AmRest Holdings SE

Consolidated annual financial statements as at and for the twelve months ended December 31, 2010

AmRest Holdings SE

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Drew O'Malley	Mark Chandler	Piotr Boliński
AmRest Holdings SE	AmRest Holdings SE	AmRest Holdings SE
Board Member	Board Member	Board Member

Wrocław, March 21, 2011

Consolidated annual income statement
for the 12 months ended December 31, 2010

In PLN thousands	Note	2010	2009
Continuing operations			
Restaurant sales	2	2 011 448	2 000 490
Restaurant expenses:	3		
Costs of food		(636 417)	(632 248)
Direct marketing costs		(98 008)	(93 179)
Direct depreciation and amortization expenses		(94 546)	(80 716)
Payroll and employee benefits		(514 513)	(510 345)
Continuing franchise fees		(106 723)	(106 301)
Occupancy and other operating expenses		(390 760)	(391 382)
Total restaurant expenses		(1 840 967)	(1 814 171)
Gross profit on sales		**170 481**	**186 319**
General and administrative expenses (G&A) without depreciation and amortization	3	(108 020)	(107 635)
Depreciation and amortization expenses (G&A)	3	(9 170)	(7 609)
Other operating income	4	25 840	25 115
Loss on disposal of property, plant and equipment and intangibles and asset held for sale	9	(6 342)	(7 103)
Impairment losses	3	(4 127)	(9 263)
Operating profit		68 662	79 824
Finance costs	2,6	(37 098)	(32 421)
Finance income	2,5	19 348	17 010
Share of profit of associates	2,32	47	53
Loss on sale of associates	32	-	(3 055)
Profit before tax	7	50 959	61 411
Income tax expense	2,7	(7 344)	(9 951)
Profit for the period from continuing operations		**43 615**	**51 460**
Discontinued operations			
Loss from discontinued operations	8	(3 619)	(12 886)
Profit for the period		39 996	38 574
Profit/ (loss) attributable to:			
Non controlling interests		(602)	342
Equity holders of the parent		**40 598**	**38 232**
Profit for the period		39 996	38 574
Basic earnings per share in Polish zloty	30	2.41	2.69
Diluted earnings per share in Polish zloty	30	1.91	2.69
Continued operations			
Basic earnings per share in Polish zloty	30	2.63	3.60
Diluted earnings per share in Polish zloty	30	2.08	3.60
Discontinued operations			
Basic (loss) per share in Polish zloty	30	(0.21)	(0.91)
Diluted (loss) per share in Polish zloty	30	(0.17)	(0.91)

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

Consolidated annual comprehensive income statement for the 12 months ended December 31, 2010

In PLN thousands	**2010**	**2009**
Profit for the period	39 996	38 574
Other comprehensive income:		
Currency translation differences from conversion of foreign Entities	5 041	(25 467)
Cash flow hedges	-	(9 254)
Net Investment hedges	3 096	-
Income tax concerning other position	(588)	1 758
Other comprehensive income/(loss) for the period, net of tax	7 549	(32 963)
Total comprehensive income for the period	47 545	5 611
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	48 147	4 301
Non controlling interests	(602)	1 310

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

Consolidated annual statement of financial position as at December 31, 2010

In PLN thousands

	Note	2010	2009
Assets			
Property, plant and equipment	9	631 833	538 650
Goodwill	12	293 347	285 214
Other intangible assets	11	58 253	45 756
Investment properties	10	21 317	-
Investments in associates	32	129	172
Finance lease receivables	16	458	715
Other non-current assets	13	18 212	23 332
Other financial assets available for sale	19	-	3 514
Deferred tax assets	7	10 562	14 671
Total non-current assets		1 034 111	912 024
Inventories	14	20 886	21 051
Trade and other receivables	15	45 007	33 484
Corporate income tax receivables	7	4 898	6 638
Finance lease receivables	16	150	119
Other current assets	17	12 632	15 197
Assets available for sale	8	1 405	3 434
Other financial assets	19	4 752	-
Cash and cash equivalents	18	245 118	159 148
Total current assets		334 848	239 071
Total assets		**1 368 959**	**1 151 095**
Equity			
Share capital		623	427
Reserves		595 451	282 481
Retained earnings		97 209	56 611
Translation reserve		38 216	33 175
Equity attributable to shareholders of the parent	20	731 499	372 694
Non-controlling interests		14 531	10 197
Total equity	20	746 030	382 891
Liabilities			
Interest-bearing loans and borrowings	21	370 057	112 512
Finance lease liabilities	27	3 407	3 408
Employee benefit liability	23	2 746	2 580
Provisions	24	5 482	8 980
Deferred tax liability	7	9 447	13 030
Other non-current liabilities	25	401	2 002
Total non-current liabilities		391 540	142 512
Interest-bearing loans and borrowings	21	13 224	424 526
Finance lease liabilities	27	237	516
Trade and other accounts payable	26	215 975	200 646
Corporate income tax liabilities	7	1 909	4
Other financial liabilities	22	44	-
Total current liabilities		231 389	625 692
Total liabilities	2	622 929	768 204
Total equity and liabilities		**1 368 959**	**1 151 095**

The consolidated balance sheet has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements

Consolidated annual cash flow statement
for the 12 months ended December 31, 2010

In PLN thousands	Note	2010	2009
Cash flows from operating activities			
Profit before tax from continued operations		50 959	61 411
Loss before tax from discontinued operations	8	(3 619)	(12 886)
Adjustments for:			
Share of profit of associates	32	(47)	(53)
Loss on sale of shares in associates	32	-	3 055
Result on sold own shares		-	(5)
Non controlling interests		(602)	342
Amortization	11	7 185	5 514
Depreciation	9	96 531	82 811
Valuation of put option	5	-	(16 446)
Interest expense, net	5,6	24 292	29 523
Foreign exchange result	5,6	(9 524)	843
Loss on disposal of property, plant and equipment and intangibles	9	6 370	7 103
Impairment of assets	9,11	8 033	8 272
Impairment of assets available for sale	8	2 259	-
Equity-settled share-based payments expenses	23	3 440	2 816
Income on sale of non financial assets available for sale		(28)	-
Working capital changes:			
Change in receivables		(10 386)	(4 330)
Change in inventories		424	(748)
Change in other assets		6 716	31 797
Change in payables and other liabilities		7 395	18 344
Change in other provisions and employee benefits		166	1 034
Income tax paid		(3 387)	(12 166)
Interest paid	5,6	(24 208)	(29 523)
Other		6 180	(42 314)
Net cash provided by operating activities		168 149	134 394
Cash flows from investing activities			
Proceeds from settlement on subsidiaries acquired	2	2 700	27 562
Proceeds from the sale of associates		-	30 465
Proceeds from transactions with non-controlling interests		5 635	2 859
Proceeds from the sale of property, plant and equipment, and intangible assets	9	1 337	884
Acquisition of property, plant and equipment	9	(200 631)	(147 761)
Acquisition of intangible assets	11	(19 868)	(10 161)
Acquisition of investment properties		(21 317)	-
Proceeds from sales of assets available for sale		562	-
Proceeds from repayment of loans given to other entities		78	-
Expense on loans given to other entities		(763)	-
Acquisition of assets available for sale		(764)	87
Net cash used in investing activities		(233 031)	(96 065)
Cash flows from financing activities			
Proceeds from shares issued		306 505	-
Proceeds from share issuance (SOP employees options)		713	-
Proceeds from issuance of debt securities		39 749	109 285
Proceeds from sale of own shares		-	1 113

Payments for repayment of shares from non controlling interests	-	(10 124)
Proceeds from loans and borrowings	230 809	42 000
Repayment of loans and borrowings	(426 949)	(46 672)
Redemption of debt securities issued	-	(10 000)
Dividends paid to non-controlling interest owners	(699)	-
Dividends received from affiliates	90	-
Proceeds/repayment of finance lease payables	(280)	(697)
Proceeds/repayment of finance lease receivables	226	(834)
Net cash provided by/(used in) financing activities	150 164	84 071
Net change in cash and cash equivalents	85 970	121 565
Balance sheet change of cash and cash equivalents	85 282	122 400
Cash and cash equivalents, beginning of period	159 148	37 583
Effect of foreign exchange rate movements	688	(835)
Cash and cash equivalents, end of period	245 118	159 148

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

AmRest Holdings SE

Statement of annual changes in consolidated equity for the 12 months ended December 31, 2010

	Attributable to equity holders						
	Issued capital	Reserves	Retained Earnings	Cumulative translation adjustments	**Total equity attributable to equity holders of the parent**	Non-controlling interest	**Total Equity**
As at 31.12.2008	545	307 633	22 016	24 730	**354 924**	17 386	**372 310**
Functional currency revaluation	(118)	(31 125)	(3 637)	(34 880)	**-**	-	**-**
As at 01.01.2009	427	276 508	18 379	59 610	**354 924**	17 386	**372 310**
COMPREHENSIVE INCOME							
Income for the period	-	-	38 232	-	**38 232**	342	**38 574**
Currency translation differences	-	-		(26 435)	**(26 435)**	968	**(25 467)**
Impact of cash flow hedging	-	(9 254)	-	-	**(9 254)**	-	**(9 254)**
Deferred income tax concerning cash flow hedges	-	1 758	-	-	**1 758**	-	**1 758**
Total Comprehensive Income	**-**	**(7 496)**	**38 232**	**(26 435)**	**4 301**	**1 310**	**5 611**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non controlling interests	-	-	-	-	**-**	2 251	**2 251**
Purchase of non controlling interests - US	-	10 750	-	-	**10 750**	(10 750)	**-**
Total with non-controlling shareholders	**-**	**10 750**	**-**	**-**	**10 750**	**(8 499)**	**2 251**
TRANSACTION WITH SHAREHOLDERS							
Employees share option scheme – value of employee services	-	2 816	-	-	**2 816**	-	**2 816**
Employees share option scheme – value realized options	-	(97)	-	-	**(97)**	-	**(97)**
Total transaction with shareholders	**-**	**2 719**	**-**	**-**	**2 719**	**-**	**2 719**
As at 31.12.2009	427	282 481	56 611	33 175	**372 694**	10 197	**382 891**
As at 01.01.2010	427	282 481	56 611	33 175	**372 694**	10 197	**382 891**
COMPREHENSIVE INCOME							
Income for the period	-	-	40 598	-	**40 598**	(602)	**39 996**
Currency translation differences (Note 2, 20)	-	-	-	5 041	**5 041**	-	**5 041**
Impact of net investment hedging	-	3 096	-	-	**3 096**	-	**3 096**
Deferred income tax concerning net investment hedges	-	(588)	-	-	**(588)**	-	**(588)**
Total Comprehensive Income	**-**	**2 508**	**40 598**	**5 041**	**48 147**	**(602)**	**47 545**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non controlling interests	-	-	-	-	**-**	5 635	**5 635**
Dividends paid to non-controlling shareholders	-	-	-	-	**-**	(699)	**(699)**
Total with non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**4 936**	**4 936**
TRANSACTION WITH SHAREHOLDERS							
Share issue	196	306 309	-	-	**306 505**	-	**306 505**
Employees share option scheme – value of employee services	-	3 440	-	-	**3 440**	-	**3 440**
Employees share option scheme – value realized options	-	713	-	-	**713**	-	**713**
Total transaction with shareholders	**196**	**310 462**	**-**	**-**	**310 658**	**-**	**310 658**
As at 31.12.2010	623	595 451	97 209	38 216	**731 499**	14 531	**746 030**

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

1 Information on the Group and significant accounting policies

(a) General information

AmRest Holdings SE ("the Company") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to AmRest Holdings SE. On December 22, 2008, the District Court for Wrocław-Fabryczna in Wrocław, 6th Business Department registered the new registered office of AmRest in the National Court Register. The address of the Company's new registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland.

The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

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

Hereafter, the Company and its subsidiaries shall be referred to as "the Group".

The Group's consolidated financial statements for the 12-month period ended 31 December 2010 cover the Company, its subsidiaries and the Group's shares in associates. Amrest, LLC entities are preparing financial statements for the period of twelve months ending December 26, 2010.

These consolidated financial statements were approved by the Company's Management Board on March 21, 2011.

The Group's core activity is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria, on the basis of franchises granted, and Applebee's® in the USA.

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

Before April 27, 2005, the Company's co-shareholders and entities exercising their rights from the shares held in the Company were International Restaurants Investments, LLC ("IRI") with its registered office in the United States of America, and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") with its registered office in the Netherlands. The co-shareholders held 50% shares each and had the same proportion of voting rights before the Company was first quoted on the stock exchange.

IRI was a company controlled by American Retail Concepts, Inc. with its registered office in the United States of America ("ARC"), and KFC BV was a company controlled by YUM! Brands, Inc. ("YUM!") with its registered office in the USA.

In connection with the flotation of the Company on GPW, YUM! sold all its shares in the Company and is no more a shareholder or a related entity. Also when the Company was floated on GPW, IRI sold part of the shares held.

As at December 31, 2010, WP Holdings VII B.V. was the largest shareholder of AmRest and held 24.96% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this quarterly report, that is March 21st 2011, the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE ("AmRest"):

Shareholders	Number of shares	% of shares	Number of votes at the General Shareholders' Meeting	% of votes
WP Holdings VII B.V.	4 726 263	24,96%	4 726 263	24,96%
ING Otwarty Fundusz Emerytalny	3 633 013	19,19%	3 633 013	19,19%
BZ WBK AIB Asset Management S.A.*	3 208 613	16,95%	3 208 613	16,95%
Aviva Otwarty Fundusz Emerytalny	1 407 069	7,43%	1 407 069	7,43%
Henry McGovern**	1 360 110	7,18%	1 360 110	7,18%

* BZ WBK AIB AM manages assets which include the funds of BZ WBK AIB TFI
** shares owned directly by Henry McGovern and through the companies wholly owned by him, i.e. IRI and MPI

Pizza Hut and KFC restaurants operate on the basis of franchise agreements signed with YUM! and YUM! Restaurants International Switzerland, Sarl ("YRIS") which is a subsidiary of YUM! Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements.

Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. The franchise agreements are concluded separately by each restaurant upon its being opened. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. The franchise agreements, for restaurants opened between March 01, 2009 and June 30, 2010 and after this period was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

The Group will open and operate Burger King restaurants according to a precisely specified development plan which stipulates a minimum number of openings in each development year, in accordance with the definition in the Development Plan.

On March 8, 2007, the Company signed a "Development Agreement" with Burger King Europe GmbH ("BKE"), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland.

The main terms and conditions of the signed "Development Agreement" are as follows:

- During the first two years after opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.5% of the monthly sales of all Burger King restaurants operated by the Group. During the third year of opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.0% of the monthly sales of all Burger King restaurants operated by the Group.
- During the first five years, the preliminary fee paid by the Group in respect of franchise agreements concluded for each Burger King restaurant for a period of 10 years will amount to USD 25,000 (should the Group extend the franchise period for a further 10 years, the fee for renewing the franchise will amount to another USD 25,000). Upon opening each consecutive Burger King restaurant exceeding the number of restaurants specified in the development plan, the preliminary fee will be reduced by 50%.

- The Group will open and operate Burger King restaurants according to a precisely specified development plan which stipulates the minimum number of openings in each development year, in accordance with the definition contained in the Development Plan.

As at August 10, 2010 between BKE, AmRest sp. z o.o., AmRest BK s.r.o. and Company was signed "Strategic Development Agreement" partially amending "Development Agreement" and franchise agreement signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, accordingly, in Poland and Czech Republic.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech Republic. In this agreement were agreed amounts of new Burger King restaurants, that AmRest Sp. z o.o. in Poland and AmRest BK s.r.o. in Czech Republic is obliged to open in agreed timeframe. In this agreement were also agreed rules of modification in agreed chain development schedules for given year. It was also established in agreement that if AmRest Sp. z o.o. or AmRest BK s.r.o. will not fulfill their obligations from development agreements concerning amount of new openings, each side of agreement (developer and BKE) will have right to cancel development agreement according to rules described in development agreement.

Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in period from March 1, 2009 till June 30, 2010, and also for newly opened restaurants in Poland was extended from 10 to 20 years since date of restaurant opening, however without option of prolongation for next 10 years, what was provided in original development agreement with AmRest sp. z o.o. In relation to restaurants opened in Poland in the period from March 1, 2009 to June 30, 2010 and in relation to restaurants opened in after this period (for franchise agreements for 20 years) was increased also amount of initial franchise payment from 25.000 USD to 50.000 USD.

According to „Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest BK s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest BK s.r.o.

Agreement was signed for agreed period of time till June 30, 2015 with qualification, that period of agreement effectiveness will be extended till end of development agreement validity period for AmRest sp. z o.o. and AmRest BK s.r.o.

As at December 31, 2010, the Group had 27 open Burger King restaurants.

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. ("Starbucks") relating to the development of Starbucks cafés in Poland, the Czech Republic and Hungary. The agreement covers a period to May 31, 2022 and provides for an option to extend it for another 5 years, after specific terms and conditions have been met.

The Parties established three separate companies in each of the 3 countries: Poland, the Czech Republic and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. The Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some of the institutional locations.

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. In the third and fourth year after establishing the companies, if the Group does not meet the commitments relating to opening and operating a minimum number of Starbucks cafés in Poland, the Czech Republic and Hungary, Starbucks will be entitled to increase its share in the companies by purchasing additional shares (maximum up to 50%). In the fifth and ninth year Starbucks will have an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company's Management assessment as at the day of this financial statement issuance, there are no material indicators making mentioned above options realizable.

The Group will be obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or 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 July 9, 2008, AmRest LLC ("AmRest USA") purchased 80% of shares in Apple Grove Holdings LLC ("AGH"), a limited liability company with its registered office in Delaware, USA from Grove Ownership Holding LLC ("the Seller"), a limited liability company with its registered office in Georgia, USA.

The above transaction allowed the Group to enter the American restaurant market by acquiring 104 Applebee's® restaurants. AppleGrove Holdings LLC has a signed franchise agreement with Applebee's Franchising LLC. The preliminary fee paid by the Group in respect of signing the franchise agreement for each Applebee's® restaurant for a period of 20 years, with the option of extending it for a further 10 years, is USD 35,000.

As at December 31, 2010, the Group comprised the following subsidiaries:

Company name	Address and country of the registered office	Main area of operation	Name of direct parent entity and other share owners	Share in capital and total voting rights	Date of taking up control
AmRest Sp. z o.o.	Wrocław, Poland	Operating restaurants in Poland	AmRest Holdings SE	100.00 %	December 2000
AmRest s.r.o.	Prague, Czech Republic	Operating restaurants in the Czech Republic	AmRest Holdings SE	100.00 %	December 2000
AmRest BK s.r.o.	Prague, Czech Republic	Operating Burger King restaurants in Czech Republic	AmRest Holdings SE	100.00%	December 2009
AmRest Kft	Budapest, Hungary	Operating restaurants in Hungary	AmRest Sp. z o.o.	100.00 %	June 2006
American Ukraina t.o.w.	Kiev, the Ukraine	No current operations	AmRest Sp. z o.o.	100.00 %	December 2005
AmRest Coffee Sp. z .o.o.	Wrocław, Poland	Established to operate Starbucks stores in Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00% 18.00%	March 2007
Bécsi út.13. Kft	Budapest, Hungary	Owner of the building where the office area is located	AmRest Kft	100.00 %	April 2007
AmRest EOOD	Sofia, Bulgaria	Operating restaurants in Bulgaria	AmRest Sp. z o.o.	100.00 %	April 2007
AmRest Coffee s.r.o.	Prague, Czech Republic	Established to operate Starbucks stores in the Czech Republic	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00% 18.00%	August 2007
AmRest Acquisition Subsidiary Inc.	Wilmington USA	Holding activities	AmRest Holdings SE	100.00 %	May 2007
OOO AmRest	Petersburg, Russia	Operating restaurants in Russia	AmRest Acquisition Subsidiary Inc.	1.56 % 98.44%	July 2007

			AmRest Sp. z o.o.		
OOO KFC Nord*	Moscow, Russia	No current operations	OOO AmRest	100 00%	July 2007
AmRest Kávézó Kft	Budapest, Hungary	Established to operate Starbucks stores in Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00% 18.00%	August 2007
AmRest D.O.O.	Belgrade, Serbia	Operating restaurants in Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00 % 40.00%	October 2007
AmRest LLC	Wilmington USA	Established to operate Starbucks stores in USA	AmRest Sp. z o.o.	100.00 %	July 2008
SCM Sp. z o.o.	Chotomów, Poland	Delivery services for restaurants provided to the Group	AmRest Sp. z o.o. Zbigniew Cylny Beata Szafarczyk-Cylny	51.00% 44.00% 5.00%	October 2008

- as at January 11, 2010 Group has finished liquidation process of Company OOO KFC Nord.

On April 27, 2010 has finished liquidation process of Company International Fast Food Polska Sp. z o.o. and has been removed from court registers.

On August 05, 2010 has liquidated OOO Sistema Bistrogo Pitania and has been removed from court registers.

On December 01, 2010 took place a merger of AmRest BK s.r.o. and Pizza Hut s.r.o.

As at December 31, 2010, the Group posses the following associated entities included in the financial statements under the equity method:

Company name	Address and country of the registered office	Main area of operation	Name of Parent Company	Share in capital and total voting rights	Date of purchase
SCM s.r.o.	Prague, Czech Republic	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007

The Group's offices are in Wrocław, Poland. At December 31 ,2010, the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia and the USA.

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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union for annual financial reporting, in force as at December 31, 2010. As at December 31, 2010, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above. The accounting policies which have been applied in the preparation of the annual consolidated financial statements comply with those used in preparing the annual consolidated financial statements for the year ended December 31 2009, with the exception of the new standards binding as of 1 January 2010.

<u>Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group</u>

In this consolidated financial statements Group has not decided for early adoption of following standards and interpretations that are not yet effective:

- Amendments to IAS 32 „Classification of rights issues " – amendments to IAs 32 "Classification of rights issues" were issued by IASB on October 8, 2009 and are valid for annual periods starting from February 1, 2010 or later. Amendments concern accounting for emission rights (rights issues, options, warrants) denominated in currency other then functional currency of issuer. Amendments require, to, fulfilling certain requirements, qualify rights issues as own equity despite, which currency is used for price of right realization. Group will apply amendment to IAS 32 on January 1, 2011. Amendments do not retrospectively influence financial statements
- Amendments to IAS 24 „Related party disclosures" - Amendments to IAS 24 „Related party disclosures" were published by IASB at November 4, 2009 and are valid for annual periods starting from January 1,2011 or later. Amendments implements simplification regarding the disclosure of information by entities related to governmental institutions and specifies definition of related party. Group applies amendments of IAS 24 according to transitional regulations. Group will apply amendment to IAS 32 on January 1, 2011. Amendments do not retrospectively influence financial statements
- IFRS 9 „Financial Instruments Part 1: classification and measurement" – IFRS 9 Financial Instruments was published by IASB on November 12, 2009 and replaces those parts of IAS 39 that covers classification and measurement of financial assets. In October 2010 IFRS 9 was amended for classification and valuation of financial liabilities. New standard is applicable for annual periods starting January 1, 2013 or later. Standard introduces one model providing only two classification categories for financial assets: amortized cost and fair value. Classification is made on initial recognition and depends on applied by entity model for managing financial instruments and characteristic of agreed cash flows for given instruments. Most of IAS 39 requirements regarding classification and measurement of financial liabilities were moved to IFRS 9 in unchanged form. Key amendment is imposition on entities requirement for presentation in comprehensive income effects of changes in own credit risk from financial liabilities indicated to be valued in fair value through income statement. Group will apply amendment to IFRS 9 not earlier than on January 1, 2013. As at the date of this financial statement issuance, IFRS 9 has not been approved by European Union. Management board is during verification of above amendments influence on financial statements.
- Amendments to IFRS 1 „First time adoption of IFRS" - Amendments to IFRS "Limited exemption from comparative IFRS 7 disclosure for first time adopters" 1were published by IASB in January 28, 2009 and are valid for annual periods starting in July 1, 2010 or later. Amendments introduce additional exemptions for IFRS first time adopters concerning disclosing information required by amendments to IFRS 7 issued in March 2009 regarding valuation to fair value and liquidity risk. Group will apply amendment to IFRS 1 on January 1, 2011. Amendments do not retrospectively influence financial statements
- Amendments to IFRS 7 "Transfers of financial assets" – amendments to IFRS 7 "Transfer of financial assets" were issued by IASB in November 2010 and are valid for annual periods starting from July 1, 2011 or later. Amendments require disclosure of additional information on risk derived from transfer of financial assets. Cover requirement to disclose according to classes of assets, character, balance sheet value, risk description and benefits concerning financial assets transferred to other entity, but still remaining in balance sheet of entity. Required are also disclosures of information allowing users of financial statements to identify value of potential related liability and relation between given financial asset and counterpart liability. In case when financial assets were derecognized from balance sheet, but entity is still exposed to certain risk and can gain certain rewards connected with transferred item of assets, it is required to

additionally disclose information allowing to understand consequences of such risk. Group will apply amendment to IFRS 7 not earlier than on July1, 2011. Management board is during verification of above amendments influence on financial statements. As at the date of this financial statement issuance, IFRS 7 has not been approved by European Union.

- Recovery of underlying assets – Amendments to IAS 12 - Amendments to IAS 12 „Recovery of underlying assets were published by the International Accounting Standards Board in December 2010 r. and are effective for the annual periods beginning on or after January 1, 2012 r. The purpose of this update is to provide practical guidance in the estimation of the amount of deferred income tax in a situation where investment property is measured through the use of the fair value model from IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporate into IAS 12 after excluding guidance regarding investment property measured at fair value. Group will apply amendments to IAS 12 not earlier than January 1, 2012. Management board is during verification of above amendments influence on financial statements. As at the date of this financial statement issuance, IFRS 7 has not been approved by European Union.

- Severe Hyperinflation and Removal of Fixed Dates for First – time adopters – Amendments to IFRS 1Amendments to IFRS 1 „Severe Hyperinflation and Removal of Fixed Dates for First – time adopters" were published by the International Accounting Standards Board in December 2010 and are effective for the annual periods beginning on or after July 1, 2011. The purpose of this update is to establish additional convenience for first-time adopters of IFRS. Group will apply amendments to IAS 12 not earlier than July 1, 2012. Management board is during verification of above amendments influence on financial statements. As at the date of this financial statement issuance, amendments to IFRS 9 have not been approved by European Union. Changes do not influence financial statements,

- IFRS Improvements 2010 - on May 6, 2010 the International Accounting Standards Board issued "IFRS Improvements", which amend seven standards. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes. The majority of the amendments are effective from annual periods starting on January 1, 2011. Group will apply amendments IFRS according to transition requirements. As at the date of this financial statement issuance, amendments to IFRS have not been approved by European Union. Changes do not influence financial statements. Management board is during verification of above amendments influence

- Amendment to IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Amendments to IFRIC 14 were issued by IFRS Interpretation Committee in November 26, 2009 and is valid for annual periods starting from January 1, 2011 or later. This interpretation covers guidelines in the area of recognition of early payment of contribution for covering of minimal financing requirements as assets in contributing entity. Group will apply IFRIC 14 not later earlier January 1, 2011. Management board is during verification of above amendments influence on financial statements.

- IFRIC 19 „Extinguishing Financial Liabilities with Equity Instruments" – document IFRIC 19 was published by IFRS Interpretation Committee at November 26, 2009 and is valid for annual periods starting July 1, 2010 or later. This interpretation explains accounting principles applied in situation when in result of renegotiation by entity of financial liabilities terms, liability is settled via issuance of equity instruments aimed to creditors. Interpretation requires valuation of equity

instruments in fair value and recognition of gain or loss in value of difference between book value of financial liability and fair value of equity instrument. Group will address IFRIC 14 according to transitional regulations. Group will apply IFRIC 19 not earlier than January 1, 2011. Changes do not influence for Group financial statements.

<u>The Group has adopted the following new and amended IFRSs as of January 1, 2010:</u>

As at January 1, 2010 Group has adopted following new and amended IFRS and IAS:

- IFRS 3 (revised) „Business combinations" – revised IFRS 3 was issued by IASB on January 10, 2008 and is valid prospectively to business combination for which the acquisition dates is on or after July 1, 2009. Introduced amendments covers options for recognition of non controlling interests either in fair value or according to share in fair value of identified net assets, revaluation of currently held shares in acquired entity to fair value with recognition of difference in income statements and additional guidelines for applying acquisition method, including treatment of all acquisition related costs as income statement expense for given period. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', was issued by IASB January 10, 2008 and is effective for annual periods starting from July 1, 2009 or later. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group applies IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.
- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement" – "Criteria for classification as hedged position" – Amendment to IAS 39 "Criteria for classification as hedged position" were published by IASB July 31, 2008 and is valid for annual periods starting from July 1, 2009 or later. Amendment covers explanation how should rules be applied in specific circumstances, whether hedged risk or part of cash flows meet criteria for hedged position. Implemented prohibition for setting inflation as potential hedge for components of debt instrument of fixed interest rate. Amendments prohibits including of temporary value for one side hedged risk, when options are treated as hedging instrument. Group applies amendments to IAS 39 from January 1, 2010.
- Amendments to IFRS 2009 – IASB issued on April 16, 2009 "Amendments to IFRS 2009", that revise 12 standards. Amendments cover changes in presentation, recognition and valuation, also covers terminology and editorial changes. Majority of amendments are valid for annual periods starting from January 1, 2010 year. Application of standard amendments will be applied according to transition rules. The amendments do not have a material impact on the group or company's financial statements.
- Amendments to IFRS 2 „Share based payments" – amendments to IFRS 2 „Share based payments" were issued by IASB June 18, 2009 and are valid for annual periods starting from January 1, 2010 or later. Amendments precise settlement of share based payments inside capital groups. Amendments specify scope of IFRS2 and joint application of IFRS2 and other standards. Amendments implements into standards aspects regulated previously in IFRIC 8 and IFRIC 11. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- IFRIC 15 „ Agreements for the Construction of Real Estate" – IFRIC 15 was issued by IFR Interpretation Committee in July 3, 2008 and is valid for annual periods starting from January 1, 2010 or later. This interpretation covers overall guidelines for how assess construction agreement to establish whether results of such agreement should be presented in accordance with IAS 11 or IAS 18 in financial statements. Moreover IFRIC 15 address in which moment should be recognized revenue from construction agreement realization. Group will adopt IFRIC 15 from January 1, 2010. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' issued by IASB on July 3, 2008 and effective for 12 months periods starting July 1, 2009 or later. This interpretation covers general guidelines for confirming, whether exist foreign exchange rates fluctuation risk in the scope of functional currency of foreign subsidiary and presentation currency for the purpose of consolidated financial statements of the parent entity. Moreover IFRIC 16 outlines, which entity in group can identify hedge instrument of a net investment in a foreign operation, especially whether parent entity carrying hedge of a net investment in a foreign operation have to carry hedge instrument. IFRIC 16 explains also how entity should determine values being reclassified from own equity to income statement, and hedged position when foreign operation is disposed by entity. The interpretation does not have a material impact on the group or company's financial statements.
- IFRIC 17, 'Distribution of non-cash assets to owners' issued by IASB on November 27, 2008 and is effective on or after November 1, 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation does not have a material impact on the group or company's financial statements.
- IFRIC 18, 'Transfers of assets from customers' issued by IASB on January 29, 2009 and is effective for transfer of assets received on or after November 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The interpretation does not have a material impact on the group or company's financial statements.

(c) Form of presentation of the consolidated financial statements

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

The financial statements were prepared on the historical cost basis modified for valuation of derivative instruments to their fair value.

The preparation of the IFRS financial statements requires the Management of the Company to make certain assumptions and estimates which are reflected in the accounting policy and that affect the reported amounts of assets and liabilities and reported revenues and expenses during the period. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

The estimates and the assumptions on which they are based are subject to current verification. The adjustment of accounting estimates is recognized in the period in which it was made, on condition that it only relates to that

period, or in the period in which it was made, and in future periods, if it relates both to the current and future periods.

Note 34 describes the assessments made by the Management Board in connection with the use of IFRSs which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

The accounting policies described above have been applied consistently in all the financial years covered by the consolidated financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied. These policies have been applied consistently by all the entities constituting the Group.

(d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are entities in respect of which the Group is able to govern their financial and operating policies, which usually accompanies holding the majority of the total number of votes in an entity's decision-making body. In assessing whether the Group controls a given entity, the existence and impact of potential voting rights which may at a given time be exercised or exchanged is taken into account. Subsidiaries are consolidated under the acquisition method from the moment the Group takes full control over them. The entities cease to be consolidated when control ceases.

The acquisition of subsidiaries by the Group is accounted for under the purchase method. The acquisition cost is determined as the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or transferred as at the exchange date, plus the cost directly related to the acquisition. Identifiable assets and liabilities, and contingent liabilities acquired under the business combination are initially measured at fair value as at the acquisition date, irrespective of the amount of the potential non controlling interests.

The excess of acquisition cost over fair value of the Group's share in the identifiable net assets acquired is recognized as goodwill. If the acquisition cost is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Transactions, settlements and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated unless the transaction proves the impairment of the given asset transferred. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

Non-controlling interests and transactions with non-controlling interests

The Group accounted for transactions with non-controlling interests as for transactions with owners. Sales to non-controlling interests lead to recognizing the Group's gains or losses in the income statement. Purchases from non-controlling interests lead to goodwill arising: the difference between the acquisition price and the respective share in the acquired net assets at their carrying amounts.

Associates

Associates are entities on which the Group exerts significant influence but which it does not control, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are accounted for according to the equity method and are initially stated at cost. The Group's investment in associates includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date.

The Group's share in the results of the associates from the date of purchase has been recorded in the income statement and its share in movements in other equity items from the date of purchase has been recorded in other comprehensive income. The carrying value of the investment is adjusted for the total movements from the date of purchase. When the Group's share in the losses of an associate becomes equal

or higher than the book value of Group's share in the associate, which covers potential unsecured receivables, the Group discontinues recognizing further losses unless it has assumed the obligation or has made payments on behalf of the given associate.

Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's share in the said entities. Unrealized losses are also eliminated unless the transaction proves that the given asset transferred has been impaired. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

(e) Foreign exchange trading

Functional currency and presentation currency

Each of the Group entities maintains financial reporting in the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group entities operating in Poland is the Polish zloty, the functional currency of the Group entities operating in the Czech Republic is the Czech koruna, the functional currency of the Group entities operating in Hungary is the Hungarian forint, the functional currency of the Group entities operating in Russia is the Russian ruble, the functional currency of the Group entities operating in Serbia is the dinar, and the functional currency of the Group entities operating in the USA is the American dollar.

Due to the fact that most operations and transaction are concluded in Polish zloty, the Group presented its consolidated financial statements in Polish zloty.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were recognized in the income statement. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

Financial statements of foreign operations

The financial result and the financial position of all subsidiaries and associates whose functional currency is other than the presentation currency are translated to the presentation currency using the following procedures:

- assets and liabilities, including goodwill, and adjustments to fair value made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs of foreign operations are translated at the mid exchange rate in the given period which approximately reflects translation at the exchange rates prevailing as at the transaction date;
- all the resulting foreign exchange differences are recognized in a separate item of equity.

Upon the disposal of the operations, foreign exchange differences are recognized in the income statement.

Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December , 31 2010.

(f) Franchise, licence agreements and other fees

As described in Note 1(a), the Group operates restaurants on the basis of franchise agreements concluded with YUM! and its subsidiaries. In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable preliminary fee upon opening each new restaurant and further fees over the period of the agreement in the amount of 6% of sales revenues, and to allocate 5% of all revenues to advertising activities specified in the respective agreements. Moreover, after the end of the initial period of the franchise agreement, the Group may renew the franchise agreement after paying a renewal fee.

Non-reimbursable preliminary fees are in reality fees for the right to use the Pizza Hut and KFC trademark and are included in intangible assets and amortized over the period of the franchise (usually 10 years). Further payments made in the period of the agreement are disclosed in the income statement upon being made. Fees for extending the validity of the agreements are amortized as of the date of a given extension agreement coming into force.

Non-reimbursable preliminary fees currently amount to USD 44,8 thousand per each restaurant whereas the fees related to the renewal of an agreement were set at 50% of the preliminary fee for each of the restaurants, indexed over the period of a given franchise agreement being in force with the consumer Price Index in the USA ("US Consumer Price Index").

The key terms and conditions of the franchise agreements which will be concluded with Burger King (Note 1(a)) were specified as follows:

- The licence is granted for a 10-year period from the date when the restaurant begins operating. It will be capitalized as intangible asset and amortized during the franchise agreement period.

  The franchisee is entitled to extend the agreement for a further 10 years after meeting specified terms and conditions.
- The Franchisee will transfer to the Franchiser a monthly licence fee (franchise fee) of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category continuing franchise fees.
- The Franchisee will pay to the Franchiser a monthly fee for sales advertising and promotion of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category direct marketing costs.

The main fees and the costs which will be incurred by the Group in connection with the agreements concluded with Starbucks Coffee International , Inc. (Note 1(a)) are as follows:

- The fee for development and the fee for providing services of USD 950 thousand, relating to the preliminary operating support (settled from other assets into general and admin expenses of Starbucks subsidiaries).
- The preliminary franchise fee of USD 25 thousand per each opened Starbucks café (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed licence fee equal to 6% of sales revenues of each of the Starbucks cafés (added to the income statement when it incurred in category continuing franchise fees).
- The local marketing fee the amount of which will be determined annually between the parties to the agreements (added to the income statement when it incurred in category direct marketing costs).

The fees and the costs which will be incurred by the Group in connection with the agreements concluded with Applebee's Franchising LLC (Note 1(a)) are as follows:

- The preliminary franchise fee of USD 35 thousand per each opened Applebee's restaurant (capitalized as intangible asset and amortized during the franchise agreement period).

- A fixed licence fee equal to 5% of sales revenues of each of the Applebee's restaurants (added to the income statement when it incurred in category continuing franchise fees).
- The franchisee will pay to the franchiser a monthly fee for advertising and promoting sales in an amount of no less than 2.75% of sales of the Applebee's restaurants operated by the Franchisee, in recognition of the fact that the Franchiser may increase the fee to 4% (added to the income statement when it incurred in category direct marketing costs).
- Additionally, the franchisee is obliged to incur expenses on local marketing of 1% of the sales revenue of the Applebee's restaurants.

(g) Property, plant and equipment

Property, plant and equipment owned by the Group

The initial value of the property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labour, and – if material – the initial estimate of the cost of disassembly and removal of the assets and of bringing the location to the condition it had been in before the lease agreement was signed.

The financial costs relating to the liabilities incurred to finance the purchase of property, plant and equipment are recognized in the income statement as interest expenses, due the fact that they don't meet criteria for qualified assets according to IAS23 revised.

If the property, plant and equipment include material components with different useful lives, particular components are considered to be separate assets.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds from sale with carrying amounts and recognized in the income statement under "Proceeds from/losses on sale of non-financial non-current assets".

Assets related to opening restaurants

Costs directly related to purchasing and manufacturing of assets ("property, plant and equipment") connected with opening restaurants in given locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in assets ("property, plant and equipment"). The Group includes in the value of restaurants costs mentioned above incurred from the moment when the completion of the project is considered likely. In the event of a later drop in the probability of launching the project at a given location, all the previously capitalized costs are transferred to the income statement. Costs directly related to purchasing and manufacturing of restaurants assets ("property, plant and equipment") are depreciated over the expected useful life of the restaurant.

Those assets consider both costs incurred with use of leasehold improvements and in premises owned.

Group is not treating costs of external financing as element asset costs due the fact that mentioned assets are not qualified in accordance with IAS23 revised.

Leased assets

The Group is a Lessee of property, plant and equipment. Leases of property, plant and equipment under which virtually all the risks and benefits in respect of the ownership are attributable to the Group are recognized as finance leases. The assets leased under finance leases are recognized in assets as at the date of commencement of the lease term at the lower of their fair values and present value of the minimum lease payments. Each lease payment is divided into the amount decreasing the balance of the liability and the amount of finance costs so as to maintain a fixed interest rate in respect of the remaining portion of the liability. The respective rental obligations net of finance costs are recognized in finance lease liabilities.

The interest element of finance costs is charged to costs in the income statement over the period of the lease so as to obtain a fixed periodical interest rate in respect of the remaining portion of the liability. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the economic useful life of the asset and the lease period.

Costs incurred after commissioning fixed assets

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Amortization and depreciation

Property, plant and equipment, including their material components, are depreciated on a straight-line basis over the expected useful life of the assets/components. Land and fixed assets under construction are not depreciated. The expected useful lives of assets are as follows:

• Buildings	30 – 40 years	
• Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants)	10 years	*
• Plant and machinery	4 -8 years	
• Vehicles	5 years	
• Other property, plant and equipment	4 -8 years	

* shorter of 10 years and the lease term.

The residual value, depreciation method and economic useful lives are reassessed annually.

(h) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under point (h) up to the date of change in use.

(i) Intangible assets

Computer software

Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use. These costs are amortized on the basis of the expected useful lives.

Favourable lease agreements

Favourable lease agreements were taken over in connection with the acquisition of subsidiaries and provide for lease fees lower than market fees. Favourable lease agreements are initially recognized at fair value and then at cost net of amortization and potential impairment (see Note (o) of the accounting policies).

Trademark

Trademarks have limited (finite) economic lives and are shown in the balance sheet at historical cost less accumulated amortization. Amortization is calculated on a straight-line basis to allocate the cost over the estimated useful life.

Rights to the Pizza Hut, KFC, Burger King, Starbucks and Applebee's trademarks

See Note (f) of the accounting policies.

Other intangible assets

Other intangible assets are stated in the books of account at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (See Note (o) of the accounting policies below).

Amortization

Intangible assets are amortized on a straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment (See Note (o) of the accounting policies below) and are not amortized. Other intangible assets are amortized as of the date of their availability for use.

The expected useful lives of assets are as follows:

• Computer software	4 -5 years	
• Favourable lease agreements	2 - 10 years	*
• Trademark	5 years	
• Rights to the Pizza Hut , KFC, Burger King, Starbucks and Applebee's trademarks	10 years	
• Other intangible assets	5 -10 years	

* favourable agreements are amortized over the period to the end of the agreement

(j) Goodwill

Business combinations are accounted for under the purchase method. Goodwill on consolidation represents the excess of the acquisition price of shares over the fair value of the corresponding portion of the net assets.

Goodwill on consolidation is disclosed in the books of account as intangible assets and measured at cost net of accumulated impairment write-downs. Goodwill is not amortized. Instead, it is allocated to cash generating units and checked annually for potential impairment of the asset (See Note (o) of the accounting policies). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Expenses incurred to increase the goodwill created internally and trademarks created internally are recognized in the income statement upon being incurred.

(k) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The

classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories described below. The Group does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these consolidated financial statements.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets are classified to this category if acquired principally for selling in the short term or if so designated by the Management Board. Derivative financial instruments are also classified as “assets held for trading” unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or if their realization is expected within 12 months from the balance sheet date. The Group does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these consolidated financial statements.

Financial assets held to maturity

This category covers financial assets which the Management Board decided would be maintained to maturity upon inception. Financial assets held to maturity are stated at amortized cost. The carrying amount of investments measured at amortized cost is calculated as the amount due on maturity net of all non-amortized initial discounts or premiums.

Group does not have any financial assets held to maturity as at the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are recognized at amortized cost net of impairment write-downs and recognized as current assets in the balance sheet, under “Trade and other receivables” (See Note (l) of accounting policies below), if they mature within 12 months of the balance sheet date.

Regular investment purchase and sale transactions are recognized as at the transaction date – the date on which the Group commits to purchase or sell a given asset. Investments are initially recognized at fair value plus transaction costs. This relates to all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the transaction costs are recognized in the income statement. Financial assets recognized at fair value through profit or loss are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

(l) Trade and other receivables

Trade and other receivables include non-derivative financial assets not traded on an active market with fixed or determinable amounts to be repaid. These assets are initially recognized at fair value and then at amortized cost net of impairment (see Note (o) of the accounting policies).

(m) Inventories

Inventories include mainly materials and are stated at the lower of cost and net realizable value. The net selling price that can be obtained is construed as the estimated selling price achieved in the course of normal business activities, less estimated costs necessary to effect the sale. Inventory issues are accounted for on the FIFO basis. The cost of purchase of inventories includes costs directly related to purchasing and preparing the given asset for sale.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(o) Impairment

As at each balance sheet date the Group verifies the carrying amount of assets other than inventories (See Note (m) of the accounting policies) and deferred income tax assets (See Note (w) of the accounting policies), to determine whether the assets do not show signs of impairment. If there are signs of impairment, the recoverable value of the assets is determined. In respect of assets whose economic useful life is not determined and assets which were not commissioned for use, and goodwill, the recoverable amount is determined as at each balance sheet date. Impairment write-downs are recognized in the books of account in the event that the present value of an asset or a group of assets generating specific cash flows exceeds their recoverable value. Impairment losses are recognized in the income statement.

Impairment write-downs of trade and other receivables are recognized when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. If there is such evidence, the impairment write-downs recognized in amortized cost of the receivables are determined as the difference between the value of the assets following from the books of account as at the measurement date and the present value of the expected future cash flows discounted using the effective interest rate of the financial instrument. Impairment losses are recognized in the income statement.

The recoverable amount of the remaining assets is estimated at the higher of the fair value net of costs to sell and the value in use. Value in use is deemed to be the sum of discounted future cash flows which will be generated from the asset using the market discount rate before tax reflecting the time value of money and the risks characteristic for the given asset. If it is not possible to determine the future cash flows from a given asset, for the purpose of determining the value in use, a group of assets which includes the given asset, which generate specific cash flows, are taken into account. In such events, groups of cash-generating assets are deemed to be single restaurants.

Potential impairment of a restaurant is considered to be the fact of its incurring an operating loss during the financial year. In such an event, the discounted future economic benefits which the given facility will generate are determined. Potential impairment is determined on the basis of discounted cash flows from core activities until the date of closing the facility, in consideration of the residual value.

Moreover, upon taking a decision to close a restaurant, the value of appropriate assets is reviewed for potential impairment, and the period in use of the assets is changed. At the same time, the Group recognizes potential liabilities related to the costs of giving notice of the lease of premises in the books of account.

Reversal of impairment write-downs

Impairment write-downs in respect of receivables recognized at amortized cost are reversed if the later increase in their recoverable value may be objectively attributed to an event which arose after the impairment was recognized.

Impairment write-downs in respect of goodwill cannot be reversed. In respect of other assets, impairment write-downs are reversible if there are premises indicating that the impairment has ceased to exist or

decreased. Reversal of impairment should be made if estimates used to determine the recoverable value are changed.

Impairment write-downs are reversed only to the extent to which the carrying amount of an asset does not exceed the carrying amount it would be recognized at, net of depreciation, had the impairment not been recognized.

(p) Loans and borrowings

Initially, borrowings are recognized in the books of account at the fair value net of transaction costs. Subsequently, borrowings are recognized in the books of account at amortized cost using the effective interest rate.

If borrowings are repaid before maturity, the resulting differences between (i) the determined costs and (ii) the present costs are recognized in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Share capital

Ordinary shares are included in equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Employee benefits

Share-based payments

The Group has two share-based payment plans. The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which has to be taken to the income statements over the vesting period is based on the fair value of options received. As at each balance-sheet date entities verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

Long-term employee benefits dependent on their years in service

The net value of liabilities related to long-term employee benefits is the amount of future benefits which were vested in the employees in connection with the work performed by them in the current and past periods. The liability was accounted for based on the estimated future cash outflows, and as at the balance sheet date, the amounts take into consideration the rights vested in the employees relating to past years and to the current year.

Retirement benefit contributions

During the financial period, the Group pays mandatory pension plan contributions dependent on the amount of gross wages and salaries payable, in accordance with the binding legal regulations. The public pension plan is based on the pay-as-you-go principle, i.e. the Group has to pay contributions in an amount comprising a percentage part of the remuneration when they mature, and no additional contributions will be due if the Company ceases to employ the respective staff. The public plan is a defined contribution pension plan. The contributions to the public plan are disclosed in the income statement in same the period as the related remuneration, under “Costs of wages and salaries, and employee benefits”.

(s) Provisions

Provisions are recorded in the balance sheet if the Group has a legal or constructive obligation arising from past events, and if it is probable that the discharge of this obligation will result in an outflow of economic

benefits. If the effect of the time value of money is material, the amount of the provision is determined as the expected future cash flows discounted using the discount rate before tax which reflects the time value of money and the potential risks related to a given obligation.

Provisions for liabilities caused by restructuring are set up when the Group has a detailed, official restructuring plan and the restructuring has already started or information on it was published. No provisions are set up for future operating expenses.

Costs of bringing the location to the condition it had been in before the lease agreement was signed

If the Group is obliged to bringing the location to the condition it had been in before the lease agreement was signed, the Company's Management Board analyzes this future costs and sets up provisions if the costs are material.

Onerous contracts

Provisions for onerous contracts are set up if the expected revenues of the Group resulting from the contracts are lower than the unavoidable costs resulting from obligations under the contracts. Unavoidable costs are lower amount from: penalty in the event of breaking the agreement and costs of contract realization.

(t) Trade and other payables

These payables are initially recognized in the books of account at fair value, and subsequently at amortized cost.

(u) Revenues

Sales revenues comprise the fair value of the economic benefits received for the sale of goods, net of value-added tax. Sales of finished goods are recognized by the Group upon issuing them to the purchaser. Consideration for the goods is mainly in cash form.

(v) Operating leases, lease agreements

Operational leasing, rent costs

Leases whereby the major part of the risks and benefits from ownership remains with the lessor comprise operating leases. All the lease payments paid under the operating lease agreements are charged to costs on a straight-line basis over the period of the lease. The discounts received from lessors are recognized in the income statement in the same manner, as an integral part of lease fees.

Operating leases relate mainly to leases of premises where the restaurants operate. The respective costs are recognized in the income statement under "Lease costs and other operating expenses".

Finance lease

Leasing is classified as financial leasing, when according to signed agreement in overall all potential benefits and risk from ownership are passed towards leasee.

Amount due from finance leasing are presented in receivables position finance lease receivables in net value of investment. Incomes from finance lease are allocated to appropriate periods according to stable annual rate of return from Group investment due from finance lease.

Group as a leaseholder – please refer to point (g) of accounting policies.

(w) Income tax expense

The income tax shown in the income statement comprises the current and deferred portion. The current portion of the income tax includes tax calculated on the basis of the taxable income for the current period using the income tax rates which have been enacted or substantially enacted as at the balance sheet date, and adjustments of the income tax liability from prior years.

Income tax expense is recognized in the income statement, with the exception of transactions accounted for in equity, in respect of which the tax is also recognized directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arose in respect of the initial recognition of an asset or liability under a transaction other than a business combination which has no impact on the profit/loss for accounting or tax purposes, it is not recognized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax is not recognized upon the initial recognition of goodwill.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax provisions are recognized on temporary differences arising on investments in subsidiaries and associates, unless the reversal of temporary differences is controlled by the Group and it is improbable that in the foreseeable future the differences will be reversed.

(x) Derivative financial instruments

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions. Upon initial recognition derivative financial instruments are stated at fair value in the books of account. Then they are revalued to their present fair values.

The derivative financial instruments concluded by the Group did not meet the criteria for applying hedge accounting. Changes in the fair value of those instruments were recognized immediately in the income statement.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

(y) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by Executive Committee while making strategic decisions. Executive Committee analyze performance of the Group allocating owned resources according to given restaurants. Because major of business segment aggregation criteria are met (individually not exceeding allowed in IFRS 8 materiality thresholds) Group presents them according to countries were Group operations are realized.

(z) Non-current assets held for sale

Non-current assets (or groups of assets) are classified as ‘held for sale’ and disclosed at the lower of: the carrying amount and the fair value net of the costs of preparing the asset for sale, if the carrying amount is realized mainly through the sale and not through on-going use.

(aa) Business combinations of entities under joint control

Business combinations of entities or operations under joint control constitute business combinations under which all the combining businesses or operations ultimately come under the control of the same party or parties as they had been before the combination, and that control is not temporary. Such business combinations are accounted for under the pooling of interests method, i.e. they do not lead to adjustments to the fair values of particular assets or liabilities and in goodwill arising.

2 Segment reporting

Operating segments were set on the basis of management reports used by Executive Committee during making strategic decisions. Executive committee verifies group performance while deciding of owned resources allocations in breakdown for each restaurant. Because most of the criteria for aggregation of operating segments are met (individually ado not exceed set in IFRS8 materiality thresholds) Group presents them in reportable segment by countries in which Group operations are realized.

Below are presented data relating to operating segments for the twelve-month period ended December 31, 2010 and for the comparative period ended December 31, 2009.

	Poland	*Czech Republic*	*Russia*	*USA*	*Other segments*	*Unallocated*	*Total*
12 months ended December, 2010							
Revenue from external customers	774 960	282 670	170 779	704 392	78 647	-	2 011 448
Inter- segment revenue							
Operating profit/ (loss)	54 304	5 703	13 630	9 559	(10 441)	(4 093)	68 662
Finance income	-	-	-	-	-	-	19 348
Finance costs	-	-	-	-	-	-	(37 098)
Share of profit of associates	47	-	-	-	-	-	47
Income tax	-	-	-	-	-	-	(7 344)
Profit for the period from continuing operations	-	-	-	-	-	-	43 615
Loss for the period from discontinuing operations	-	-	-	-	-	-	(3 619)
Profit for the period	-	-	-	-	-	-	39 996
Segment assets	568 712	168 585	225 295	272 684	69 222	64 332	1 368 830
Investments in associates	129	-	-	-	-	-	129
Total assets	568 841	168 585	225 295	272 684	69 222	64 332	1 368 959
Goodwill	911	5 660	137 718	130 569	18 489	-	293 347
Segment liabilities	99 412	35 195	15 173	60 132	12 434	400 583	622 929
Pension, health care, sickness fund state contributions	18 518	11 572	6 868	35 650	4 839	-	77 447
Depreciation	41 706	21 808	9 186	17 809	6 022	-	96 531
Amortization	4 600	782	300	1 021	482	-	7 185
Capital investment	151 605	38 144	13 398	20 687	18 746	-	242 580
Impairment of fixed assets	6 080	1 720	-	(3 673)	(746)	-	3 381
Impairment of trade receivables	(85)	19	-	-	89	-	23
Impairment of inventories	-	-	-	-	18	-	18
Impairment of other assets	-	-	-	-	705	-	705

	Poland	*Czech Republic*	*Russia*	*USA*	*Other segments*	*Unallocated*	*Total*
12 months ended December, 2009							
Revenue from external customers	744 933	289 310	161 066	725 390	79 791	-	2 000 490
Inter- segment revenue							
Operating profit/ (loss)	78 162	8 095	7 526	1 440	(11 502)	(3 897)	79 824
Finance income	-	-	-	-	-	-	17 010
Finance costs	-	-	-	-	-	-	(32 421)
Share of profit of associates	53	-	-	-	-	-	53
Loss on sale of associates	(3 055)	-	-	-	-	-	(3 055)
Income tax	-	-	-	-	-	-	(9 951)
Profit for the period from continuing operations	-	-	-	-	-	-	51 460
Loss for the period from discontinuing operations	-	-	-	-	-	-	(12 886)
Profit for the period	-	-	-	-	-	-	38 574
Segment assets	324 072	155 177	222 812	253 062	54 602	141 198	1 150 923
Investments in associates	172	-	-	-	-	-	172
Total assets	324 244	155 177	222 812	253 062	54 602	141 198	1 151 095
Goodwill	911	5 567	134 653	125 556	18 527	-	285 214
Segment liabilities	121 671	32 883	15 809	57 670	9 706	530 465	768 204
Pension, health care, sickness fund state contributions	14 251	10 149	3 283	37 171	5 752	-	70 606
Depreciation	31 279	20 024	7 630	18 045	5 833	-	82 811
Amortization	3 254	692	252	758	558	-	5 514
Capital investment	111 942	26 524	7 989	6 108	5 359	-	157 922
Impairment of fixed assets	844	5 431	-	-	1 997	-	8 272
Impairment of trade receivables	969	8	-	-	-	-	977
Impairment of inventories	-	-	-	-	14	-	14

Capital expenditure comprises increases in property, plant and equipment (Note 9) and intangible assets (Note 11), increases in goodwill (Note 2), increases in investment property (Note 10) and increases in assets held for sale (Note 8).

The “Other segments” column concerns companies located in Bulgaria, Serbia and Hungary.

The “Not allocated” column relates to asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of AmRest Holdings SE and subsidiary located in the Ukraine.

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

Goodwill was allocated to given reporting segments.

Establishing and acquiring subsidiaries and associates

Establishing and acquiring subsidiaries

Entry to the restaurant market in Russia

DESCRIPTION OF ACQUISITION

On May 15, 2007, AmRest Holdings SE established AmRest Acquisition Subsidiary, Inc, with its registered office in Delaware, USA.

On July 2, 2007, AmRest Acquisition Subsidiary, Inc. acquired from Michael Tseytin 100% shares in US Strategies, Inc., with its registered office in New Jersey, USA, controlling 91% of shares and voting rights in OOO Pizza Nord (current name OOO AmRest) – the franchisee of Pizza Hut and RostiksKFC brands in Russia.

On the same date, American Restaurants Sp. z o.o. (a 100% subsidiary of AmRest Holdings SE) acquired the remaining 9% of shares and voting rights in OOO Pizza Nord from independent individuals. As a result of these transactions, the Group effectively gained 100% control over OOO Pizza Nord and its 19 Pizza Hut restaurants and 22 RostiksKFC restaurants operating in Russia (mainly in St. Petersburg and Moscow).

As a result, the Group gained effectively a 75% and 20% market share in Pizza Hut and KFC restaurants in Russia, respectively. Several franchisees of KFC and Pizza Hut operate on the Russian market, who do not have exclusive rights to operate within the area.

On July 2, 2007, US Strategies. Inc. and AmRest Acquisition Subsidiary, Inc. merged creating one legal entity called AmRest Acquisition Subsidiary, Inc.

The above transactions were a further step by the Group towards becoming the leading restaurant network in Central and Eastern Europe.

On June 23, 2008 Michael Tseytin was appointed a Member of the Supervisory Board (related entity), he was released from this function as at May 8, 2009.

ALLOCATION OF THE ACQUISITION PRICE

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed. Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

	Carrying amount	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	962	-	962
Property, plant and equipment	18 543	14 509	33 052
Intangible assets	209	1 479	1 688
Inventories	1 595	(130)	1 465
Trade and other receivables	7 007	(5 253)	1 754
Other current assets	2 459	(2 421)	38
Other non-current assets	3 930	31 822	35 752
Trade and other payables	(34 193)	(18 366)	(52 559)
Net assets acquired	**512**	**21 640**	**22 152**
Goodwill in 2008			128 756
Adjustment for goodwill in 2009			(5 971)

Adjustment for goodwill in 2010	(3 129)
Goodwill after adjustment	119 656
Acquisition price	**141 808**

Amount paid in cash	70 332
Amount paid in own shares	99 987
Due diligence	784
Adjustment to acquisition price	(29 295)
Acquisition price	**141 808**
Amount paid in cash	70 332
Acquired cash and cash equivalents	(962)
Cash outflows on acquisition	**69 370**

Goodwill as at December 31,2010 is different in the consolidated balance sheet and in Note about foreign exchange rates and equal PLN 107 768 thousand.

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of property, plant and equipment;
- measurement of onerous contracts recognized as provisions;
- fair value measurement of liabilities in respect of identified risks;
- measurement of receivables and prepayments from the prior owner of OOO Pizza Nord – operating lease agreement.

PARTIAL PAYMENT IN THE GROUP'S TREASURY SHARES

Part of the acquisition price was paid by issuing the Company's 670 606 shares. As at the acquisition date (July 2, 2007), the fair value of the shares issued (PLN 99 987 thousand) was determined on the basis of the market price of a share (PLN 149.1) according to the quotations on the Warsaw Stock Exchange.

To acquire the necessary number of treasury shares, the Company borrowed them from its shareholder – IRI (as at that date, IRI had 35% of voting rights and shares of AmRest Holdings SE), and then it issued them to the seller. On August 27, 2007, the Company issued 670 606 shares which it returned to IRI on October 12, 2007. The settlement with IRI was based on a specified number of shares, therefore, it was treated as a transaction recognized in equity and no change to the fair value of shares was recognized in the income statement in the period from July 2, 2007 to October 12, 2007.

ADJUSTMENTS TO THE ACQUISITION PRICE AFTER INITIAL RECOGNITION

The acquisition price is conditional because it depends on the amount of profit before interest, tax and amortization and depreciation (EBITDA) earned by OOO AmRest in the period from July 2, 2007 to June 30, 2008, and on the final level of liabilities acquired. As at June 30, 2010, the Management Board estimated the adjustment to the acquisition price at PLN 29 295 thousand (previous purchase price adjustment set as at December 31, 2009 in value of PLN 26 166 thousand was increased by PLN 3 129 thousand and results from achieved EBITDA of this year) from the initial level of PLN 170 319 thousand to PLN 141 024 thousand. Thus, the determined acquisition price as at July 2, 2007 is the Management's best estimate.

COLLATERAL

To secure the Group's potential future claims and receivables from the seller, a pledge on all the shares which were part of the acquisition price was set up. The said claims may follow from the adjustments to the acquisition price described above. The seller is also responsible for all undisclosed liabilities which arose before the acquisition date. For security purpose, the shares were transferred to an escrow account, not directly to the seller, and will be issued gradually over a period of 5 years. Potential receivables and

claims in respect of the seller will be satisfied in cash or shares in a number depending on their market price, as agreed. The seller has voting rights related to the shares put up as collateral.

GOODWILL

Goodwill relates mainly to benefits following from access gained to clients on the Russian restaurant market. Due to the specific nature of the restaurant operations, the Group does not maintain a register of its clients, the clients are not tied by any contracts and are not identified individually. Restaurants in Russia operate on the basis of similar franchise agreements as restaurants in Poland, in the Czech Republic and Hungary.

The Management Board believes that the franchise agreement concluded by OOO Pizza Nord is an arms' length agreement and therefore no adjustment was made to the fair value as at the acquisition date. Each individual restaurant on the acquired market is a cash generating unit. However, for management purposes, goodwill was allocated to all the Pizza Hut and KFC restaurants operated in Russia on the basis of particular countries, and not restaurants, and it cannot be objectively allocated to particular restaurants.

The Company conducted a goodwill impairment tests as at December 31, 2009 and December 31, 2010. No impairment was noted on the basis of the tests performed.

Increase in share in the Russian restaurant market by acquiring 9 restaurants from OOO Tetra

On February 26, 2008, the Group acquired 9 RostiksKFC restaurants from OOO Tetra. The total value of the transaction amounted to PLN 26 235 thousand (USD 12 115 thousand).

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed.

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below: The fair value of acquired restaurant assets did not differ significantly from their carrying amounts.

Property, plant and equipment	1 089
Goodwill	25 146
	26 235
Paid in cash	26 235
Acquisition price	**26 235**

Goodwill as at December 31,2010 is different in the consolidated balance sheet and in Note about foreign exchange rates and equal PLN 26 520 thousand.

The restaurant acquisition transaction was not related to incurring any additional significant costs.

Increase in share in the Russian restaurant market by acquiring 2 restaurants from OOO Fast Food Restaurants Group

On March 31, 2008, the Group acquired 5 RostiksKFC restaurants from OOO Fast Food Restaurants Group. The total value of the transaction amounted to PLN 13 097 thousand (USD 6 156 thousand). The ownership rights were to be finally transferred when certain terms and conditions were met by the seller, which mainly related to extending the lease agreements in respect of the premises. As a result of the seller not meeting the terms and conditions in respect of 3 restaurants, they were excluded from the scope of the transaction. Therefore, ultimately, the Group acquired 2 restaurants, for a total amount of PLN 3 273 thousand (USD 1 521 thousand).

The process of allocating the acquisition price was completed.

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below: The fair value of acquired restaurant assets did not differ significantly from their carrying value.

Property, plant and equipment	46
Goodwill (Note 12)	3 227
	3 273
Paid in cash	3 273
Acquisition price	**3 273**

The restaurant acquisition transaction was not related to incurring any additional significant costs.

In the acquisitions described above, the goodwill relates mainly to the benefits from gaining better access to the Russian restaurant market clients. Due to the specific nature of the restaurant operations, the Group does not maintain a register of its clients, the clients are not tied by and contracts and are not identified individually. Restaurants in Russia operate on the basis of similar franchise agreements as restaurants in Poland, in the Czech Republic and Hungary.
Goodwill as at December 31,2010 is different in the consolidated balance sheet and in Note about foreign exchange rates and equal PLN 3 430 thousand.
Each individual restaurant is a cash generating unit. Goodwill related to the acquisition of the above restaurants was allocated to particular restaurants of the Russian segment.
The Company conducted a goodwill impairment test as at December 31, 2010. No impairment was noted on the basis of the test. Next test will be done as at December 31, 2011.

3 Operating expenses

Operating expenses are as follows:

	2010	2009
Depreciation (Note 9)	96 531	82 811
Amortization (Note 11)	7 185	5 514
Food and materials	682 482	656 307
Utilities	80 130	75 731
External services	179 915	195 384
Payroll	502 088	495 796
Social security and employee benefits	99 779	96 147
Operating leases (occupancy cost) (Note 28)	178 454	185 052
Continuing franchise fees	106 723	106 301
Insurance	6 844	9 977
Business travel	7 233	7 099
Other	10 793	13 296
	1 958 157	1 929 415
Total restaurant expenses	1 840 967	1 814 171
Depreciation and amortization expenses (G&A)	9 170	7 609
Other general and administrative expenses	108 020	107 635
	1 958 157	1 929 415
Impairment costs are as follows:		
Impairment on trade receivables (note 15, 35)	23	977
Impairment on inventory (Note 14)	18	14
Impairment on other assets (Note 17)	705	-

Total impairment of non-current assets	746	991
Impairment of property, plant and equipment (Note 9)	3 381	8 272
Total impairment of non-current assets	3 381	8 272
Total impairment of assets	4 127	9 263

4 Other operating income

	2010	2009
Management fees	53	994
Sublease income (Note 28)	2 111	1 970
Marketing income	8 140	9 866
Sales of logistics services	6 838	5 100
Income from Nevsky option	-	4 980
Income from tax provision	1 402	-
Gift cards	2 183	-
Insurance compensation	933	-
Income from bill liability	1 370	-
Other operating income	2 810	2 205
	25 840	25 115

Income from Nevsky options for the period of 12 month ending December 31, 2009 are result of settlement of option recognised as receivables and concerning purchase of one of real estate when operates restaurants of the AmRest Group. In the result of this settlement excess of bought real estate value over recognized value of purchase put option was recognized in income statement.

5 Finance income

	2010	2009
Income from bank interest	9 411	564
Net foreign exchange gains	9 524	-
Income from put option valuation	-	16 446
Other	413	-
	19 348	17 010

Income from valuation of option in the period of 12 months ended December 31, 2009 are result of valuation of option payables considering purchase of 20% of shares in AppleGrove Holdings LLC .

6 Finance costs

	2010	2009
Interest expense	(33 703)	(30 087)
Net foreign exchange loss	-	(843)
Other	(3 395)	(1 491)
	(37 098)	(32 421)

7 Income tax expense

	2010	2009
Current tax	(6 818)	(8 119)
Change in deferred tax assets/provisions	(526)	(1 832)
Deferred tax recognized in the income statement	(7 344)	(9 951)

The income tax rates in force in the Group are as follows:

	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2010	19.0%	19.0%	19.0%	25.0%	20.0%	10.0%	10.0%	37.3%
2009	19.0%	20.0%	16.0%	25.0%	20.0%	10.0%	10.0%	38.0%

Deferred income tax assets and provisions for were calculated using the following rates:

	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2010	19.0%	19.0%	16.0%	25.0%	20.0%	10.0%	10.0%	37.3%
2009	19.0%	19.0%	16.0%	25.0%	20.0%	10.0%	10.0%	38.0%

Income tax on the Group's profit before tax differs from the theoretical amount which would be obtained if the weighted average tax rate applicable to consolidated companies were applied:

	2010	2009
Profit before tax from continued operations	54 578	74 297
Loss before tax from discontinued operations	(3 619)	(12 886)
Profit/ (loss) before tax	50 959	61 411
Income tax calculated according to domestic tax rates applicable to income in particular countries	13 298	14 602
Effect of permanent differences	(1 792)	1 648
Utilization of tax losses not recognized in the prior periods	-	-
Tax loss for the current period for which no deferred tax asset was recognized	5 545	5 214
Effect of the remaining differences	(9 707)	(11 513)
Corporate income tax in the income statement	7 344	9 951

The applicable weighted average tax rate amounted to 19.91% (for the period ended 31.12.2009: 19.75%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. After the offset, the following amounts are disclosed in the consolidated financial statements:

	31.12.2010	31.12.2009
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	16 143	175
Deferred tax asset to be recovered within 12 months	23 286	14 496
	39 429	14 671

Deferred tax provision:

Deferred tax provision to be used after more than 12 months	29 769	-
Deferred tax provision to be used within 12 months	8 545	13 030
	38 314	13 030

Temporary differences after the offset accounted for in the calculation of deferred tax relate to the following items:

	Asset		Provision	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Property, plant and equipment and intangible assets	-	3 572	9 208	590
Receivables	225	303	-	-
Provisions and impairments	1 883	4 539	135	10 169
Tax loss carryforwards	3 474	5 491	-	-
Other differences	4 980	766	104	2 271
	10 562	14 671	9 447	13 030

Temporary differences before the offset are as follows:

	Asset		Provision	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Property, plant and equipment and intangible assets	-	3 572	9 208	18 802
Receivables	225	303	-	-
Provisions	2 345	4 539	597	10 169
Tax losses	3 474	5 491	-	-
Other differences	6 080	16 809	1 204	102
	12 124	30 714	11 009	29 073

As at December 31, 2010, tax loss carryforwards are as follows:

Poland	20 244
Czech Republic	14 954
Hungary	21 261
Ukraine	1 973
	58 432

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognized	Tax losses in respect of which no deferred tax assets were recognized
2011	2	-	2
2012	3 420	-	3 420
2013	12 184	700	11 484
2014	10 687	3 473	7 214
2015	8 905	2 772	6 133
No time limit	23 234	13 465	9 769
	58 432	20 410	38 022

As at December 31, 2010 the Group recognized a deferred tax asset in the amount PLN 3 474 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the

inability to utilize the losses in connection with the planned restructuring of the Group and no operating activity in some of the Group companies.

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

8 Discontinued operations

Following the decision of excluding from AmRest Group portfolio proprietary brands freshpoint and Rodeo Drive as at December 31, 2010 freshpoint was disposed from Group and there are still negotiation aiming to separate and dispose fro Group Rodeo Drive. Delays in realization of planned discontinued operations of Rodeo Drive within Group are results of independent factors. As ate the balance sheet date assets concerning proprietary brand were classified as available for sale and results of their were classified as discontinued according to IFRS 5.

Results of own brand for the reporting years are presented below:

In PLN thousands	2010	2009
Restaurant sales	7 064	15 719
Restaurant expenses:		
Costs of food	(2 551)	(5 698)
Direct marketing costs	(121)	(843)
Direct depreciation and amortization expenses	(628)	(1 963)
Payroll and employee benefits	(2 739)	(6 093)
Occupancy and other operating expenses	(2 678)	(6 669)
Total restaurant expenses	(8 717)	(21 266)
Gross loss on sales	(1 653)	(5 547)
General and administrative expenses (G&A) without depreciation and amortization	(561)	(826)
Depreciation and amortization expenses (G&A)	(7)	(6)
Other operating income	226	240
(Loss)/gains on disposal of property, plant and equipment and intangibles	635	(1 568)
Impairment losses	(2 259)	(5 179)
Operating loss	(3 619)	(12 886)
Finance income	-	-
Loss before tax	(3 619)	(12 886)
Income tax	-	-
Loss from discontinued operations	(3 619)	(12 886)

Own brands are as at December 31, 2010 operating fully in Polish segment.

Basic categories of assets for discontinued operations classified as available for sale assets as at December 31, 2010 are presented below:

In PLN thousands	2010	2009
Assets		
Property, plant and equipment	1 362	3 320
Inventories	43	114
Assets of discontinued operations classified as available for sale	1 405	3 434

In year 2009 proprietary brands approximately generated PLN3 000 thousands of operating expenses and in year 2010 it was about PLN166 thousand.

The table below presents profit of property, plant and equipment sales, which was classified as assets available for sale:

In PLN thousands	2010	2009
Proceeds from the sale of property, plant and equipment which was classified as assets available for sale	562	-
Net cost of assets available for sale	(534)	-
Gain on sale of non-financial assets available for sale	**28**	**-**

In PLN thousands	2010
Assets available for sale	
As at 1/1/2010	**3 434**
Increases	764
Disposals – sold freshpoint	(534)
Disposals – impairment of assets available for sale	(2 259)
As at 31/12/2010	**1 405**

Based on actually fair value Group created additional impairment of assets available for sale in 2010.

9 Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2010 and 2009.

2010	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construc tion	Total
Gross value							
As at 1/1/2010	3 217	501 519	309 970	1 329	43 319	45 777	905 131
Additions	1 496	103 195	76 606	230	12 103	7 001	200 631
Disposals	-	(39 951)	(18 242)	(96)	(6 278)	(473)	(65 040)
Foreign exchange gains/losses	16	2 049	2 884	4	(136)	82	4 899
As at 31/12/2010	4 729	566 812	371 218	1 467	49 008	52 387	1 045 621
Accumulated depreciation							
As at 1/1/2010	-	186 457	145 244	671	16 227	-	348 599
Additions	-	41 930	45 113	224	9 264	-	96 531
Disposals	-	(22 617)	(16 616)	(43)	(5 132)	-	(44 408)
Foreign exchange gains/losses	-	340	1 033	(2)	9	-	1 380
As at 31/12/2010	-	206 110	174 774	850	20 368	-	402 102
Impairment write-downs							
As at 1/1/2010	-	15 462	1 362	-	1 057	1	17 882
Additions	-	6 752	738	-	261	-	7 751
Disposals	-	(13 158)	144	-	(956)	(1)	(13 971)
Foreign exchange gains/losses	-	62	(39)	-	1	-	24
As at 31.12.2010	-	9 118	2 205	-	363	-	11 686
Net book value as at 1/1/2010	**3 217**	**299 600**	**163 364**	**658**	**26 035**	**45 776**	**538 650**
Net book value as at 31/12/2010	**4 729**	**351 584**	**194 239**	**617**	**28 277**	**52 387**	**631 833**

2009	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 1/1/2009	1 049	422 853	281 935	1 312	33 212	38 290	778 651
Additions Nevsky building	-	37 991	-	-	-	-	37 991
Additions	2 175	69 327	53 212	302	11 728	11 017	147 761
Disposals	-	(16 130)	(16 883)	(304)	(1 099)	(3 188)	(37 604)
Discontinued operations	-	(5 276)	(3 020)	-	-	-	(8 296)
Foreign exchange gains/losses	(7)	(7 246)	(5 274)	19	(522)	(342)	(13 372)
As at 31/12/2009	3 217	501 519	309 970	1 329	43 319	45 777	905 131
Accumulated depreciation							
As at 1/1/2009	-	162 053	121 420	737	9 805	62	294 077
Additions	-	34 888	39 977	211	7 735	-	82 811
Disposals	-	(6 567)	(11 472)	(300)	(1 118)	(59)	(19 516)
Discontinued operations	-	(2 776)	(2 200)	-	-	-	(4 976)
Foreign exchange gains/losses	-	(1 141)	(2 481)	23	(195)	(3)	(3 797)
As at 31/12/2009	-	186 457	145 244	671	16 227	-	348 599
Impairment write-downs							
As at 1/1/2009	-	10 493	10	-	8	1	10 512
Additions	-	5 819	1 374	-	1 057	-	8 250
Disposals	-	(472)	(17)	-	(8)	-	(497)
Foreign exchange gains/losses	-	(378)	(5)	-	-	-	(383)
As at 31/12/2009	-	15 462	1 362	-	1 057	1	17 882
Net book value as at 1/1/2009	**1 049**	**250 307**	**160 505**	**575**	**23 399**	**38 227**	**474 062**
Net book value as at 31/12/2009	**3 217**	**299 600**	**163 364**	**658**	**26 035**	**45 776**	**538 650**

The property, plant and equipment listed below cover assets in finance lease, where the Group is the lessee:

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	Total
Gross value as at 31/12/2010	938	3 106	16 139	83	471	20 737
Accumulated depreciation as at 31/12/2010	-	1 514	8 967	47	330	10 858
Net value as at 31/12/2010	938	1 592	7 172	36	141	9 879
Gross value as at 31/12/2009	922	3 055	15 806	82	461	20 326
Accumulated depreciation as at 31/12/2009	-	1 336	7 992	42	303	9 673
Net value as at 31/12/2009	922	1 719	7 814	40	158	10 653

The table below shows the calculation of the loss on sale of property, plant and equipment and intangible assets, and a summary of impairment write-downs of property, plant and equipment in the period of twelve months ended 31 December 2010 and 2009:

	2010	2009
Proceeds from the sale of property, plant and equipment and intangible assets	1 337	11 019
Net cost of property, plant and equipment and intangible assets sold	(7 679)	(18 122)
Loss on disposal of non-financial non-current assets	(6 342)	(7 103)
Gain/(loss) on sale of non-financial non-current assets and non-current assets held for sale	(6 342)	(7 103)

The depreciation was charged to the costs of restaurant operations – PLN 91 493 thousand (prior period: PLN 77 886 thousand) and administrative expenses PLN 5 038 thousand (prior period: PLN 4 925 thousand).

The increases of impairment provisions both for continued and discontinued operations are fully for provisions created in 2010 (prior period: also only created).

The increases of impairment provisions are for provisions reversed in 2010 – 13 971 thousands PLN (prior period: 497 thousands PLN).

According to loan agreement with Wells Fargo Group is obliged to secure this liability with given non-current assets owned by AmRest LLC. As at December 31, 2010 Group has not taken the loan and there is no valid security on non-current assets.

Center generating cash is a restaurant. Recoverable value of particular centers generating cash is calculated on the basis of value in use and discount rate 11,94%.

10 Investment property

The table below presents changes in the value of investment property in 2010 and 2009:

In PLN thousands	2010	2009
Gross value		
At the beginning of the period	-	-
Increases	21 317	-
At the end of the period	21 317	-
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	-	-
Net value at the end of the period	**21 317**	**-**

Investment properties are stated at fair value, which has been determined based on valuations performed by independent value, as at December 31, 2010 according to legal and technical situation as at July 5, 2010 and market prices actual as at July 5, 2010.

Results connected with investment properties are presented below:

In PLN thousands	2010
Sublease income (Note 28)	926
Investment property costs	(125)
Operating profit	801

11 Other intangible assets

The table below presents changes in the value of intangible assets in 2010 and 2009.

2010	Favourable lease and licence agreements	Licences for the use of Pizza Hut, KFC, Burger King Starbucks and Applebee's trademarks	Other intangible assets	Total
Gross value				
As at 1/1/2010	2 582	42 117	35 067	79 766
Increases	1	8 099	11 768	19 868
Decreases	-	(1 448)	(405)	(1 853)
Foreign exchange differences	51	510	275	836
As at 31/12/2010	2 634	49 278	46 705	98 617
Accumulated amortization				
As at 1/1/2010	739	22 277	10 971	33 987
Increases	194	2 566	4 425	7 185
Decreases	-	(1 131)	(198)	(1 329)
Foreign exchange differences	(3)	261	(27)	231
As at 31/12/2010	930	23 973	15 171	40 074
Impairment write-downs				
As at 1/1/2010	-	9	14	23
Increases	-	282	-	282
Decreases	-	(9)	(6)	(15)
As at 31/12/2010	-	282	8	290
Net value as at 1/1/2010	**1 843**	**19 831**	**24 082**	**45 756**
Net value as at 31/12/2010	**1 704**	**25 023**	**31 526**	**58 253**

2009	Favourable lease and licence agreements	Licences for the use of Pizza Hut, KFC, Burger King Starbucks and Applebee's trademarks	Other intangible assets	Total
Gross value				
As at 1/1/2009	10 570	38 725	29 097	78 392

Increases	577	4 440	5 144	10 161
Decreases	(8 530)	(364)	1 075	(7 819)
Foreign exchange differences	(35)	(684)	(249)	(968)
As at 31/12/2009	2 582	42 117	35 067	79 766
Accumulated amortization				
As at 1/1/2009	7 400	20 697	6 948	35 045
Increases	319	2 175	3 020	5 514
Decreases	(6 975)	(313)	1 002	(6 286)
Foreign exchange differences	(5)	(282)	1	(286)
As at 31/12/2009	739	22 277	10 971	33 987
Impairment write-downs				
As at 1/1/2009	-	-	-	-
Increases	-	9	13	22
Decreases	-	-	-	-
Foreign exchange differences	-	-	1	1
As at 31/12/2009	-	9	14	23
Net value as at 1/1/2009	**3 170**	**18 028**	**22 149**	**43 347**
Net value as at 31/12/2009	**1 843**	**19 831**	**24 082**	**45 756**

Other intangible assets cover mainly computer software.

There are no intangible assets created internally and capitalized by the Group.

The amortization was charged to the costs of restaurant operations – PLN 3 053 thousand (prior period: - PLN 2 830 thousand) and administrative expenses - PLN 4 132 thousand (prior period: PLN 2 684 thousand).

The decreases of impairment provisions consist of usage in value of PLN 15 thousand in 2010 and in 2009 there was no decrease.

12 Goodwill

The table below presents changes in the value of goodwill:

	2010	2009
Gross value		
At the beginning of the period	285 214	311 076
Decreases	(2 700)	(11 649)
Foreign exchange differences	10 833	(14 213)
At the end of the period	293 347	285 214
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net book value as at the beginning of the period	**285 214**	**311 076**
Net book value as at the end of the period	**293 347**	**285 214**

Acquisitions in prior years

Goodwill (as at January 1, 2010) of PLN 18 527 thousand (PLN 18 489 thousand as at January 1, 2011 after decreasing by foreign exchange losses of PLN 38 thousand) relates to the acquisition of AmRest Restaurants Kft in June 2006 (previous name: Kentucky System Kft).

Goodwill as at January 1, 2010 of PLN 5 567 thousand (PLN 5 660 thousand as at January, 2011 after being increased by foreign exchange gains of PLN 93 thousand) relates to the acquisition of miklik's food s.r.o. in May 2005.

Goodwill as at January 1, 2010 of PLN 106 280 thousand (PLN 107 768 thousand as at January 1, 2011 after decreasing by foreign exchange losses of PLN 2 700 thousand and after increasing by foreign exchange gains of PLN 4 188 thousand) relates to gaining control over OOO Pizza Nord operating in Russia (actual name : OOO AmRest), in July 2007 (Note 2).

Goodwill as at January 1, 2010 of PLN 25 146 thousand (PLN 26 520 thousand as at January, 2011 after being increased by foreign exchange gains of PLN 1 374 thousand) relates to purchase of 9 restaurants Rostiks KFC (Note 2).

Goodwill as at January 1, 2010 of 3 227 thousand (PLN 3 430 thousand as at January, 2011 after being increased by foreign exchange gains of PLN 203 thousand) is for the acquisition of 5 RostiksKFC (Note 2).

Goodwill as at January 1, 2010 of PLN 125 566 thousand (PLN 130 569 thousand as at January 1, 2011 after increasing by foreign exchange gains of PLN 5 013 thousand) relates to the acquisition of Apple Grove Holdings in the USA.

Goodwill as at January 1, 2010 in value of PLN 911 thousand is related to increase in shares of SCM sp z o.o. (Goodwill as at January 1, 2011 is in the same value)

Impairment testing

As at December 31, 2010, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia and the USA.

Individual restaurants constitute cash generating units on the Hungarian, Russian and American markets. However, goodwill is allocated to groups of restaurants acquired in particular countries.

Groups of cash generating units are consistent with the segment accounting policies adopted in accordance with IFRS 8. The recoverable value of the cash generating units is based on calculations of their value in use. The calculation uses expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Values of particular centers generating cash are combination of data described in current note together with information from note 2.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in client behaviors.

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia Year 2010	USA
Discount rate before tax	15,25%	13,28%	7,29%
Budgeted average EBITDA margin	12,74%	14,39%	7,24%

Expected long-term growth rate used for the calculation of planned future results	10,00%	12,00%	5,00%

	Year 2009		
Discount rate before tax	16.30%	11.80%	9.90%
Budgeted average EBITDA margin	8.50%	11.30%	3.50%
Expected long-term growth rate used for the calculation of planned future results	9.97%	12.08%	4.66%

Changes in key factor, when comparing to 2009, results mainly from influence of starting base decrease and interpretation of market trends. Expected future cash flows are analyzed in the perspective of the following 10 years. The length of the period results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business.

When discount rates in period of 12 months ended December 31, 2010 were bigger/smaller by 3 base points, it would not result in recognition of impairment provision.

13 Other non-current assets

As at December 31, 2010 and 2009, the balances of other non-current assets were as follows:

	31.12.2010	31.12.2009
Prepaid rental fees	4 967	10 171
Deposits in respect of rentals	7 942	8 334
Other	5 303	4 827
	18 212	23 332

In year 2009 took place final reconciliation of option concerning purchase of one of real estate in which AmRest Group restaurants operate. As a result of it excess of fair value of purchased real estate (PLN 37 991 thousand) over recognized valuation of repurchase option, in the value of prepaid rents to prior OO Pizza Nord owner (PLN 33 011 thousand – as at the date of transaction settlement after effect of fair valuation), recognized in income statement as other operating income (PLN 4 980 thousand). Detailed information on Russian acquisition please refer to note 2.

14 Inventories

As at December 31, 2010 and 2009, inventories cover mainly food and packaging used in the restaurants. Inventories are presented net of inventory write-downs. Inventory write-downs as at December 31, 2010 amounted to PLN 89 thousand and as December 31, 2009- PLN 823 thousand. New inventory write-down recorded in the income statement for the year ended December 31, 2010 amounted for PLN 18 thousand.

15 Trade and other receivables

	31.12.2010	31.12.2009
Trade receivables from non-related entities	28 820	24 614
Trade receivables from related entities (Note 33)	3 634	983
Other tax receivables	14 324	8 993
Other	2 253	3 439
Write-downs of receivables (Note 35)	(4 024)	(4 545)
	45 007	33 484

16 Leasing receivables

Group in year 2009 has signed finance lease agreement for restaurant appliances. Agreement is denominated in EUR. Finance lease cycle covered by agreement is 5 years.

Receivables fro finance lease liability – value of current minimal lease payments:

	31.12.2010	31.12.2009
Up to 1 year	206	119
From 2 to 5 years included	583	715
More than 5 years	-	-
	789	834

Receivables from finance lease – value of minimal lease payments:

	31.12.2010	31.12.2009
Up to 1 year	150	214
From 2 to 5 years included	458	818
More than 5 years	-	-
Total minimal lease payments	608	1 032
Future un-received finance income from finance lease	181	(198)
Current value of minimal lease payments	789	834

17 Other current assets

	31.12.2010	31.12.2009
Prepaid costs in respect of deliveries of utilities	3 649	4 084
Prepaid lease costs	2 576	2 900
Prepaid property insurance	1 060	432
Prepaid professional services cost	1 269	1 322
Prepaid marketing costs	611	1 025
Prepaid costs of financial services	39	1 092
Prepaid costs of outside services	480	143
Other	2 948	4 199
	12 632	15 197

Other current assets are presented in net value taking into consideration impairment provisions. Level of impairment provisions is PLN 705 thousands as at December 31, 2010. In income statement for the period ended December 31, 2010 were recognised impairment provisions for other current assets in value of PLN 705 thousands.

18 Cash and cash equivalents

Cash and cash equivalents as at December 31, 2010 and 2009 are presented in the table below:

	31.12.2010	31.12.2009
Cash at bank	231 354	146 406
Cash in hand	13 764	12 742
	245 118	159 148

19 Financial assets available for sale

.	31.12.2010	31.12.2009
Ordinary shares	4 529	3 514
Other financial assets	4 529	3 514
Other current financial assets	4 529	-
Other non-current financial assets	-	3 514
Cash flow hedges (foreign currency contracts)		
contract forward HUF/PLN	90	-
contract forward RUB/HUF	133	-
Derivative financial instruments total	223	-
Derivative financial instruments current	223	-
Derivative financial instruments non current	-	-
Other financial assets total	4 752	3 514
Other current financial assets total	4 752	-
Other non-current financial assets total	-	3 514

Financial assets available for sale are from the "Poland" segment, their fair value was based on valid stock exchange quoting being an active market.

For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Those contracts are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to six months.

As at December 31, 2010 Group had forward currency contract hedging negative effects of revaluation effects of related parties borrowings in consolidated financial statements of the Group. Hedging covers currency exposition in RUB, CZK and HUF. Currency contracts are used for hedging the currency risk for contracted or future probable transactions.

20 Equity

Share capital

As described in Note 1a. On April 27, 2005, the shares of AmRest Holding N. V. were floated on the Warsaw Stock Exchange ("GPW").

As at December 31, 2010, the Company held 18 934 099 issued, fully paid-up shares. The Company's target capital is 5 852 257 shares. Nominal value of one share is 1 eurocent (0.01 euro).

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

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)c	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the GPW	Employee Options	Hedges valuation influence	Transactions with non controlling interests	**Reserves total**
As at January 1, 2009	**280 548**	**6 191**	**5 769**	**7 496**	**(23 496)**	**276 508**
COMPREHENSIVE INCOMES						
Impact of cash flow hedging	-	-	-	(9 254)	-	**(9 254)**
Deferred income tax concerning cash flow hedges	-	-	-	1 758	-	**1 758**
Comprehensive incomes total	-	-	-	(7 496)	-	**(7 496)**
TRANSACTIONS WITH NON-CONTROLLING INTERESTS						
Acquisition of non controlling interests in US operations	-	-	-	-	10 750	**10 750**
Transactions with non controlling interests total	-	-	-	-	10 750	**10 750**
TRANSACTIONS WITH SHAREHOLDERS						
Employees share option scheme –value of service	-	-	2 719	-	-	**2 719**
Transactions with shareholders total	-	-	2 719	-	-	**2 719**
As at December 31, 2009	**280 548**	**6 191**	**8 488**	**-**	**(12 746)**	**282 481**
As at January 1, 2010	**280 548**	**6 191**	**8 488**	**-**	**(12 746)**	**282 481**
COMPREHENSIVE INCOMES						
Impact of net investment hedges valuation	-	-	-	3 096	-	**3 096**
Deferred income tax concerning net investment hedges	-	-	-	(588)	-	**(588)**
Comprehensive incomes total	-	-	-	2 508	-	**2 508**
TRANSACTIONS WITH SHAREHOLDERS						
Share issue	306 309	-	-	-	-	**306 309**
Employees share option scheme –value of service	-	-	4 153	-	-	**4 153**
Transaction with shareholders total	306 309	-	4 153	-	-	**310 462**
As at December 31, 2010	**586 857**	**6 191**	**12 641**	**2 508**	**(12 746)**	**595 451**

Within the bank loans as at December 31, 2010 was disclosed loan for the amount of USD 50 million, which is hedging net investment in US operations – subsidiary AmRest LLC, it hedges Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial year of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the year ended December 31, 2010 hedge was fully effective. As at December 31, 2010 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in AmRest LLC with use of financial forward derivative instruments denominated in USD accounted for PLN 3 096 Thousand and value of deferred income tax connected with this revaluation was PLN 588 thousand (2009: PLN 1 758 thousand). As at December 31, 2009 cumulated value of currency revaluation recognized in reserve capital from cash flow hedges forward PLN 9 254 and value of deferred income tax connected with this revaluation was PLN 1 758 thousand.

Foreign exchange differences on translation

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

21 Borrowings

Borrowings as at December 31, 2010 and 2009 are presented in the table below:

Long-term	31.12.2010	31.12.2009
Bank loans	220 896	3 204
Bonds	149 161	109 308
	370 057	112 512

Short-term	31.12.2010	31.12.2009
Bank loans	13 224	424 526
	13 224	424 526

Bank loans

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2010	31.12.2009
In PLN	Syndicated bank loan	5,51%	26 066	356 071
In USD	Syndicated bank loan	2,47%	145 315	-
In CZK	Syndicated bank loan	3,24%	59 441	65 532
In RUB	Raiffaisen Bank	9,79%	3 298	6 127
In PLN	Bonds 5 years	7,45%	149 161	109 308
			383 281	537 038

Bank loans comprise mainly investment loans bearing a variable interest rate based on reference rates WIBOR, PRIBOR and US LIBOR. Exposure of the loans to interest rate risk and contractual dates for changing the interest rates occur in 6-month cycles (for WIBOR), 3-month cycles (for PRIBOR, WIBOR and US LIBOR) and monthly cycles (for US LIBOR).

On October 11, 2010, a credit agreement was signed between Amrest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. ("Borrowers") and RBS Bank (Polska) S.A., The Royal Bank of Scotland N.V., Bank PEKAO S.A. and Bank Zachodni WBK S.A. Under the above-mentioned agreement the Group was granted a loan amounting to PLN 440 million. The loan should be repaid by September 30, 2015. It covers two tranches and is earmarked for repayment of liabilities resulting from the syndicated credit agreement dated December 15, 2008 and further financing of the development of AmRest. All the Borrowers are jointly and severally responsible for discharging the obligations resulting from the credit agreement. Additionally, two Group companies – OOO AmRest and AppleGrove Holdings, LLC – granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at December 31, 2010, the above ratios were not exceeded.

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

As at December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. nad Bank Pekao S.A. agreement for bonds issuance ("5years bonds"), on the basis of which was realeased option program for corporate bonds of AmRest, allowing to issue 15 000 bonds for total nominal value of PLN 150 million. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

The maturity break-down of long- and short-term borrowings as at December 31, 2010 and 2009 is presented in the table below:

	31.12.2010	31.12.2009
Up to 1 year	13 224	424 526
Between 1 and 2 years	71 074	2 564
Between 2 and 5 years	298 983	109 948
More than 5 years	-	-
	383 281	**537 038**

The Group has the following unused, awarded credit limits as at December 31, 2010 and 2009:

	31.12.2010	31.12.2009
With floating interest rate		
- expiring within one year	11 515	9 846
- expiring beyond one year	350 696	16 103
	362 211	**25 949**

Additionally, the Group has an active AmRest corporate bond plan in the total amount of PLN 300 million. As at December 31, 2009, were issued and sold bond for PLN 110 million, PLN 40 million bonds were sold subsequently at March 24, 2010 and the available limit under this plan was PLN 150 million. As at December 31, 2010 the bonds amount PLN 149 161 thousand

22 Other financial liabilities

	31.12.2010	31.12.2009
Derivative financial instruments		
Cash flow instrument hedges		
(forward valution CZK-PLN)	44	-
Derivative financial instruments total	44	-
Other current financial liabilities total	44	-
Other non-current financial liabilities total	-	-

For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Those contracts are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to six months.

As at December 31, 2010 Group has entered into forward contracts hedging negative effects of currency revaluation with related parties in consolidated financial statements of the Group. Hedging concerned exposition in CZK. Currency contracts are used for hedging currency risk contracted or future probable transactions.

23 Liabilities in respect of wages and salaries, and employee benefits

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-off amount of USD 300 after five years in service, and USD 1 000 after 10 years in service, translated in both cases into the currency of the given country. In year 2009 Group has added to this service benefit package jubilee gift for 15 years of work, which is equal to value of 100 AmRest Holdings SE shares. The Group provided for these long-service bonuses in the amount of PLN 878 thousand as at December 31, 2010 and PLN 1 032 thousand as at December 31, 2009. The actuarial assumptions adopted for the valuation assume a discount rate of 5.5% and the expected turnover of employees at an annual level of 50% in 2009 and 2010, accordingly 5,5% and 40% for year 2009.

Employee share option plan 1

The Plan was launched in 1999 as a cash-settled plan and covered the key employees of the Group. Upon the Group's flotation on the GPW – on April 27, 2005 – the plan was modified to be share-based instead of cash-based. Additionally, all the obligations in respect of the plan were taken over by ARC (Note 1a). ARC assumed responsibility for the redemption of all the units (which could already be and which could not yet be exercised). The carrying amount of the liability as at that date of PLN 1 944 thousand was charged to capital.

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its key employees. The whole number of shares which are attributed to the options is determined by the Management Board, however, it may not exceed 3% of all the outstanding shares. Moreover, the number of shares purchased by employees through exercising options is limited to 200 000 per annum. In accordance with the provisions of the Plan, the Group, following approval by the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle

equal to the market price of the Company's shares as at the date of awarding the option, and the vesting period will be 3 to 5 years. The Employee Option Plan was approved by the Company's Management Board and the General Shareholders' Meeting.

In January 2010, Supervisory Board of Group parent entity approved resolution confirming and systemizing total amount of shares for which may be issued options that will not exceed allowed 3% of shares in market.

The terms and conditions for the share options awarded to employees are presented in the table below:

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
Plan 1				
April 30, 1999	75 250	5 years, gradually, 20% per annum	6.4	10 years
April 30, 2000	53 750	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2001	76 300	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2002	74 600	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2003	55 100	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2004	77 800	5 years, gradually, 20% per annum	19.2	10 years
Total	412 800			
Plan 2				
April 30, 2005	79 300	5 years, gradually, 20% per annum	24.0	10 years
April 30, 2006	75 000	5 years, gradually, 20% per annum	48.4	10 years
April 30, 2007	89 150	5 years, gradually, 20% per annum	96.5	10 years
April 30, 2008	105 250	5 years, gradually, 20% per annum	86.0	10 years
June 12, 2008	21 000	5 years, gradually, 20% per annum	72.5	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
October 05, 2009	3 000	5 years, gradually, 20% per annum	73.0	10 years
April 30, 2010	119 375	5 years, gradually, 20% per annum	70.0	10 years
Total	594 445			

In the table below we present the number and weighted average of the exercise price of the options from both plans for the twelve-month period ended December 31, 2010 and 2009.

	2010			2009		
	Weighted average option exercise price	Number of options Plan 2	Number of options Plan 1	Weighted average option exercise price	Number of options Plan 2	Number of options Plan 1
At the beginning of the period	PLN 53,27	384 860	130 900	PLN 70.78	298 800	131 200
Utilized during the period	PLN 22,10	(21 480)	(120 600)	PLN 34.46	(1 400)	-
Redeemed during the period	PLN 68,13	(46 495)	-	PLN 47.13	(17 910)	(300)
Awarded during the period	PLN 70,00	119 375	-	PLN 48.32	105 370	-
At the end of the period	PLN 66,11	436 260	10 300	PLN 53.27	384 860	130 900
Available for exercising as at the end of the period	PLN 63,03	175 224	10 300	PLN 39.99	131 550	130 900

The fair value of the work performed in consideration for the options issued is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using the trinomial model and a model based on the Monte-Carlo method. One of the input data used in the above model is the term to maturity of the options (10 years). The possibility of early exercising of the option is taken into consideration in the trinomial model.

The fair value of the options as at the moment of awarding was determined on the basis of the following parameters:

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial model)*	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
od 1/1/2010 do 31/12/2010	Plan 2	PLN 42,61	PLN 70,0	PLN 70,0	40%	10 lat	-	5,51%
od 1/1/2009 do 31/12/2009	Plan 2	PLN 27,38	PLN 48,32	PLN 48,32	41%	7,6 lat	-	5,80%
od 1/1/2008 do 31/12/2008	Plan 2	PLN 29,81	PLN 83,8	PLN 83,8	37%	8,9 lat	18,80%	5,80%
od 1/1/2007 do 31/12/2007	Plan 2	PLN 36,09	PLN 96,5	PLN 96,5	33%	9,9 lat	18,80%	5,50%
od 1/1/2006 do 31/12/2006	Plan 2	PLN 15,5	PLN 48,3	PLN 48,3	31%	9,9 lat	18,80%	4,98%
od 1/1/2005 do 31/12/2005	Plan 2	PLN 8,9	PLN 25,7	PLN 24,0	40%	9,9 lat	18,80%	4,50%
	Plan 1	PLN 6,8	n/a	PLN 18,6	40%	7,0 lat	19,40%	4,50%
until the end of 2004	Plan 1	PLN 6,6	n/a	PLN 18,6	40%	7,5 lat	19,40%	5,80%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of comparable companies quoted on the GPW (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.

Options are awarded after the terms and conditions relating to the period of employment have been met. The Plan does not provide for any additional market conditions on which the exercising of the options would depend.

The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2010 and 2009 respectively are presented below:

	31.12.2010	31.12.2009
Value of employee services	3 440	2 816
	3 440	2 816

Retirement benefit contributions

The costs recognized in connection with the retirement benefit contributions for the period of twelve months ending on December 31, 2009 and 2008 respectively are presented below:

	2010	2009
Retirement benefit contributions	77 447	70 606
	77 447	70 606

Apart from those specified above, there are no other liabilities in respect of employee benefits.

24 Provisions

Changes in the balance of provisions are presented in the table below:

December 31, 2010	As at 01.01.2010	Increases	Utilization	Foreign exchange differences	As at 31.12.2010
Onerous contracts	4 249	-	(2 021)	64	2 292
Provision for court fees	1 365	1 933	(1 991)	28	1 335
Provision for tax risks	3 366	-	(1 579)	68	1 855
	8 980	1 933	(5 591)	160	5 482

December 31, 2009	As at 01.01.2009	Increases	Utilization	Foreign exchange differences	As at 31.12.2009
Onerous contracts	4 832	718	(1 120)	(181)	4 249
Provision for court fees	697	1 026	(356)	(2)	1 365
Provision for tax risks	-	3 366	-	-	3 366
	5 529	5 110	(1 476)	(183)	8 980

Provision for onerous contracts

As at the balance sheet date, the Group showed a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms. The provision was calculated using the 11,6% discount rate. The increase in the discount rate of 10 % (from 11,6% to 12,8%) would result in a decrease in the provision of PLN 1 thousand. Those agreements are finishing within 10 incoming years.

Provision for court fees

Periodically, the Group is involved in disputes and court proceedings resulting from the Group's on-going operations. As presented in the table above, as at the balance sheet, the Group showed a provision for the costs of court proceedings which reflects the most reliable estimate of the probable losses expected as a result of the said disputes and legal proceedings. According to the nature of this provision final settlement is expected within 2011.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additional realizes its growth within new investments, often have to decide to created or modify value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimate is used.

25 Other non-current liabilities

Other non-current liabilities cover mainly the long-term portion of deferred income of rents. Deferred income amount PLN 382 thousand and PLN 838 thousand respectively as at December 31, 2010 and 2009.

26 Trade and other payables

Trade and other payables as at December 31, 2010 and 2009 cover the following items:

	31.12.2010	31.12.2009
Payables to non-related entities, including:	**160 338**	**154 169**
Trade payables	89 478	80 058
Payables in respect of uninvoiced lease fees and deliveries of food	13 998	15 037
Employee payables	16 335	17 588
Social insurance payables	6 717	5 929
Other tax payables	11 790	13 593
Gift voucher liabilities	9 386	10 368
Other payables to non-related entities	12 634	11 596
Liabilities to related entities (Note 33)	4	177
Accruals, including:	**55 547**	**45 315**
Employee bonuses	15 107	8 871
Marketing services	4 098	2 677
Holiday pay accrual	7 693	8 166
Professional services	776	822
Franchise fees	4 553	4 216
Lease cost provisions	4 152	4 860
Investment payables accrual	13 703	12 334
Other	5 465	3 369
Deferred income – short-term portion (Note 25)	40	692
Social fund	46	293
	215 975	**200 646**

27 Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2010	31.12.2009
Payable within 1 year	237	516
Payable from 1 to 5 years	1 237	966
Payable after 5 years	2 170	2 442
	3 644	3 924

Finance lease liabilities – minimum lease payments:

	31.12.2010	31.12.2009
Payable within 1 year	859	1 253
Payable from 1 to 5 years	3 775	3 643
Payable after 5 years	3 112	3 782
Total minimum lease payments	7 746	8 678
Future finance costs in respect of finance leases	(4 102)	(4 754)
Present value of finance lease liabilities	3 644	3 924

28 Operating leases

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

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

	31.12.2010	31.12.2009
Payable within 1 year	134 771	126 933
Payable from 1 to 5 years	506 226	660 049
Payable after 5 years	824 964	782 739
Total minimum lease payments	1 465 961	1 569 721

In respect of many restaurants (especially those in shopping malls) lease payments comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee usually constitutes from 2.5% to 9% of a restaurant's revenue. Lease costs relating to operating leases (broken down by the fixed and conditional portion) for the 12 months of 2010 and 2009 are as follows:

	31.12.2010			31.12.2009		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech Republic	23 895	3 923	27 818	25 351	5 278	30 629
Hungary	5 336	288	5 624	6 104	276	6 380
Poland	21 605	39 132	60 737	53 613	3 753	57 366
Russia	18 413	970	19 383	22 660	724	23 384
Bulgaria	1 079	-	1 079	1 167	-	1 167
Serbia	393	-	393	496	-	496
USA	55 879	7 540	63 419	58 153	7 477	65 630
Total	126 600	51 853	178 453	167 544	17 508	185 052

The Group is also party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2010 and 2009 are as follows:

	31.12.2010	31.12.2009
Russia	305	349
Czech Republic	161	199
Hungary	31	376
USA	85	67
Poland	1 529	979
Total	2 111	1 970

29 Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. The Borrowers (AmRest Sp. z o.o. and American Restaurants s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, two Group companies – OOO AmRest and AppleGrove Holdings, LLC – granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. October 11, 2015.

As at December 4, 2009 AmRest Group entities AmRest, LLC, WCM Oregon and Restaurant Concepts (currently merged in one AmRest, LLC) signed a current loan agreement with Wells Fargo Bank, National Association. One of agreement terms provides collateral towards repayment of loan backed with assets of five chosen restaurants. Maximum amount of credit loan facility is USD 3 million what constitutes PLN 8 892 300 as at December 31, 2010 after revaluation to polish zlotys.

As at December 23, 2010 parties have signed addendum to agreement lengthening the availability of credit line from December 23, 2010 to January 31 2011. As at December 2010 Subsidiary of the Group AmRest LLC has not used available credit line therefore value of collateral is equal to PLN 0. As at January 25, 2011 parties have signed additional addendum lengthening availability of credit line to January 31, 2013 and increasing the available sum in credit line to USD 5 million. AmRest sp. z o.o. has given guarantee to financing bank for AmRest LLC borrowing resulting from this agreement.

30 Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2010 and 2009 was calculated as follows:

	31.12.2010	31.12.2009
Net profit from continued operations attributable to equity holders of the parent company	44 217	51 118
(Loss) on net profit from discontinued operations attributable to equity holders of the parent company	(3 619)	(12 886)
Net profit attributable to equity holders of the parent company	40 598	38 232
Weighted average number of ordinary shares in issue	16 837 476	14 186 356
Impact of share issuance	2 096 623	-
Impact of option of share issuance	2 271 626	-
Impact of share options awarded in 2005	2 818	13 970
Impact of share options awarded in 2006	-	1 818
Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	-	-
Impact of share options awarded in 2009	-	-
Weighted average number of ordinary shares for diluted earnings per share	21 208 543	14 202 144
Basic earnings per ordinary share	2,41	2.69

Diluted earnings per ordinary share	1,91	2.69
Basic earnings from continued operations per ordinary share	2,63	3.60
Diluted earnings from continued operations per ordinary share	2,08	3.60
Basic loss from discontinued operations per ordinary share	(0,21)	(0.91)
Diluted loss from discontinued operations per ordinary share	(0,17)	(0.91)

Appearance of diluting factor concerning option for share issuance, according to terms in share subscription agreement with z WP Holdings VII B.V. signed April 22, 2010, results from change in AmRest Group Management assessment of option realization probability.

The impact of the potential appearance of ordinary shares following the share options granted is slightly dilutive.

31 Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with the Burger King, Starbucks and Applebee's and the current and future franchise agreements were described in Note 1 (a) and Note 1 (g).

32 Investments in associates

Changes to the value of investments in associates in consecutive periods are presented in the table below:

	31.12. 2010	31.12.2009
At the beginning of the period	172	37 725
Share in profits and losses of associates	47	53
Dividend payment	(90)	-
Disposal of shares in associated companies.	-	(37 606)
Balance as at the end of the year	129	172

The Group's share in associates and the basic financial data of the entities are as follows:

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2010						
SCM s.r.o.	Czech Republic	413	182	879	100	47.00

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2009						
SCM s.r.o.	Czech Republic	526	156	868	132	40.50

33 Transactions with related entities

Trade and other receivables from related entities

	31.12.2010	31.12.2009
MPI Sp. z o.o.	3 633	982
Associates	1	1
	3 634	983

Trade and other payables to related entities

	31.12.2010	31.12.2009
MPI Sp. z o.o.	-	173
Associates	4	4
	4	177

Sales of goods for resale and services

	2010	2009
MPI Sp. z o.o.	100	83
Associates	4	25
	104	108

Purchase of goods for resale and services

	2010	2009
MPI Sp. z o.o.	4 022	3 076
Associates	1	1 865
	4 023	4 941

Other related entities

ARC, IRI, American Retail Systems Sp. z o.o., Metropolitan Properties International Sp. z o.o.

In accordance with the description in Note 1(a), as at December 31, 2010, ARC and its subsidiaries – IRI, American Retail Systems Sp. z o.o. are treated as related entities, as at December 31, 2010 Metropolitan Properties International Sp. z o.o. was a company owned by Mr Henry McGovern. On 14 March 2008, companies owned by Henry McGovern merged. The merger was effected by transferring all the assets of the acquired company, i.e. American Retail Systems Sp. z o.o. to the acquirer, i.e. Metropolitan Properties International Sp. z o.o.

The following people founded ARC: Donald M. Kendall, Sr., Donald M. Kendall, Jr., Christian R. Eisenbeiss and Henry J. McGovern. Donald M. Kendall, Sr., Donald M. Kendall, Jr. and Henry J. McGovern were members of the Supervisory Board of AmRest Holdings SE as at December 31, 2008.

The ownership structure of ARC as at December 31, 2010 is as follows:

	Percentage ownership
Donald M. Kendall, Sr.	30.00%
Donald M, Kendall, Jr.	18.25%
Christian R. Eisenbeiss	28.36%
Henry J. McGovern	22.49%
David A. Bobilya	0.90%

As of April 27, 2005 only ARC is responsible for compensation and meeting all the Company's future commitments in connection with the plan of share-based payments for the Company's employees (Note 23).

Metropolitan Properties International Sp. z o.o. (after merging with American Retail Systems Sp. z o.o.) is involved in operations related to real estate. The Group leases seven restaurants from Metropolitan Properties International Sp. z o.o. on the terms and conditions similar to the lease agreements concluded with non-related entities.

As at December 31,2009, the Group presented a prepayment of PLN 8 180 thousand in its consolidated financial statements. The prepayment was made in 2005 on behalf of ARS in connection with the conclusion of a lease agreement for 4 restaurants for a period of 10 years beginning in 2007. As at September 30, 2010 was signed agreement with MPI sp. z o.o. to resolve previously signed lease agreement. As a result of this agreement reimbursement of previously made prepayment was made in value of PLN 7 392 thousand.

The lease and other costs incurred by the Group and its subsidiaries on behalf of ARS (till the moment of the merger) amounted to PLN 1 662 thousand for the 12 months ended December 31, 2008.

Lease fees and other fees paid to MPI amounted to PLN 4 022 thousand and PLN 3 076 thousand respectively in the twelve month periods ending December 31, 2010 and December 31, 2009.

As at December 31, 2010, WP Holdings VII B.V. was the largest shareholder of AmRest and held 24.96% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

As at December 31, 2010, Bank Zachodni WBK AIB Asset Management was shareholder of AmRest and held 18.93% of its shares and voting rights, and as such was its related entity. Bank Zachodni WBK S.A. is a shareholder of Bank Zachodni WBK AIB Asset Management.

On December 15, 2008, a credit agreement was signed between Amrest Sp. z o.o. and American Restaurants s.r.o. ("the Borrowers") and ABN AMRO Bank (Polska) S.A., ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.

Under the above-mentioned credit agreement dated December 15 2008, BZ WBK granted the Group a loan amounting to PLN 120 million. The loan was paid in 2010.

As at October 11, 2010 was signed credit agreement between AmRest Holdings S.E., AmRest sp. z o.o. and AmRest s.r.o and Bank Polska Kasa Opieki S.A. („PEKAO"), RBS Bank Polska S.A. („RBS Polska"), Royal Bank of Scotland N.V. („RBS") i Bank Zachodni WBK S.A. („WBK"). On the basis of this agreement was given a loan for total value of PLN 440 million. Loan is expected to be paid till November 11, 2015. Value of this loan covers to parts. Part A PLN 240 million is aimed to repaid liabilities from loan agreement signed December 15, 2010. Part B in value of PLN 200 million given in form of revolving facility, is designed to repay liabilities resulting from loan signed in 2008 and for financing AmRest Group development.

Additionally, the Group has lease agreements with BZ WBK S.A. for scooters concluded on June 12, 2006 for three years and incurred costs of PLN 78 thousand and PLN 152 thousand accordingly in this respect for the period of twelve months ended December 31, 2009 and December 31, 2008.

Associates

Worldwide Communication Services LLC

Worldwide Communication Services LLC and its related entities (WCS) provided marketing services to the Group until the end of March 2007. This is related to beginning an internal Marketing Department at the beginning of 2007. The fees for the marketing services provided (mainly through a subsidiary of WCS – Synergy Marketing Partners Sp. z o.o., Synergy Marketing Partners s.r.o.) amounted to PLN 612 thousand for the twelve months ending December 31, 2008. As at October 26, 2009 Group has sold shares in Worldwide Communications Services LLC.

Transactions with the management/Management Board, Supervisory Board

Remuneration of the Management and Supervisory Boards

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

	2010	2009
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	3 682	2 799
Total remuneration paid to the Management Board and Supervisory Board	3 682	2 799

The Group's key employees also participate in an employee share option plan (see note 23). The costs relating to the employee option plan in respect of management amounted to PLN 724 thousand and PLN 278 thousand respectively in the 12 month period ended December 31, 2010 and 2009.

	31.12.2010	31.12.2009
Number of options awarded	148 050	44 750
Number of available options	86 820	10 750
Fair value of options as at the moment of awarding	PLN 3 873 971	PLN 884 759

As at December 31, 2010 and 2009, there were no liabilities to former employees.

34 Critical accounting estimates, and judgments

Key sources of uncertainties relating to estimates

Estimates and judgments are continually verified, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are exposed to a significant risk of introducing a significant adjustment of the carrying amount of assets and liabilities during another financial year relate mainly to the impairment tests in respect of property, plant and equipment and goodwill, amortization and depreciation, provisions and calculation of deferred tax.

Estimated impairment of goodwill

The Group tests goodwill for impairment in accordance with its accounting policies described in Note 1(o). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (Note 12). No goodwill impairment was recognized as at December 31, 2010 and 2009.

Estimated impairment of property, plant and equipment

Group tests impairment of property, plant and equipment for impairment losses according with accounting policy described in note 1(o). For restaurants as cash generating units operating for at least year and a half and incurring negative results there is performed analysis of current value of future cashflows according to actual budgets. This value is compared with assets value and in case of identification of gap in coverage there is recognized impairment loss. In the period of 12 months ending December 31, 2010 and December 31, 2009 were recognized impairment losses according to information presented in note 9.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis technical abilities of given asset, together with planned form and intensity of usage with simultaneous consideration of experience and legal obligations influencing usage of given asset.

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2010 of ca. PLN 9 429 thousand. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2009 of ca. PLN 10 452 thousand.

Provisions

Key uncertainties and estimates are described in Note 24.

Gift card liability estimates

Subsidiaries of the Group are performing operations also within sales and realization of gift cards. Group records a liability in the period in which gift cards are issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. The liability for gift cards not redeemed after two years is recognized as revenue. Following own and branch experience, historical and legal analysis this approach should be treated as best available estimate regarding gift cards. Value of gift card liability is presented in note 26.

Deferred income tax

Uncertainties and estimates related to deferred taxes covers mainly to recognizing a deferred tax asset in respect of unused tax losses carried forward. See Note 7.

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – see Notes 27 and 28 and recognition of deferred tax on tax loss carryforwards – Note 7. In classification of agreements for operating lease and finance categories are made critical judgments allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

35 Financial instruments

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

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

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due

to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 194 thousand for the Group's receivables exposed to credit risk and additionally reversed previous impairment in value of PLN 171 thousand in the 12 month period ended December 31, 2010. The maximum credit risk exposure amounts to PLN 290 733 thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2010 is presented in the table below:

	current	overdue in days				**Total**
		less than 90	91 - 180	181 - 365	more than 360	
Trade and other receivables	28 703	9 085	2 259	2 166	6 818	49 031
Receivable write-downs	(89)	-	-	(16)	(3 919)	(4 024)
	28 614	9 085	2 259	2 150	2 899	45 007

Value of impairment provisions for receivables as at December 31, 2010 and December 31, 2009 is presented in table below:

	31.12.2010	31.12.2009
Value for the beginigng of the period	4 546	3 568
Provision created	194	993
Provisions released	(171)	(15)
Provisions used	(552)	-
Other	7	-
Value for the end of the period	4 024	4 546

The Group did not recognize impairment on overdue trade and other receivables of PLN 16 393 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (see Note 21). As at December 31, 2010 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results are analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2010 been 30 base points higher/lower, the profit for the period would have been PLN 1 374 thousand lower/higher (2009:PLN 962 thousand)

Had the interest rates on loans denominated in US dollars during the 12 months ended December 31, 2010 been 30 base points higher/lower, the profit for the period would have been PLN 81 thousand lower/higher (PLN 19 thousand)

Foreign exchange risk

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

To limit foreign exchange risk, the Group is trying to reduce the impact of short-term fluctuations of exchange rates. However, in a longer period, permanent changes in exchange rates and interest rates could have an impact on the Company's consolidated results.

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

Group applies hedging accounting for revaluation of borrowings in USD constituting net investment hedges in US related party. Details concerning hedging on currency risk are described in note 20.

Net investment foreign currency valuation risk

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

Volatility analysis

As at December 31, 2010 and 2009, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2010 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would influence the comprehensive income in the net value of PLN 12 005 thousand.

As at December 31, 2009 there was no net investment hedge.

Liquidity risk

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

The table below shows an analysis of the Group's financial liabilities which will be settled in net amounts in particular ageing brackets, on the basis of the term to maturity as at the balance sheet date. The amounts shown in the table constitute contractual, undiscounted cash flows.

The maturity break-down of long- and short-term borrowings as at December 31, 2010 and 2009 is presented in the table below:

	December 31, 2010			December 31, 2009		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Up to 1 year	13 224	18 526	31 750	424 526	27 657	452 183
Between 1 and 2 years	71 074	35 034	106 108	2 564	196	2 760
Between 2 and 5 years	298 983	18 047	317 030	109 948	42 939	152 887
More than 5 years	-	-	-	-	-	-
	383 281	71 607	454 888	537 038	70 792	607 830

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3,5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

The Group monitors capital using the gearing ratio. The ratio is calculated as net debt to the total value of capital employed. Net debt is calculated as the sum of borrowings (comprising loans and advances, and liabilities) net of cash and cash equivalents. The total value of capital is calculated as the carrying amount of equity in the consolidated financial statements plus net borrowings.

The Group's gearing as at December 31, 2010 and 2009 is as follows:

	2010	2009
Total borrowings (Note 21)	383 281	537 038
Total other liabilities	239 648	231 166
Less: Cash and cash equivalents (Note 18)	(245 118)	(159 148)
Net debt	377 811	609 056
Total equity	746 030	382 891
Capital employed	1 123 841	991 947
Gearing ratio	**34%**	**61%**

The decrease in the gearing ratio as at December 31, 2010 results mainly from partly loan repayment and equity transactions (increase in capital about PLN 307 mil).

36 Events After the Balance Sheet Date

- As at February 10, 2011 The Management Board of AmRest Holdings SE ("AmRest") signed a SHARE AGREEMENT FOR SALE AND PURCHASE AND EXCHANGE OF SHARES ("SPA"), between AmRest ("Buyer") and Corpfin Capital Fund III, F.C.R., Corpfin Capital S.A., S.C.R., Corpfin Capital Fund III, SBP, F.C.R., Delta Spain S.A.R.L., SICAR ("Corpfin Shareholders") and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. and Ebitda Consulting S.L. ("Management"). Corpfin Shareholders and Management are jointly referred to as "Sellers". AmRest will acquire effectively 76.3% of Restauravia Grupo Empresarial S.L shares with the remaining 23.7% comprised of rolled over equity from the Company's management.

Sellers own 100% of Restauravia Grupo Empresarial S.L. ("Restauravia" or "Company"), a Spanish limited liability company. Restauravia owns 100% of Restauravia Food S.L.U. (referred as "KFC Branch"), a Spanish limited liability company and Pastificio Service S.L.U. (referred as "Pastificio Branch"), a Spanish limited liability company. Restauravia operates a total of 130 restaurants in Spain comprised of 30 KFC restaurants and 89 La Tagliatella (including 73 franchised restaurants), 6 Il Pastificcio and 5 Trastevere restaurants (jointly referred to as "Tagliatella" restaurants). Restauravia is the owner of Tagliatella brand. The Company generated approx. EUR 100 million in sales in FY 2010, and normalized EBITDA of EUR 23.9 million.

Both Parties agreed to close the transaction on or before April 29, 2011 ("Closing Date"). The Enterprise Value of Restauravia business is EUR 198 million. It is expected that the acquisition will be financed by AmRest's share purchase of approx. EUR 90 million, EUR 28 million of equity rolled over by Management and external bank debt.

The projected net debt of Restauravia as at the Closing Date is estimated at EUR 32 million. Within 30 days after the Closing Date, an independent auditor will issue a report on the Effective Net Debt at Closing Date. In case of any discrepancies, the price will be adjusted accordingly.

AmRest will have the right ("the Call Option") to purchase any or all of the shares of the Minority Shareholders. The Call Option is exercisable after 3 years and before 6 years has elapsed from Closing on May 1st and December 1st of each year within that window. Accordingly, Minority Shareholders will have the right ("the Put Option") to sell any or all of their shares. The Put Option is exercisable after 3 years and before 6 years has elapsed from the Closing. The exercise price of both Put and Call options will be equal and will be based on multiple of 8.2 times

EBITDA for the trailing twelve months period adjusted for the Net Debt as at the exercise date of the option.

- With effective date of February 28, 2011 Wojciech Mroczyński resigned from being a member of AmRest Holdings Management Board. Reason for resignation was sabbatical, on which Wojciech Mroczyński will be for next 12 months.
- As at February 28, 2011 shareholder WP Holdings VII B.V. has signed in terms of additional share subscription for 1 048 000 shares ate emission price PLN 75 per share.
- As at March 15, 2011, Management Board of AmRest Holdings S.E. adopted a resolution concerning share capital increase within the scope of authorized registered capital. Registered capital will be increased in a form of a subscription offer to Warburg Pincus Holdings VII B.V. with depriving the current shareholders the pre-emptive rights to shares in full. Share capital of AmRest; will be increased from 189 340.99 EUR by 10 480.00 EUR to 199 820.99 EUR, by issuance 1 048 000 of common, series 7 shares with nominal value of 0.01 EUR each share, at issue price PLN 75. Above mentioned changes in share capital are connected with the Additional Subscription of Shares which was exercised by WP Holdings VII B.V on February 28, 2011.