than 12,300 restaurants which serve meals to 11 million customers per day in 76 countries worldwide. About 90% of Burger King restaurants are managed by independent franchisees, many of which are family businesses which have been operating for decades.

In 2012, Burger King was focused on supporting sales and building brand coverage by restoring faith in the quality of the product which is a burger and showing the value of its taste using the brand’s culinary experience.

In order to provide additional support, Burger King prepares an introduction of a new line of burgers at attractive prices in the “value” segment, in the second and third quarter of 2013. In addition to the basic price offer, Burger King will introduce a few items of the premium segment. They will include burgers prepared using the highest quality beef, characteristic for the brand.


AmRest plans to further expand the Burger King chain at a pace of 3–4 restaurants per year. Increasing the rate of return remains, however, the priority.

As at the date of publication of the report, AmRest operates 35 Burger King restaurants, 27 in Poland, 7 in the Czech Republic and 1 in Bulgaria.

Starbucks is a global leader in the coffee sector with over 18,000 stores. Starbucks offers its customers brewed coffee, espresso-based hot drinks, snacks, and also sells retail products such as coffee beans from various parts of the world or souvenir cups. The store designs and atmosphere refer to the coffee heritage and reflect the surrounding neighborhood. AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Holdings) currently operates Starbucks stores in Poland, Czech Republic and Hungary.

Sales revenues generated by Starbucks in 2012 were higher than in the previous year. The main contributor to the improvement in the results were an increase in sales in the Czech Republic and Hungary and new openings.

Like in the previous years, in 2013, Starbucks will aim to improve its existing products and widen the scope of the offer. With the new products, the brand customers will be able to enjoy their favourite coffee while travelling and at home. The brand plans to continue its expansion while maintaining its competitive position and focusing on a long-term development.

14 March 2012 was a very important day for Starbucks in the EMEA (Europe, Middle East and Africa) region. Since that day, all baristas serve coffee following the principles of the "Latte Art" which enhances the presentation and taste of each espresso based beverage.

AmRest Coffee already operates 54 stores. Among all new launches it is worth to mention new stores in Katowice and Ostrava, as well as new types of stores in Wrocław — a unique coffeehouse at Oławska street, offering coffee connoisseurs a wide selection of coffees from all around the world and the first Drive Thru store.

As at the day of publication of this report, AmRest Coffee operates 33 stores in Poland, 14 in the Czech Republic and 7 in Hungary. The brand development will be focused on the existing markets: Polish, Czech and Hungarian.

Starbucks, together with its partners and customers, is involved in a number of projects providing support to communities living in districts, cities and countries in which it operates. Over the past 5 years, over 5,000 hours were assigned to these projects (mainly during the "Global Month of Service").

In the future, the brand plans to develop while remaining loyal to its values, the company's strategy and business practices.

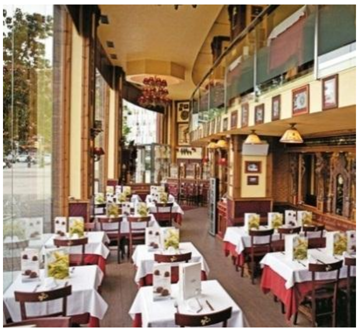
3.3. Restaurants in the Casual Dining Restaurants (CDR) segment

2012 was full of challenges for the La Tagliatella brand. The macroeconomic situation in Spain deteriorated at a fast rate. Despite the measures taken by the European Central Bank, consumer spending (especially that of a voluntary nature) continued to decline.

However, the unique business model of La Tagliatella is characterised by flexibility and stability. In 2012, 19 new restaurants (including 12 owned by AmRest and 9 operated by franchisees) were opened in Spain. 3 franchised restaurants were closed. The financial results of most of the newly opened restaurants exceed assumptions.

The brand plans new launches in 2013. Already at the beginning of the year, the franchisees undertook to open 4 new restaurants in Spain.

A recently conducted independent survey showed that 34% of guests are satisfied and 62% are very satisfied with their visit at La Tagliatella restaurants. Although it is a very good result for the restaurant industry, the brand will continue to strive towards its improvement.



In the Spanish market, the brand has strengthened its leading position among Italian restaurant chains from the casual dining sector. It was possible due to a very valuable offer available for the customers of the La Tagliatella restaurants.

At international level, La Tagliatella has achieved something that only a few companies from the restaurant sector managed to achieve — during one year, through parallel openings, it expanded its operations into four new markets: China, India, Germany and the United States (in the last one of these countries, a “centralized kitchen” was also launched). Moreover, the first own restaurant was opened in France.

The unique business model of the La Tagliatella chain provides its customers with the same quality of services and ensures the same experience in Shanghai, Atlanta, New Delhi and Cologne.

The reception of the brand by consumers on new markets is very positive. The challenge for the La Tagliatella chain is to build its brand recognition among customers and developers in new countries. This shouldn’t, however, be so difficult, because guests who have visited the restaurants of this concept, love their design, wide offer and, above all, delicious Italian dishes.

Further openings of new restaurants are planned in the new markets in 2013 (currently 15 locations are in the construction or planning stages).

As at the day of publication of this report, AmRest operates 152 La Tagliatella restaurants — 139 in Spain, 5 in France, 3 in Germany, 2 in the U.S., 2 in China and 1 in India.

Pizza Hut is one of the largest casual dining restaurant chains in Europe. Inspired by the Mediterranean cuisine, it promotes the idea of having a good time while enjoying a meal together with family and friends. It is also the biggest brand in the Polish casual dining segment in terms of sales and the number of transactions. Pizza Hut's strong position is the effect of a consistently implemented "Pizza and much more!" strategy which consists in extending the brand's offer by adding new categories such as pastas, salads, desserts and starters while retaining the position of a leader and "pizza expert".

In 2012, the brand was focused mainly on activities related to the introduction of innovative pizza categories and attracting new customers, as well as on developing the perception of Pizza Hut as a place where you can have a delicious and affordable meal.

As a seasonal product, a new "Crown" pizza was added to the menu, with a distinctive finish of the crust filled with two kinds of cheese. At the end of the year, another innovative product was launched: the "Cheesy Bites" pizza with a unique shape, bites filled with cheese and a set of 3 available sauces to choose from.

The brand has also expanded its lunch menu, promoting the "15 x 15" offer (a lunch set at the price of PLN 15 with a guarantee of serving within 15 minutes).

The needs of the group of young customers who have a relatively smaller budget were addressed by the third edition of the "Pizza Festival" — a value offer based on the "pay once and eat all you want" mechanism and an offer of four sets of dishes to choose from for PLN 9.90 with a drink.

The Pizza Hut's offer was also expanded with the "New, light menu" with light and low-calorie dishes with plenty of fresh, seasonal vegetables and fruits. The goal of that menu was to attract the group of women who perceive pizza as too heavy meal.

The new products were very well received by consumers which was reflected in a higher amount of an average bill and an increase in the number of transaction and strengthened the leading position of Pizza Hut in the market.

Pizza Hut introduced a new form of the menu card in which products are divided into three distinct price groups: products "at a good price", "classic selection" and "Pizza Hut specialties". This innovative approach to the Menu card was recognised by YUM! Europe Franchise Business Unit (YUM! EFBU) as a best practice and recommended for implementation in all European countries.

A rich marketing calendar for 2013 is focused on further strengthening of the customers' perception of the "Value for money" concept. The plans include further pizza innovations and a promotional campaign dedicated to the flagship product, the thick PAN crust.

A strong improvement in brand margins and profitability in 2012 resulted from long-term initiatives focused on three pillars: hospitality, excellent product and operational excellence and repeatability.

Under the "Product Excellence" Program, Pizza Hut continued its efforts to improve the quality and

repeatability of served dishes. In collaboration with key local suppliers, the quality of basic raw materials was improved. The flour and freshly prepared dough received the highest scores in the YUM EFBU! assessment.

The speed of preparation and serving of dishes increased by over 10%, allowing for a more efficient serving of guests, especially during the rush hours. With regards to the operational activities, the brand introduced an independent internal audit system which allows for the assessment of a restaurant's functionality in the following basic categories: cleanliness, hospitality, accuracy, equipment, product and speed. A great importance is also attached to obtaining feedback from guests under the Guest Feedback Program — an innovative system aiming to improve the functionality and hospitality of our restaurants.

As at the date of publication of this report, Pizza Hut operates 70 restaurants: 58 in Poland, 10 in Russia and 2 in Hungary. Opening of, among others, two new restaurants in Gdynia and Poznań is planned for 2013. The brand will continue to implement the strategy of a selective expansion and thorough repairs (9 planned for 2013).

In December 2012, two new concepts of the casual dining segment, KAAB and Blue Frog, were added to the AmRest's brand portfolio. As at the date of publication of the report, 11 restaurants of both brands operate in large Chinese cities, Shanghai, Beijing and Nanjing.

KABB Bistro Bar — premium segment restaurants, serving "western cuisine" dishes and a wide selection of wines and drinks.

Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine.

Both brands enjoy a good reputation among guests and developers and attract customers looking for modern western cuisine of the highest quality. Most of the guests are regular visitors who treat our restaurants as a place where everyday they can enjoy their favourite dishes in a friendly atmosphere.

Blue Horizon, the group of companies running the two brands, was founded by an American with a long experience in doing business in China. Over the years, he gathered around him a group of managers who now form an experienced team managing the KABB and Blue Frog restaurants.

The plans for the next two years provide for doubling the number of restaurants run by Blue Horizon. In 2013, at least seven restaurants will be opened — four Blue Frog and three KABB restaurants.

4. Revenue structure

In 2012, AmRest group's revenue increased by 22.5% (PLN 2,353,353 thousand compared with PLN 1,921,779 thousand in 2011[1]). The dynamic growth in revenue was driven by:

- full-year consolidation of restaurants acquired in 2011 in Spain and France — revenue of the Western-European segment increased by 54.7%,
- excellent performance of the Russian market, resulting from both increased sales in comparable restaurants, and significantly accelerated pace of openings (12 new restaurants) — revenue of the Russian segment increased by 44.7%,
- dynamic pace of new openings in the CEE (Central and Eastern Europe) division — revenue of that segment increased by 10.6%.

Restaurants in CEE continue to have the largest share in the Group's revenue structure and account for 63.8% of sales.

TABLE 1 AMREST SALES BY DIVISIONS

Divisions	2012		2011	
	PLN '000	**% share**	**PLN '000**	**% share**
CEE	1,501,608	63.8%	1,357,195	70.6%
Western Europe	536,602	22.8%	346,804	18.1%
Russia	315,143	13.4%	217,780	11.3%
Total	**2,353,353**	**100%**	**1,921,779**	**100%**

The seasonality of sales and change in inventories of AmRest is not significant, which is typical for the restaurant industry. On the markets of Central and Eastern Europe, restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants.

[1] Due to the transaction of sale of Applebee's assets to Apple American Group II, LLC, results on sales do not include revenue generated by Applebee's restaurants.

5. Supplier chain

The rate of increase in prices of food and packages recorded by AmRest in 2012, in countries in which it conducts its operations, was significantly below CPI level. This was caused by the introduction of new technologies of poultry production and conclusion of a number of key long-term contracts.

In September 2012, AmRest established a new logistic operator in the Czech Republic — Quick Service Logistics Czech s.r.o. which will facilitate the AmRest's expansion in Europe. On the Polish Market, the Company extended a logistic agreement with Eurocash SA. In December, AmRest signed also a long-term agreement with PepsiCo Europe for the supply of soft drinks, water and juices to Pizza Hut, KFC and Burger King restaurants in Poland, the Czech Republic and Hungary.

It is expected that in 2013, AmRest will maintain the rate of increase in average prices of raw materials below the CPI level. The Company will continue to focus on cooperation supporting further growth of production efficiency of its key suppliers, introduction of new products to increase the attractiveness of the offer to its customers and on monitoring of raw material market in order to make purchase decisions in the most favourable time.

Services associated with the supply chain management are provided to AmRest by SCM Sp. z o.o. and SCM s.r.o. These companies act as intermediaries in signing contracts with key suppliers of AmRest.

The list of the largest suppliers of AmRest:

- Eurocash S.A. — distributor in Poland
- Quick Service Logistics Czech s.r.o. — distributor in the Czech Republic
- Drobimex Sp. z o.o. — supplier of chicken products in Poland and Czech Republic
- Roldrob S.A. — supplier of chicken products in Poland
- OOO RBD Distribution — distributor in Russia
- LDS Disztribútor Szolgáltató Kft. — distributor in Hungary
- Vodnanska drubez, a.s. —supplier of chicken products in the Czech Republic
- PPHU Konspol- Bis Sp. z o.o. — supplier of chicken products in Poland
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. — supplier of chicken products in Poland
- ZAO Ptitsefabrika ROSKAR — supplier of chicken products in Russia

6. Employment in AmRest

The table below shows employment in the Group in 2010–2012.

*TABLE 2 EMPLOYMENT AT AMREST (AS AT THE END OF 2012, 2011, 2010)**

Year	**2012**	**2011**	**2010**
Employment in restaurants	15,645	20,060	17,121
Employment in administration	634	459	343
Total	**16,279**	**20,519**	**17,464**

* Data include employees connected with the operation of Applebee's restaurants

7. Changes in management

7.1. Changes in the Management Board of the Parent

In 2012, there were no changes in the Management Board of the Company, apart from the dismissal of Mr Piotr Boliński from the function of a Member of the Management Board of AmRest, announced in RB 52/2011 of 14 December 2011, and appointment of Mr Wojciech Gerard Mroczyński to that position with the effect from 1 March 2012.

Wojciech Mroczyński was reappointed to the position of a Member of the Management Board of AmRest after his return from an annual leave (sabbatical). Wojciech Mroczyński performed the role of the Management Board Member of the Issuer from 23 June 2008 to 28 February 2011.

7.2. Changes in the Supervisory Board

In 2012, there were no changes in the composition of the Supervisory Board.

7.3. Composition of the Management Board and the Supervisory Board

Management Board

In 2012, the Management Board of AmRest consisted of:

- Piotr Boliński until 1 March 2012
- Wojciech Mroczyński from 1 March 2012
- Mark Chandler
- Drew O'Malley

Supervisory Board

In 2012, the Supervisory Board of AmRest consisted of:

- Henry McGovern — Chairman
- Per Steen Breimyr
- Raimondo Eggink
- Robert Feuer
- Joseph P. Landy
- Jacek Kseń
- Jan Sykora

As at the date of publication of this report, the above lists reflect the current composition of the Supervisory Board and Management Board of the Company.

8. Financial position of the Group

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

TABLE 3 KEY FINANCIAL DATA OF AMREST (2012–2011)

in PLN thousand, unless otherwise stated	**2012**	**2011**
Sales revenue	2,353,353	1,921,779
Operating profit before amortization and depreciation (EBITDA)	366,047	251,470
Operating margin before amortization and depreciation (EBITDA margin)	*15.55%*	*13.09%*
Operating profit before amortization and depreciation (EBITDA)*	*298,426*	*251,470*
Operating margin before amortization and depreciation (EBITDA margin)*	*12.68%*	*13.09%*
Operating profit (loss)	175,663	90,778
Operating margin (EBIT margin)	*7.46%*	*4.72%*
Profit (loss) before tax	113,762	43,549
Gross margin	*4.83%*	*2.27%*
Net profit (loss)	97,893	62,628
Net margin	*4.16%*	*3.26%*
Net profit (loss)**	48,714	78,135
*Net margin***	*2.07%*	*4.07%*
Equity	1,069,766	1,012,746
Return on equity (ROE)	*9.15%*	*6.18%*
*Return on equity** (ROE)*	*4.55%*	*7.72%*
Total assets	2,546,463	2,621,781
Return on assets (ROA)	*3.84%*	*2.39%*
*Return on assets** (ROA)*	*1.91%*	*2.98%*

* Amounts net of a one-off impact of a settlement of gains from the sale of Applebee's assets in the amount of PLN 67,621 thousand

** Amounts net of impact of a settlement of gains from the sale of Applebee's assets in the amount of PLN 67,621 thousand reduced by tax in the amount of PLN 9,870 thousand and costs associated with a PUT option in the amount of PLN 8,572 thousand in 2012 and PLN 15,507 thousand in 2011.

Definitions:

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

Operating margin — operating profit to sales;

Gross margin — profit before tax to sales;

Net profitability — net profit to sales;

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

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

TABLE 4 LIQUIDITY ANALYSIS (FOR 2012-2011)

in PLN thousand, unless otherwise stated	**2012**	**2011**
Current assets	370,469	291,558
Inventories	42,036	40,770
Short-term liabilities	519,265	396,942
Quick ratio	*0.63*	*0.63*
Current ratio	*0.71*	*0.73*
Cash and cash equivalents	207,079	143,960
Cash ratio	*0.40*	*0.36*
Inventory turnover (in days)	*5.97*	*6.15*
Trade and other receivables	90,983	84,923
Trade receivables turnover (in days)	*10.23*	*12.50*
Operating ratio (cycle) (in days)	*16.20*	*18.65*
Trade and other short-term payables	320,485	312,748
Trade payables turnover (in days)	*40.44*	*48.84*
Cash conversion ratio (in days)	*24.24*	*30.20*

Definitions:

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

Current ratio — current assets to current liabilities;

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

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

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

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

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

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

TABLE 4 DEBT ANALYSIS (FOR 2012–2011)

in PLN thousand, unless otherwise stated	**2012**	**2011**
Non-current assets	2,175,994	2,330,223
Liabilities	1,476,697	1,609,035
Long-term liabilities	957,432	1,212,093
Debt	793,082	916,902
Share of inventories in current assets (%)	*11.35%*	*13.98%*
Share of trade receivables in current assets (%)	*24.55%*	*29.13%*
Share of cash and cash equivalents in current assets (%)	*55.90%*	*49.38%*
Fixed assets to equity ratio	*0.49*	*0.44*
Long-term gearing ratio	*0.89*	*1.20*
Liabilities to equity ratio	*1.38*	*1.59*
Debt/Equity	*0.74*	*0.91*

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;

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

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

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

As discussed in Chapter 3, in 2012 sales increased by 22.5% compared with 2011 (PLN 2,353,353 thousand compared with PLN 1,921,779 thousand).

The marked improvement in the results was due to excellent results of the Russian market, a strong growth of the business in CEE and the full-year consolidation and development of Restauravia restaurants.

Restaurants operating in Russia improved their sales by 44.7% to PLN 315,143 thousand compared with PLN 217,780 thousand in 2011. The increase resulted from both an increased number in new openings and a strong improvement in sales in comparable restaurants (open for at least 12 months).

Growth was also seen in the CEE region where sales increased by 10.6% to PLN 1,501,608 thousand compared with PLN 1,357,195 thousand in 2011. The increase was mainly driven by new openings.

Sales generated in the Western European segment increased by 54.7% to PLN 536,602 thousand compared with PLN 346,804 thousand in 2011. A large portion of the recorded increase results from a full-year consolidation of the Spanish business. Additionally, AmRest opened 26 new La Tagliatella restaurants in 2012.

In the fourth quarter of 2012, the Group's sales increased by 5.9% and amounted to PLN 637,852 thousand. The largest growth in sales, by 35.6%, was recorded by Russian restaurants. In the CEE region, revenue improved by 4.2%. Sales in the Western Europe dropped by 2.5%.

In 2012, the Company recorded an operating profit of PLN 175,663 thousand. This represented a 93.5% increase compared with PLN 90,778 thousand in the previous year. A marked increase in the EBIT resulted from the profit on sale of Applebee's assets in the amount of PLN 67,621 thousand. Net of the impact of this transaction, EBIT increased by 19% and amounted to PLN 108,042 thousand. The EBIT margin net of the impact of the sale of Applebee's assets remained at the level similar to the one recorded last year and amounted to 4.6%.

A strong increase in profit at the EBIT level was recorded in Poland in 2012 due to an adjustment of indirect tax settlement which resulted in an increase in the profit by PLN 12,376 thousand.

EBIT generated by restaurants operating in the Czech market amounted to PLN 10,328 thousand, compared with PLN 15,032 in the previous year. A decline in EBIT results from an adjustment of indirect tax settlement carried out in the previous year by the Czech company.

EBIT margin generated in 2012 by the Western European division was lower than in 2011 due to costs of development of new test markets.

EBITDA margin in the Russian division amounted to 4.4%, compared with 5.5% in the previous year. The decline in margins resulted from a dynamic increase in the number of restaurants and the related one-off costs of openings. EBIT margin net of the aforementioned costs amounted to 6.2%.

In accordance with explanations presented in the report for the third quarter of 2012, an increase in food expenses visible both in entire 2012 and in the fourth quarter results from an adjustment in the manner of accounting of other activities and franchise activities between the lines "Food expenses" and "Franchise and other expenses".

Operating profit generated in the fourth quarter of 2012 amounted to PLN 82,160 thousand, compared with PLN 14,390 thousand in the previous year. The high increase in the profit for the fourth quarter, as well as for the entire 2012, results from the impact of the sale of Applebee's assets. Net of the impact of this transaction, EBIT amounts to PLN 14,539 thousand.

Profit at the EBITDA level increased in 2012 by 45.6% to PLN 366,047 thousand from PLN 251,470 thousand in 2011. EBITDA margin generated by the Group amounted to 15.6%, compared with 13.1% in the previous year. Net of the impact of the sale of Applebee's assets, EBITDA was PLN 298,426 thousand and margin amounted to 12.7%.

Net of impact of the Applebee's transaction and one-off costs of new openings, EBITDA amounted to PLN 325,418 thousand, which represented an increase by 19% in relation to the previous year.

An increase in margin and profit at the EBITDA level in Poland and a decline in the Czech Republic results from an adjustment of indirect tax settlement described while explaining the EBIT.

Net profit generated in 2012 amounted to PLN 97,893 thousand, compared with PLN 62,628 thousand in 2011. Nearly 60% increase in net profit results from the sale of Applebee's assets. Net profit adjusted for the impact of one-off events (a positive impact of the Applebee's transaction in the amount of PLN 67,621 thousand less income tax in the amount of PLN 9,870 thousand and a negative impact of costs of PUT option settlement amounting to PLN 8,572 thousand) amounted to PLN 48,714 thousand.

TABLE 6 KEY FINANCIAL DATA OF AMREST BY DIVISIONS (2012-2011)

	2012			2011		
		Share in sales	**Margin**		**Share in sales**	**Margin**
Sales	**2,353,353**			**1,921,779**		
Poland	*1,040,123*	*44.2%*		*925,049*	*48.1%*	
Czech Republic	*333,552*	*14.2%*		*328,389*	*17.1%*	
Other CEE	*127,933*	*5.4%*		*103,757*	*5.4%*	
Total CEE	**1,501,608**	***63.8%***		**1,357,195**	***70.6%***	
Russia	**315,143**	***13.4%***		**217,780**	***11.3%***	
Western Europe	**536,602**	***22.8%***		**346,804**	***18.0%***	
EBITDA	**366,047**		***15.6%***	**251,470**		***13.1%***
EBITDA*	**393,039**		**16.7%**	**273,542**		**14.2%**
Poland	*131,615*		*12.7%*	*103,771*		*11.2%*
Czech Republic	*40,652*		*12.2%*	*47,238*		*14.4%*
Other CEE	*5,679*		*4.4%*	*1,349*		*1.3%*
Total CEE	**177,946**		*11.9%*	**152,358**		*11.2%*
Russia	**33,897**		*10.8%*	**29,556**		*13.6%*
Western Europe	**90,765**		*16.9%*	**74,873**		*21.6%*
USA	**68,124**		-	**-**		-
Not allocated	**-4,685**		-	**-5,317**		-
EBIT	**175,663**		***7.5%***	**90,778**		***4.7%***
Poland	47,752		*4.6%*	35,879		*3.9%*
Czech Republic	*10,328*		*3.1%*	*15,032*		*4.6%*
Other CEE	*-6,813*		*-5.3%*	*-7,306*		*-7.0%*
Total CEE	***51,267***		*3.4%*	***43,605***		*3.2%*
Russia	**13,930**		*4.4%*	**12,079**		*5.5%*
Western Europe	**47,027**		*8.8%*	**40,425**		*11.7%*
USA	**68,124**		-	**0**		-
Not allocated	**-4,685**		-	**-5,331**		-

* EBITDA net of one-off costs of new openings

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

AmRest continues efforts to reduce the put option liability exposure incurred in connection with potential acquisition Restauravia NCI.

As at the end of 2012, net debt calculated for the purpose of agreement conditions (covenants) amounted to PLN 596,6543 thousand, and the net debt to EBITDA ratio was 1.96.

8.2. Assessment of future ability to settle incurred liabilities

The consolidated financial statements for the period of 12 months ending 31 December 2012 were prepared in accordance with going concern assumption by the Group in foreseeable future what assumes realization of assets and liabilities throughout the normal terms of Group business operations. The annual consolidated financial statements do not contain any adjustments that would be necessary in such circumstances. In the opinion of the Management Board, as at the date on which the consolidated financial statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

8.3. Financial instruments in AmRest

AmRest uses the following financial instruments: loans, borrowings, bonds, as well as forward and SWAP transactions.

As at 31 December 2012, the AmRest Group had the following credit lines available (for credit lines in foreign currencies, the amounts are stated in PLN in accordance with the the NBP rate as at 31 December 2012):

- RBS Bank (Polska) SA — PLN 15,000 thousand (an overdraft facility in PLN)
- RBS Bank (the Czech Republic) SA — PLN 5,110 thousand (an overdraft facility)
- RBS Bank (Russia) — PLN 915 thousand (an overdraft facility)
- Bank Pekao S.A., Bank Zachodni WBK S.A., RBS Bank Polska S.A., Rabobank Polska S.A. (Poland) — PLN 200,000 thousand (a revolving loan in PLN, tranche B)

Detailed information on loans, borrowings and bonds as at 31 December 2012 is presented in Notes 3 and 4 of the Consolidated Financial Statement and Appendix 5 of the Supplement to the Directors' Report.

Other financial instruments, such as forward and SWAP transactions, as at 31 December 2012, were described in Note 13 of the Consolidated Financial Statement.

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

As at 31 December 2012, AmRest's equity investments amounted to PLN 434 thousand. They relate to shares in SCM s.r.o. and BTW Sp. z o.o.

8.5. Description of key domestic and foreign investments

The table below presents purchases of non-current assets in 2012 and 2011.

TABLE 7 PURCHASES OF NON-CURRENT ASSETS BY THE GROUP (2012-2011)

In PLN'000	2012	2011
Intangible assets, including:		
Private labels	*18,755*	257,868
Non-onerous lease agreements	*240*	4,535
Licences for the use of Pizza Hut and KFC trademarks	*8,920*	9,049
Goodwill	77,870	355,385
Other intangible assets	*9,566*	205,225
Investment property	71	764
Fixed assets, including:		
Land	*10*	5,280
Buildings	*155,463*	223,150
Equipment	*105,754*	126,815
Vehicles	*1422*	728
Other (including fixed assets under construction)	*65,026*	72,678
Total	**443,097**	**1,261,477**

The capital expenditure incurred by AmRest relates mainly to the construction of new restaurants and modernization of the existing restaurants. Additionally, in 2012, funds were spent for the purchase of Blue Horizon Group assets. In 2012, increased capital expenditure was driven by AmRest's expansion on test markets — USA, China, India and Germany. The Company's capital expenditure depends mainly on the number and type of restaurants opened.

In 2012, capital expenditure was financed mainly from cash flows from operating activities and additional bank loans. As at the end of 2012, AmRest operated 663 restaurants in total (682 at the end of 2011). The Group acquired 11 restaurants and opened 84 restaurants; 9 restaurants were closed. Additionally, due to the sale of Applebee's restaurants to Apple American Group II, LLC, the number of restaurants operated by AmRest declined by 103 (99 restaurants were transferred, 1 was closed and 3 were temporarily excluded from the transaction).

TABLE 8 NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2012

	AmRest	Franchisees	Total
As at the end of 2011	595	87	**682**
Openings	75	9	**84**
Closings	-8	-3	**-11**
Acquisitions	11	0	**11**
Sale of Applebee's restaurants	-103	0	**-103**
Total	**570**	**93**	**663**

As at 19 March 2013, AmRest operated 672 restaurants.

TABLE 9 NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Country	Brand	03-31-2012	6-30-2012	9-30-2012	12-31-2012	03-19-2013
Poland		**258**	**266**	**270**	**280**	**283**
	KFC	150	154	157	163	165
	BK	27	27	28	28	27
	SBX	23	27	29	32	33
	PH	58	58	56	57	58
Czech Republic		**77**	**77**	**79**	**83**	**82**
	KFC	57	57	58	62	61
	BK	7	7	7	7	7
	SBX	13	13	14	14	14
Hungary		**29**	**30**	**32**	**34**	**34**
	KFC	21	21	23	25	25
	SBX	6	7	7	7	7
	PH	2	**2**	**2**	**2**	**2**
Russia		**57**	**61**	**61**	**66**	**66**
	KFC	46	50	51	56	56
	PH	11	11	10	10	10
Bulgaria		**4**	**4**	**4**	**6**	**5**
	KFC	2	2	2	4	4
	BK	2	2	2	2	1
Serbia		**4**	**4**	**4**	**4**	**4**
	KFC	4	4	4	4	4
Croatia		**1**	**2**	**2**	**2**	**3**
	KFC	1	2	2	2	3
USA		**103**	**103**	**102**	**1**	**2**
	TAG — own restaurants				1	2
	AB	103	103	102	0	0
Spain		**156**	**165**	**164**	**168**	**170**
	TAG — own restaurants	39	45	46	47	48
	TAG — franchised units	85	88	86	89	91
	KFC	32	32	32	32	31
France		**2**	**2**	**3**	**5**	**5**
	TAG — own restaurants				1	1
	TAG — franchised units	2	2	3	4	4
Germany					**2**	**3**
	TAG — own restaurants				2	3
China					**12**	**14**
	Blue Frog				10	10
	KABB				1	1
	Stubb's					1
	TAG — own restaurants				1	2
India						**1**
	TAG — own restaurants					1
Total Amrest		**691**	**714**	**721**	**663**	**672**

8.6. Insurance contracts

TABLE 10 INSURANCE CONTRACTS (AS AT THE END OF 2012)

The Insured	Type of security	Insurer
A global property insurance policy for all non-US companies (a local policy referring to the master policy was issued in each country by a VIG Group company or a cooperating company)	Property insurance covering all risks Lost profit insurance covering all risks On-line property insurance policy	TU COMPENSA S.A. Vienna Insurance Group [local policies issued by VIG Group companies (with the exception of Russia), referring to the master policy]
A global third party liability professional insurance policy for all non-US companies (in RUSSIA and in BULGARIA local policies referring to the MASTER POLICY were issued)	Extended third party liability professional and property insurance	TU COMPENSA S.A. Vienna Insurance Group [a local policy issued by a VIG GROUP company in Bulgaria and a policy issued by ACE INSURANCE COMPANY RUSSIA]
Third party liability policy for the companies' directors & officers, for all Group companies (inc. US)	D&O insurance	ALLIANZ Branch in Poland
Property insurance in the USA	Cargo insurance	Essex Insurance
Property insurance in the USA	Flood insurance	Hartford Fire Ins. Co.
Third party liability insurance for the companies' directors & officers in USA	EPLI insurance	Carolina Casualty Insurance Company
Motor insurance in Poland	CASCO, third party liability and accident insurance	PZU S.A.
Property insurance in Serbia	Property insurance	Wiener Stadtische Vienna Insurance Group
Third party liability professional insurance in Serbia	Extended third party liability professional and property insurance	TU COMPENSA S.A. Vienna Insurance Group
Property insurance in the USA	Property insurance in the USA	Steadfast (Zurich) Firemans Fund Sompo Japan
Fiduciary, Fidelity, K&R	CASCO, third party liability and accident insurance	Travelers

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

On 8 February 2012, the Management Board of AmRest Holdings SE ("the Management Board of AmRest") informed that on 1 February 2012 the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, registered changes in:

- the Company's Statue adopted by the Annual General Meeting of Shareholders ("AGM") (RB 32/2011). The Statue was changed accordingly to the resolutions of the AGM. In particular:

  - Resolution No 13 amended § 4 paragraph 1 of the Statue

  - Resolution No 14 amended § 4 paragraph 3 of the Statue

  - Resolution No 15 amended § 4 paragraph 4 of the Statue

- the amount of authorized capital of AmRest. The Management Board of AmRest is authorized to carry out, during a period ending on 1 December 2014, one or more increases in the share capital, by a total amount no greater than EUR 5,000.

On 1 March 2012, the Management Board of AmRest informed with reference to the Credit Agreement ("the Credit Agreement") mentioned in RB 56/2010, about signing on 29 February 2012 the Annexe no 3 to the Agreement introducing an amended version of the Agreement („the Amended Agreement") between AmRest, AmRest Sp. z o.o. ("AmRest Poland") and AmRest s.r.o. ("AmRest the Czech Republic") — jointly „the Borrowers" and Bank Polska Kasa Opieki S.A. ("PEKAO"), RBS Bank Polska S.A. ("RBS Poland"), Royal Bank of Scotland N.V. ("RBS"), Bank Zachodni WBK S.A. ("WBK") and Rabobank Polska S.A. — jointly "the Lenders". AmRest Poland and AmRest the Czech Republic are 100% subsidiaries of AmRest Holdings SE.

Under the Amended Agreement, the Lenders grant to AmRest Poland and AmRest the Czech Republic an additional credit tranche ("Tranche D") in the amount of EUR 50 million. The amount granted within Tranche D is dedicated to finance cost of AmRest's development in the European countries.

Tranche D shall be repaid by 11 October 2015. The credit is provided at the variable interest rate and is available in EUR and PLN. Other terms of the credit granted within Tranche D are consistent with the market conditions. All Borrowers bear joint liability for any obligations resulting from the Amended Agreement.

On 17 April 2012, the Management Board of AmRest announced the signing on 16 April 2012 the agreements on the assignment of receivables and the set-off agreement concluded between AmRest Sp. z o.o. (AmRest Sp. z o.o. is 100 % owned subsidiary of AmRest Holdings SE) and AmRest Capital Zrt. based in Budapest, Hungary, whose sole shareholder is AmRest Sp. z o.o.

The subject of the agreements on the assignment of receivables is the transfer by AmRest Sp. z o.o. to AmRest Capital Zrt. the rights to receivables under borrowing agreements, concluded by AmRest Sp. z o.o. as lender, and which rights AmRest Sp. z o.o. has in relation to the following AmRest capital group entities: AmRest TAG S.L.U., Pastificio Service S.L.U., Restauravia Food S.L.U. and AmRest Holdings SE ("Agreements on the Assignment of Receivables "). The total value of receivables under the Agreements on the Assignment of Receivables is EUR 93,757,569.46.

At the same time, on 16th April 2012 AmRest Sp. z o.o., as the sole shareholder of AmRest Capital Zrt., adopted a resolution in which AmRest Sp. z o.o. committed to increase the reserve capital of AmRest Capital Zrt. by the amount of EUR 93,757,569.46 and EUR 10,000. After the registration of the change of the amount, the share capital of AmRest Capital Zrt amounts to EUR 93,817,569.46.

The subject of the set-off agreement is offsetting the liability of AmRest Capital Zrt. in relation to AmRest Sp. z o.o., i.e. the payment of remuneration specified in the Agreements on the Assignment of Receivables with the liability of AmRest Sp. z o.o. in relation to AmRest Capital Zrt. due to the above-mentioned resolution on the reserve capital increase of AmRest Capital Zrt.

The conclusion of these agreements was related with the improvement of management of cash flows between the companies of the AmRest group.

On 30 April 2012, the Management Board of AmRest informed that the Supervisory Board of the Company adopted resolution on the appointment of PricewaterhouseCoopers Sp. z o.o., with its seat in Warsaw, Al. Armii Ludowej 14, listed on the list of registered auditors under no. 144, to conduct audit of the stand-alone and consolidated financial statements of the Company and AmRest Holdings SE capital group for 2012, 2013 and 2014.

The abovementioned entity conducted audit of AmRest's financial statements in 2006–2011 period.

On 7 June 2012, the Management of AmRest informed of signing an agreement for the purchase and sale of assets ("the Agreement") by and between AmRest, LLC ("the Seller"), a 100% subsidiary of AmRest, and Apple American Group II, LLC ("the Buyer"), and AmRest. The parties' intention was to finalize the transaction by 24 September 2012 ("Finalisation").

As a result of the Agreement, 98 out of 102 Applebee's restaurants managed by the Seller ("the Restaurants") were to be sold for USD 100 million ("the Selling Price"). This amount is 6.5 times ("the Multiplier") of the EBITDA generated by the sold restaurants over the 12 months ended 29 April 2012 assessed at USD 15.1 million, plus the estimated amount of inventories of USD 1.9 million. Under the Agreement three out of four restaurants excluded from the Agreement were to continue to be operated by the Seller and one restaurant was to be closed.

The parties agreed that should the EBITDA generated by the Restaurants be lower than USD 14.8 or higher than USD 15.1 million, the Selling Price would be appropriately adjusted by the difference of the product of EBITDA and the Multiplier increased by the value of the inventories and the Selling Price.

The finalisation of the agreement depended on meeting additional conditions, and specifically on the consent of the Company's Supervisory Board, the consent of Applebee's International, the consent of the American Anti-Trust Institute, the consent of the banks with which AmRest has concluded a loan agreement and the consents required under the lease agreements to which the Seller is party. AmRest acquired the Restaurants as a result of purchase agreements ("the Investment") of shares in Grove Ownership Holding, LLC by AmRest for USD 62.7 million. The Company expected that the internal rate of return (IRR) on the investment will amount to 20%.

On 10 July 2012 based on an annexe to the Loan Agreement and Waiver Letter, AmRest received a chargeable approval from the banks under the Loan Agreement, for the sale of Applebee's brand restaurants to Apple American Group (Note 6 of the Consolidated Semiannual Financial Statements for 2012). The approval was conditioned to amending the shareholders agreement signed with AmRest TAG S.L. by removing put option by 31 December 2012.

On 10 August 2012, an annexe to the agreement for the sale of Applebee's brand assets was signed, increasing the number of Applebee's brand restaurants to 99 from 98 (out of 102 restaurants managed by the Group).

On 11 October 2012, the Management Board of AmRest informed about the Finalisation on 10 October 2012 of the sale of substantially all of the operating assets of AmRest LLC to Apple American Group II, LLC. On the Finalisation date, Seller transferred to Buyer the operating assets of 97 Applebee's restaurants. In addition to three restaurants initially excluded from the transaction, the transfer of two other restaurants was delayed pursuant to the provisions of the Agreement for the Purchase and Sale of Assets, dated 7 June 2012, as amended (the "Purchase Agreement"), pending receipt of landlords' consents for the assignment of the underlying leases to Buyer.

The consideration received by the Seller for the transferred Restaurants amounted to USD 91.6 million inclusive of inventory value, assumed liabilities, proration of expenses, and price adjustments pursuant to the Sale

Agreement. An additional purchase price of USD 3.2 million was payable by the Buyer to the Seller upon the transfer of the two delayed restaurants.[2]

In accordance with the Sale Agreement, the Company acting as a guarantor deposited USD 4 million at the Finalisation into an escrow account as security for potential future claims of the Buyer. The escrow funds balance will be released to the Company 24 months after the date of Finalisation.

All conditions precedent and approvals required under the Sale Agreement with respect to the transferred Restaurants, including in particular receipt of consents of the franchisee, landlords and the Supervisory Board of the Company, were fulfilled and satisfied.

On 18 September 2012, the Management Board of AmRest informed about signing on 18 September 2012 a distribution agreement ("the Distribution Agreement") between AmRest's subsidiaries — AmRest s.r.o., AmRest Coffee s.r.o. ("the Subsidiaries") and Quick Service Logistics Czech s.r.o. ("QSL"). Under the Distribution Agreement QSL is responsible for purchasing, warehousing and sale of products for the restaurants operated by the Subsidiaries in the Czech Republic. Estimated value of the contract is CZK 2 billion, which is equivalent of approx. PLN 335 million. The Distribution Agreement has been signed for a period of five years.

The Distribution Agreement has been considered as significant because of its value which exceeds 10% of AmRest equity as at 30 June 2012.

On 17 November 2012, with regards to RB 7/2011 of 11th February 2011, the Management Board of AmRest informed about signing on 16 November 2012 an annexe to the agreement between the shareholders of AmRest TAG S.L. The annexe extended to 9 months the period when minority shareholders of AmRest TAG S.L. ("the Shareholders") have the right to exercise put option and sell their shares in case when AmRest stock price drops below PLN 65.

The signing of the annexe resulted from ongoing discussions with the Shareholders to change the mechanism of the option to purchase and sale of minority stake in AmRest TAG S.L.

On 21 February 2013, the Management Board of AmRest Holdings SE informed about signing on 20 February 2013 another annexe to the agreement between the shareholders of AmRest TAG S.L. The annexe extended from 9 to 11 months the period when minority shareholders of AmRest TAG S.L. ("the Minority Shareholders") have the right to exercise put option and sell their shares in case when AmRest stock price drops below PLN 65. The details of the mechanism of exercising options by the Minority Shareholders can be found in the Company's Consolidated Financial Statements for 2012.

The signing of the annexe resulted from ongoing discussions with the Minority Shareholders to change the mechanism of the option to purchase and sale of minority stake in AmRest TAG S.L.

On 24 November 2012, the Management Board of AmRest informed about the transfer of ownership of 76.27% stake in AmRest TAG S.L. on 23 November 2012 ("AmRest TAG Shares") to AmRest Sp. z o.o. ("AmRest PL"), a 100% subsidiary of AmRest.

On 23 November 2012, AmRest TAG Shares were transferred as an in-kind contribution by AmRest to AmRest Finance Zrt. with its seat in Budapest, Hungary ("AmRest Finance"), an entity fully controlled by AmRest PL, in exchange for taking up 11,683 new shares in AmRest Finance with the nominal value and issue price of PLN 45,000 per share and the total value of PLN 525,735,000.

Subsequently, on the same day, AmRest Finance sold AmRest TAG Shares to AmRest PL for the price of PLN 525,735,000. At the same time, AmRest Finance granted AmRest PL a borrowing in the amount of PLN

[2] The delayed restaurants were transferred to the Buyer on 30 October 2012.

525,735,000, payable until 23 November 2017. The liability due to the transfer of the funds under the aforementioned borrowing was set-off against a payment of the purchase price for AmRest TAG Shares.

The conclusion of these agreements is associated with improvement in cash flow management in the AmRest group.

On 13 December 2012, the Management Board of AmRest informed that it had been informed about the transfer of ownership interest in AmRest, LLC, a company organized under the laws of the State of Delaware, USA ("AmRest US") to AmRest Services Sp. z o.o. Spółka Komandytowo-akcyjna with its seat in Wrocław ("AmRest SKA"), fully controlled by AmRest.

AmRest Sp. z o.o. with its seat in Wrocław ("AmRest PL"), a 100 % subsidiary of AmRest, has contributed its ownership interest in AmRest US as an in-kind contribution to AmRest SKA, in exchange for subscribing 375 new shares with a nominal value of PLN 100 per share and issue price of PLN 591,362.66 per share, and the total issue price of PLN 221,760,997.50.

At the same time, the Management Board of AmRest announced that on 13 December 2012, AmRest SKA and AmRest PL concluded a borrowing agreement for the amount of PLN 220,211,427.00, payable until 31 December 2013 ("the Borrowing Agreement").

The transfer of AmRest US ownership interest and the Borrowing Agreement were related to improvements in cash flow management in the AmRest group.

On 14 December 2012, the Management Board of AmRest Holdings SE informed about signing on that day an Agreement for Purchase of Shares ("the Purchase Agreement") between AmRest and Wintrust New Zealand, Blue Horizon Hospitality Group LTD, Macau Jiu Jia Partners LP, Ms Coralie Danks and Mr Robert Boyce ("the Sellers"). The subject matter of the agreement was the acquisition by AmRest of 51% of shares in Blue Horizon Hospitality Group PTE ("Blue Horizon") for the selling price of approx. USD 20 million. The remaining shares (49%) remained the property of the Sellers.

Blue Horizon owns casual dining brands: Blue Frog and KABB. Currently the Company operates 11 restaurants in China (Shanghai, Beijing and Nanjing) — 10 Blue Frog and 1 KABB. The expected normalized revenue and EBITDA of Blue Horizon in 2012 were to amount to USD 33.4 million and USD 4.6 million respectively.

Both Parties intended to close the transaction by 31 December 2012 ("the Finalisation"). The finalisation of the agreement was contingent upon number of conditions, such as: consents of the banks with which AmRest has concluded a loan agreement and the consents required under the lease agreements and due diligence results being satisfying to AmRest.

Blue Horizon has significant growth potential in the Chinese market. In addition, an experienced management team of the Company will assist in accelerated expansion of La Tagliatella brand. AmRest expects that the acquisition of Blue Horizon will have positive impact on margins generated by AmRest and contribute to the increase in added value for shareholders.

On 21 December 2012, the Management Board of AmRest Holding SE informed about the Finalisation on 21 December 2012 of the Purchase Agreement. As a result of the Finalisation AmRest acquired 51% of Blue Horizon Hospitality Group PTE shares for the selling price of USD 20 million. The remaining shares (49%) remained the property of the Sellers.

All conditions precedent and approvals required under the Purchase Agreement including in particular consents of the banks with which AmRest has concluded a loan agreement and the consents required under the lease agreements and due diligence results being satisfying to AmRest were fulfilled.

On 15 December 2012, the Management Board of AmRest Holdings SE informed about signing on 14 December 2012 an annexe dated 20 September 2012 ("the Annexe") to a distribution agreement ("the

Agreement”) concluded on 2 April 2003 between AmRest’s subsidiary – AmRest Sp. z o.o. (“the Company”) and Eurocash SA (“Eurocash”).

Under the Agreement, Eurocash is responsible for purchasing, warehousing and sale of products for the restaurants operated by the Company.

Pursuant to the Annexe the Agreement was extended for 1 year and might be extended for another year.

The estimated value of the contract is PLN 250 million.

The Annex has been considered as significant because of its value which exceeds 10% of AmRest equity as at 30 September 2012.

On 19 December 2012, the Management Board of AmRest Holdings SE informed about signing on 18 December 2012 a supply agreement dated 7 December 2012 (“the Agreement”) between AmRest’s subsidiary — AmRest Sp. z o.o. (“the Company”) and Pepsi-Cola General Bottlers Poland Sp. z o.o.

The Agreement concerned the purchase and sale of soft drinks, water and juices by KFC, Pizza Hut and Burger King restaurants operated by the Company in Poland as well as cooperation in the field of marketing and promotion.

The estimated value of the contract is PLN 105 million. The Agreement has been signed for a period of five years (1 January 2013–31 December 2017). The Agreement has been considered as significant because of its value which exceeds 10% of AmRest equity as of 30 September 2012.

9. AmRest Holdings SE Group in 2012

9.1. Planned investment activities and assessment of their feasibility

AmRest will continue its expansion through an organic growth in the Central and Eastern European market. Additionally, in accordance with its previous announcements, the Company will conduct tests of restaurants of its own brand, La Tagliatella, on 4 new markets — USA, China, India and Germany. Depending on the test results, a decision will be taken to accelerate the expansion on the aforementioned markets. In the opinion of the Management Board of AmRest, the unique business model of the La Tagliatella brand makes it a perfect platform for global growth. Using the potential of the La Tagliatella brand, the Issuer plans to develop on the global markets over the next few years, especially on the large emerging markets.

Additionally, the Company monitors the mergers and acquisitions market for potential acquisition opportunities.

The objective of AmRest in the Central and Eastern Europe is to continue the development of the best brand of the AmRest Group, namely KFC, by opening new restaurants and increasing sales in the existing ones. The Burger King and Starbucks brands will also be developed. The Company is able to finance its development in 2013 using its internal cash flows and debt financing.

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

The cost of opening a new AmRest restaurant in Europe differs by location and the type of restaurant and amounts to PLN 2.7 million Moreover, the Company plans to continue the program of modernization of existing restaurants — throughout 2013 the AmRest Group plans to allocate approx. PLN 50 million to this objective. A considerable part of the renovations budget will be consumed by modernizations in Poland.

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

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

Listed below are the factors that, in the opinion of the Management Board, had a significant effect on the Company's future development and results.

9.2.1. External factors

The external factors include:

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- trends as to the number of people using the restaurants,
- number and location of the competitors' restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- changes in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Spain, France, Germany, China, India and the United States,
- changes in consumer trust, the amount of disposable income and individual spending patterns,

- changes in legal and tax determinants,
- adverse changes on the financial markets.

9.2.2. Internal factors

The internal factors include:

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

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

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

10.1. Factors remaining outside the Company's control

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

10.2. Dependency on the franchisor

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

The duration of the franchising agreements related to the KFC, Pizza Hut and Burger King brands is 10 years. AmRest has the option of extending this period for the next 10 years provided that it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuation fee.

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

10.3. Dependency on joint venture partners

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

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

10.4. No exclusive rights

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

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

10.5. Rental agreements and continuation options

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

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

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

10.6. Risk related to the consumption of food products

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

10.7. Risk related to keeping key personnel in the Company

The Issuer's success depends to some extent on the individual effort of selected employees and key members of management. The methods of remunerating and managing human resources developed by the Issuer help ensure a low rotation of the key personnel. Additionally, the career planning system supports preparing successors ready to execute tasks in key positions. The Issuer believes it will be able to replace its key personnel.

Regardless of that, their loss may have a short-term adverse effect on the business activities and operating results of the Issuer.

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

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

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

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

10.10. Risk related to developing new brands

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

10.11. Risk related to opening restaurants in new countries

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

10.12. Currency risk

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

10.13. Risk of increased financial costs

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

10.14. Risk of economic slowdowns

Economic slowdown in the countries where AmRest runs its restaurants may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

10.15. Risk related to seasonality of sales

The seasonality of sales and inventories of AmRest is not significant, which is typical for the restaurant industry. On the European market restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants.

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

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

11. The Company's development trends and strategy

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

In the next few years, the Company plans to maintain the organic rate of development because, in the Opinion of the Management Board, the potential of the market on which it operates is many times higher than the portfolio of restaurants it currently owns. The Issuer will implement its strategy in Europe by the development of the existing brands and new acquisitions in the region. The planned growth and the increase in the number of newly-opened restaurants will cause short-term pressure on the net profit margin related to increased financial costs (expenditure related to settlement of debt) and increased one-off costs related to opening of new restaurants.

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

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

12. Management representations

12.1. Correctness and fairness of the presented financial statements

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

12.2. Selection of the registered audit company

The entity authorized to audit the financial statements, PricewaterhouseCoopers Sp. z o.o., which carried out the annual audit of the annual financial statements of the AmRest Group has been selected in compliance with the provisions of the law. Both the entity and auditors conducting the audit met the requirements necessary to enable them to issue an unbiased and independent audit opinion, in accordance with the relevant laws. The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on 6 June 2012.

TABLE 11 REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

	For the period	
PLN '000	**from 01.01.2012 to 31.12.2012**	**from 01.01.2011 to 31.12.2011**
PricewaterhouseCoopers Sp. z o.o.	**106**	**264**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	60	80
- review of financial statements	46	60
Other contracts	-	124
Other companies from the PricewaterhouseCoopers group	**-**	**170**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	-	170
- tax advisory services	-	-
- other services	-	-

Wrocław, 19 March 2013

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member