AmRest Holdings SE

Stand-alone financial statements as at and for the twelve months ended December 31, 2010

Contents:

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Board Member	**Board Member**	**Board Member**

Wrocław, March 21, 2011

Income Statement in accordance with IFRS as adopted by the EU for the 12 months ended December 31, 2010.

in PLN thousand	Note	2010	2009
General and administrative expenses (G&A)		(654)	(1 081)
Other operating income		2 158	-
Finance income	9	14 752	1 428
Finance cost	9	(13 166)	(4 697)
Profit/(Loss) before tax		**3 090**	**(4 350)**
Income tax expense	10	(248)	261
Profit/(Loss) for the period		**2 842**	**(4 089)**
Basic earnings per share in Polish zloty	14	0,17	(0,29)
Diluted earnings per share in Polish zloty	14	0,13	(0,29)

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

In PLN thousands	2010	2009
Profit/(Loss) for the period	**2 842**	**(4 089)**
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	**-**	**-**
Total comprehensive income for the period	**2 842**	**(4 089)**

Statement of financial position in accordance with IFRS as adopted by the EU as at December 31, 2010

in PLN thousand	Note	31.12.2010	31.12.2009
Assets			
Investment in associates	2	393 260	365 429
Other non-current assets	3	375 661	30 285
Deffered Tax assets	10	380	-
Total non-current assets		**769 301**	**395 714**
Trade and other receivables	5	6 674	24 362
Other current assets		4	17
Cash and cash equivalents	8	33 609	109 337
Total current assets		**40 287**	**133 716**
Total assets		**809 588**	**529 430**
Equity	7		
Share capital	7	623	427
Reserves	7	605 689	295 229
Accumulated profit		53 555	50 713
Total Equity attributable to shareholders of the parent		**659 867**	**346 369**
Liabilities			
Other non-current finance liabilities	4	149 161	182 675
Total non-current liabilities		**149 161**	**182 675**
Loans and borrowings		-	161
Trade and other payables		560	225
Total current liabilities		**560**	**386**
Total liabilities		**149 721**	**183 061**
Total equity and liabilities		**809 588**	**529 430**

AmRest Holdings SE
Stand-alone financial statements as at and for twelve months ended December 31, 2010

Statement of cash flows for the 12 months ended December 31, 2010

in PLN thousand	**2010**	**2009**
Cash flows from operating activities		
Profit/(loss) before tax	3 090	(4 350)
Adjustments for:		
Interest, net	(1 241)	2 206
Unrealised foreign exchange differences	(510)	524
Change in receivables	17 688	(24 356)
Change in other current assets	13	895
Change in payables and other liabilities	335	(2 586)
Income taxes paid	(628)	(133)
Other	-	274
Net cash provided by operating activities	**18 747**	**(27 526)**
Cash flows from investing activities		
Proceeds from settlement on subsidiaries acquired	-	27 562
Proceeds from repayment of loan and interest given	11 627	-
Expense on loans granted	(350 000)	-
Acquisition of subsidiaries, net of cash acquired	(24 391)	(32)
Net cash used in investing activities	**(362 764)**	**27 530**
Cash flows from financing activities		
Proceeds from debt securities	39 695	109 285
Repayment of bonds	(65 000)	-
Repayment of bonds interest	(21 498)	-
Proceeds from shares issued	306 503	-
Proceeds from share issuance (SOP employees options)	713	-
Proceeds from sale of own shares	-	48
Proceeds from interest on deposits	7 242	-
Proceeds from interest on cash pooling	634	-
Net cash provided by/(used in) financing activities	**268 289**	**109 333**
Net change in cash and cash equivalents	**(75 728)**	
Balance sheet in cash and cash equivalents	**(75 728)**	**109 337**
Cash and cash equivalents, beginning of period	**109 337**	**-**
Cash and cash equivalents, end of period	**33 609**	**109 337**

Statement of changes in equity in accordance with IFRS as adopted by the EU
for the 12 months ended 31 December 31, 2010

	Issued capital	Reserved capital	Retained Earnings	**Total Equity**
As at January 1, 2009	**427**	**292 269**	**54 802**	**347 498**
Comprehensive Income				
Profit for the period	-	-	(4 089)	**(4 089)**
Total Comprehensive Income	**-**	**-**	**(4 089)**	**(4 089)**
Transactions with shareholders				
Employees share option scheme – value of employee services	-	2 816	-	**2 816**
Own shares recognition	-	144	-	**144**
Total of transactions with shareholders	**-**	**2 960**	**-**	**2 960**
As at December 31, 2009	**427**	**295 229**	**50 713**	**346 369**
As at January 1, 2010	**427**	**295 229**	**50 713**	**346 369**
Comprehensive Income				
Profit for the period	-	-	2 842	**2 842**
Total Comprehensive Income	**-**	**-**	**2 842**	**2 842**
Transactions with shareholders				
Employees share option scheme – value of employee services	-	3 440	-	**3 440**
Employees share option scheme – value realized options	-	713	-	**713**
Emisja akcji	196	306 307	-	**306 503**
Total of transactions with shareholders	**196**	**310 460**	**-**	**310 656**
As at December 31, 2010	**623**	**605 689**	**53 555**	**659 867**

1 Company overview and significant accounting policies

(a) Background

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.

The Company's core activity is management of the following entities ("the Group"):

- AmRest Sp. z o.o. (Poland), the entity being a parent in an international group comprising of entities located in Poland, as well as in Russia (OOO AmRest) and USA (AmRest, LLC),
- American Restaurants s.r.o. (The Czech Republic),
- Amrest BK s.r.o.,
- AmRest Acqusition Subsidiary Inc (USA).

The principal activity of the entities within the Group is operating restaurants located in Poland, The Czech Republic, USA, Bulgaria, Russia, Serbia and Hungary,.:

- based on the franchise contracts - restaurants „KFC", „Pizza Hut", „Burger King", „Applebees" and „Starbucks",
- as the owner of trademarks - restaurants „Rodeo Drive" and „freshpoint".

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.

These standalone financial statements were authorized by the Management Board on March 21, 2011.

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

These 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 Company and the standards referred to above. The accounting policies which have been applied in the preparation of the annual financial statements comply with those used in preparing the annual financial statements for the year ended December 31 2009, with the exception of the new standards binding as of 1 January 2010.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

In this financial statements Company 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. The Company 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. The Company applies amendments of IAS 24 according to transitional regulations. The Company 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. The Company 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. The Company 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. The Company 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. The Company 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. The Company 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. The Company 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. The Company 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. The Company will address IFRIC 14 according to transitional regulations. The Company will apply IFRIC 19 not earlier than January 1, 2011. Changes do not influence for company's financial statements.

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

As at January 1, 2010 the Company 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 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 Company 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 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. The Company 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 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 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. The Company 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 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 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 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 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 company's financial statements.

(c) Basis of preparation of financial statements

Because of the fact that Company has moved its seat to Poland financial statements was prepared in polish zloty (PLN), after rounding to full thousands (TPLN). Polish zloty is functional currency of the AmRest Holdings SE since January 1, 2009.

The Company prepares consolidated financial statements of the Group for which it acts as a parent. The consolidated and separate financial statements have to be analysed jointly in order to vies a full picture of the Company’s financial.

The standalone financial statements are prepared on the historical cost basis except of assets held for sale and assets stated in fair value through profit or loss, which are stated in fair values. Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(d) Financial assets – investments in subsidiaries

Investments in subsidiaries

Investments in subsidiaries are valued at cost, net of impairment losses.

Other than investments in subsidiaries the Company 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-derivatives that are either designated in this category or not classified in any 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 profit or loss

This category has two sub-categories: ‘financial assets held for trading’, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as ‘held for trading’ unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Company 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 financial statements.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. Assets held-to-maturity are measured at amortised cost. Investments stated at amortised cost are measured as the amount proceeded at the date of its maturity less all discounts and bonuses.

The Company 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 carried at amortized cost less impairment losses and are classified as ‘trade and other receivables’ in the balance sheet for maturities not greater than 12 months after the balance sheet date (see accounting policy (e below).

Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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.

(e) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value and subsequently measured at amortized cost less impairment losses.

(f) 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.

(g) Equity

Ordinary shares are classified as equity.

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

The supplementary capital comprises of:

- surpluses between income from share issue and nominal value of issued shares, less costs of issue
- costs of employee benefits and share option plans.

(h) Financial liabilities - interest bearing loans and borrowings and bonds obligations

Interest-bearing loans and borrowings as well as bonds obligations are recognized initially at cost being their fair value, less attributable transaction costs. In subsequent periods, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest rate method.

If the loan is settled before the maturity date, any difference between the settled cost and the current cost is recognized in the income statement.

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

The zero coupons bonds obligations are classified as non-current liabilities if the maturity date is equal greater than 12 months after the balance sheet date.

(i) Employee benefits

Share-based compensation

The Company, having no own employees, provides two equity-settled, share-based compensation plans for the key employees of AmRest Group (see Note 6). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Related entities, for which employees were included in the share option plan and exercised their options, are obliged to pay to the Company the remuneration calculated as the difference between the value of shares received by employees valued at the market price and the price of the option granted.

(j) Trade and other payables

They are recognized initially at fair value and subsequently measured at amortized cost.

(in PLN thousands unless stated otherwise)

(k) Currency and exchange differences

Business transactions denominated in foreign currencies are recognised on the date of making at the following exchange rates:

- in case of sale or purchase of currencies or settlement of receivables and liabilities, at foreign currency purchase or sale rate applied by the Company's bank;
- in case of other transactions, at the average exchange rate determined for the given currency by the National Bank of Poland as at that date.

On the balance sheet date, assets and liabilities were measured using an average exchange rate determined by the National Bank of Poland.

(l) 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.

2 Investments in subsidiaries

The table below presents the number and value of the shares owned by the Company in its subsidiaries as at December 31, 2010 and 2009.

	31.12.2010 r.		**31.12.2009 r.**	
	Interest ownership	Value of Shares	Interest ownership	Value of Shares
AmRest Sp. z o.o. (Polska)*	100%	212 735	100%	209 295
AmRest s.r.o. (Republika Czeska)	100%	12 467	100%	9 148
AmRest BK s.r.o. (Republika Czeska)	100%	21 104	100%	32
AmRest Acquisition Subsidiary (USA)**	100%	146 954	100%	146 954
Total	**-**	**393 260**	**-**	**365 429**

(in PLN thousands unless stated otherwise)

* The value of shares in AmRest Sp. z o.o. was increased by capitalized costs of the share option plan (share options granted to the employees of the subsidiaries). The costs capitalised in the value of investments in subsidiaries amounted to 3 440 TPLN as at December 31, 2010.

** On May 15, 2007 AmRest Holdings SE created AmRest Acquisition Subsidiary, Inc. with its seat in Delaware, United States of America. As at July 2, 2007 Amrest Acquisition Subsidiary, Inc. Bought from Michael Tseytin 100% of shares in US Strategies Inc., with its seat in New Jersey, USA controlling 91% of shares and voting rights in OOO Pizza Nord (current name OOO AmRest) – franchisee of Pizza Hut and RostiksKFC in Russia. At same day, American Restaurants sp. z o. o. (100% subsidiary of AmRest Holdings SE) bought remaining 9% of shares and voting rights in OOO Pizza Nord from independent natural people. As a consequence of above described transaction Group obtained effectively 100% control over OOO Pizza Nord and their 19 Pizza Hut restaurants and 22 RostiksKFC restaurants, operating in Russia (mainly in Sankt Petersburg and Moscow). As a result Company has obtained accordingly 75% and 20% market share in Pizza Hut restaurants and KFC in Russia. On Russian markets there are several franchisees of KFC and Pizza Hut, which do not have exclusivity for operating in this region.

On July 2, 2007 US Strategies Inc. and AmRest Acquisition Subsidiary, Inc have merged creating on legal entity named AmRest Acquisition subsidiary, Inc.

On June 23, 2008 Michael Tseytin became member of Supervisory Board (related party) and held this function till May 8, 2009.

Following the agreement regulations of 100% shares in US Strategies, Inc purchase, final purchase price is dependent on EBITDA achieved by OOO AmRest – subsidiary of US Strategies, Inc. for the period of one year from purchase date.

Purchase transaction was settled according to agreement dated August 21, 2010 between AmRest Holdings SE and Michael Tseytin. Final share purchase price was settled. According to this agreement M. Tseytin repaid liability towards AmRest Holdings SE in the value of USD 9 000 thousand.

On November 15, 2010 the value of the shares in AmRest s.r.o. was increased by amount of 3 319 TPLN.

On Mai 17, 2010 the value of the shares in AmRest BK s.r.o. was increased by amount of 21 072 TPLN.

As at December 31, 2010 the Company has not recognised impairment on the investments in subsidiaries.

3 Loans granted to subsidiaries

Borrower	- AmRest s.r.o.
Loan amount	- 25 431 tyś. zł
Interest rate	- WIBOR 3M + 4,0%
Effective interest rate at December 31, 2010	- 7,85 %

On March 11, 2010 the agreement on conversion of the loan was signed. The amount was converted from CZK to PLN using average exchange rate of the National Bank of Poland binding on March 1, 2010 amounting to 0,1520 PLN. The amount of the liability shall be converted on March 1, 2010. As a result of the conversion the principal amount of the loan to be repaid by the borrower to the lender amounts to 25.431 TPLN.

Borrower	- AmRest Sp. z o.o.
Loan amount	- 350 000 tyś. zł
Interest rate	- 3M WIBOR + 3,5 %
Effective interest rate at December 31, 2010	- 7,33 %

(in PLN thousands unless stated otherwise)

The loan agreement was sined on October 18, 2010. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. The principal amount of the loan with all accrued interest will be repaid till September 30, 2010.

The table below presents the change of loan value during the twelve months period ended December 31, 2010:

As at January 1, 2010	**30 285**
Interest – capitalised in value of the loan (financial income)	6 495
Loan granted	350 000
Repayment of interest	(11 627)
Exchange rate differences (financial income)	508
As at December 31, 2010	**375 661**

Loans are not secured. The fair value of the loans presented above does not differ significantly from its carrying value.

4 Liabilities

Liabilities to subsidiaries

As at December 31, 2009 the Company presented financial liability to its subsidiary (AmRest Sp. z o.o.) related to zero coupon bonds specified as below:

Date of issue	- June 3, 2007
Number of bonds issued	- 100
Emission price of 1 bond	- 839 107 PLN
Total value of bonds issued	- 83 910 700 PLN
Nominal value of 1 bond	- 650 000 PLN
Total nominal value of bonds issued	- 65 000 000 PLN
Termination date	- 5 years after issue
Effective interest rate	- 5,03%

The table below presents the change of value of financial liability relating to bonds issued during the twelve months period ended December 31, 2010:

As at January 1, 2010	**73 528**
Interests – discount	2 252
Repayment	75 780
As at December 31, 2010	**-**

The bonds were issued for the purpose of financing the purchase of 100% shares in US Strategies, Inc. The purchase was finalised on July 2, 2007, under trilateral transaction, by AmRest Acquisition Subsidiary, Inc. At the date of acquisition both US Strategies. Inc. and AmRest Acquisition Subsidiary, Inc. were merged and formed a new legal entity – AmRest Acquisition Subsidiary, Inc. The total acquisition price paid constitutes the historical cost of purchase of the shares in a subsidiary - AmRest Acquisition Subsidiary, Inc.

Liabilities to third parties

(in PLN thousands unless stated otherwise)

As at December 30, 2009 and as at February 24, 2010 Company has issued bonds for total value of 110 000 000,00 PLN and of value of 40 000 000,00 PLN specified as below:

Date of issue	- December 30, 2009
Number of bonds issued	- 11 000
Emission price of 1 bond	- 10 000 PLN
Total value of bonds issued:	- 110 000 000 PLN
Termination date	- December 30, 2014
Interest rate	- variable
Reference rate	- WIBOR 6M

Date of issue	- February 24, 2010
Number of bonds issued	- 4 000
Emission price of 1 bond	- 10 000 PLN
Total value of bonds issued:	- 40 000 000 PLN
Termination date	- December 30, 2014
Interest rate	- variable
Reference rate	- WIBOR 6M

Value of liabilities from bonds issued as at December 31, 2010 – PLN 149 161.

Bonds were issued for the financing of Group investment activities.

As at January 1, 2010	**109 308**
Costs of emission	(251)
Intersts – discounted	104
Value of bonds	40 000
As at December 31, 2010	**149 161**

5 Trade and other receivables

As at December 31, 2010 and December 31, 2009 Company has receivables of following characteristics:

Receivables descriptions	**31.12.2010**	**31.12.2009**
Receivables from related parties – cash pooling	2 182	21 610
Receivables from related parties – AmRest Sp. z o. o.	3 568	2 184
Receivables from related parties – AmRest s.r.o.	697	456
Receivables from related parties – SCM Sp. z o.o.	74	-

(in PLN thousands unless stated otherwise)

Receivables from related parties – AmRest EOOD	3	-
Tax receivables	135	96
Other receivables	15	16
Total of receivables as for the end of given date	**6 674**	**24 362**

6 Employee benefits and share option plans

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.

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

(in PLN thousands unless stated otherwise)

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)	
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	131 200
Available for exercising as at the end of the period	PLN 63,03	175 224	10 300	PLN 39,99	131 550	131 200

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:

(in PLN thousands unless stated otherwise)

	Awarded in the period from 1/1/2010 to 31/12/2010	Awarded in the period from 1/1/2009 to 31/12/2009	Awarded in the period from 1/1/2008 to 31/12/2008	Awarded in the period from 1/1/2007 to 31/12/2007	Awarded in the period from 1/1/2006 to 31/12/2006	Awarded in the period from 1/1/2005 to 31/12/2005	Awarded until the end of 2004	
	Plan 2	Plan 2	Plan 2	Plan 2	Plan 2	Plan 2	Plan 1	Plan 1
Average fair value of option as at the date of award	PLN 42,61	PLN 27,38	PLN 29,81	PLN 36,09	PLN 15,5	PLN 8,9	PLN 6,8	PLN 6,6
Average price of share at the date of measurement/award	PLN 70,00	PLN 48,32	PLN 83,8	PLN 96,5	PLN 48,3	PLN 25,7	n/a	n/a
Average exercise price	PLN 70,00	PLN 48,32	PLN 83,8	PLN 96,5	PLN 48,3	PLN 24,0	PLN 18,6	PLN 18,6
Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial model)*	40%	41%	37%	33%	31%	40%	40%	40%
Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	10 years	7,6 years	8,9 years	9,9 years	9,9 years	9,9 years	7,0 years	7,5 years
Expected dividend (as of 2009)	-	-	18,8%	18,8%	18,8%	18,8%	19,4%	19,4%
Risk-free interest rate (based on Treasury bills)	5,51%	5,8%	5,8%	5,5%	4,98%	4,5%	4,5%	5,8%

* 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**

There are not other (except those listed above) liabilities for employees.

(in PLN thousands unless stated otherwise)

7 Equity

Share capital

As described in Note 1a, on April 27, 2005, the shares of AmRest Holdings SE commenced trading on the Warsaw Stock Exchange (“WSE”) in Warsaw, Poland.

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.

On June 10, 2010 there was the finalization of the Share Subscription Agreement with WP Holdings VII B.V.. Completion resulted from registering the increase in the share capital of the Company by the amount of EUR 47 262.63 by the registry court in Wrocław.

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).

Structure of other supplementary capital is as follows:

Shareholders	Shares amount	Share in Equity %	Amount of votes in AGM	Share at AGM %
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	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 governs asset which are accounted mostly for funds owned by BZ WBK AIB TFI

** shares owned directly by Henry McGovern and companies directly related to him i.e. IRI and MPI.

Other supplementary capital

Structure of other supplementary capital is as follows:

	31.12.2010	**31.12.2009**
Surplus over nominal value (share premium)	617 980	311 673
Employees share option scheme (Note 6)	12 593	8 440
Non-refundable capital deposit without additional share issue, made by shareholders of the Group before entry on GPW	6 191	6 191
Functional currency translation	(31 219)	(31 219)
Own shares recognition	144	144
Total supplementary capital	**605 689**	**295 229**

8 Cash and cash equivalents

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

	31.12.2010	**31.12.2009**
Cash at bank	33 608	109 335

(in PLN thousands unless stated otherwise)

Cash in hand	1	2
	33 609	**109 337**

9 Finance income and expenses

	2010	**2009**
Interest income	14 409	1 428
Net exchange rate gains	343	-
Finance income, total	**14 752**	**1 428**
Interest expense	12 970	3 634
Exchange rate losses	-	524
Other	196	529
Finance expenses, total	**13 166**	**4 697**

10 Income tax expense

	2010	**2009**
Corporate income tax - current period	-	-
Corporate income tax – previous period	628	(241)
Change in deferred taz assets/provision	(380)	-
Income tax recognized in the income statement	**248**	**(241)**

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 to be recovered after more than 12 months	660	-
Deferred tax asset to be recovered within 12 months	694	-
Deferred tax asset:	**1 354**	**-**

	31.12.2010	**31.12.2009**
Deferred tax provision to be used after more than 12 months	-	-
Deferred tax provision to be used within 12 months	974	-
Deferred tax provision:	**974**	**-**

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

	31.12.2010	**31.12.2009**
Other non-current assets	(974)	-
Trade and other payables	34	-
Tax loss carryforwards	1 320	-
Deferred tax asset	**380**	**-**

(in PLN thousands unless stated otherwise)

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

	31.12.2010
Tax loss for period 2009	1 397
Tax loss for period 2010	5 548
Tax losses in respect of which deferred tax assets were recognized	**6 945**

11 Related party transaction

As at December 31, 2010 the Group of which the Company is a parent consisted of the following subsidiaries (direct and indirect):

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. AmRest Sp. z o.o.	1.56 % 98.44%	July 2007

(in PLN thousands unless stated otherwise)

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, 2011 Group has finished liquidation process of Company OOO KFC Nord

On April 27, 2010 the liquidation process of International Fast Food Polska Sp. z o.o. was finished and the company was removed from court registers.

On August 05, 2010 the Company OOO Sistema Bistrogo Pitania was liquidated and 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 possed 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 were located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia and the USA.

Related party transaction

Trade and other receivables from related entities	**31.12.2010**	**31.12.2009**
AmRest Sp. z o.o.	5 750	23 794
AmRest s.r.o.	697	456
SCM Sp. z o.o.	74	-
AmRest EOOD	3	-
	6 524	**24 250**

(in PLN thousands unless stated otherwise)

Loans granted to related entities	**31.12.2010**	**31.12.2009**
AmRest s.r.o.	25 661	30 285
AmRest sp. z o.o.	350 000	-
	375 661	**30 285**

Liability component of bonds	**31.12.2010**	**31.12.2009**
AmRest Sp. z o.o.	-	73 527
	-	**73 527**

Trade and other payables to related entities	**31.12.2010**	**31.12.2009**
AmRest Sp. z o.o.	219	147
	219	**147**

Other operating income from related enities	**2010**	**2009**
AmRest Sp. z o.o.	1 446	2 185
AmRest s,r.o.	706	466
SCM Sp. z o.o.	75	-
AmRest LLC	17	-
OOO AmRest	8	-
AmRest KFT	5	-
AmRest EOOD	3	-
AmRest Coffee s.r.o.	2	-
AmRest Coffee Sp. z o.o.	1	-
	2 263	**2 640**

General and administrative expenses	**2010**	**2009**
AmRest Sp. z o.o.	6	129
	6	**129**

Financial income	**2010**	**2009**
AmRest Sp. z o.o.	1 364	1 249
AmRest s,r.o.	5 765	101
	2 263	**2 640**

Financial cost	**2010**	**2009**
AmRest Sp. z o.o.	2 289	1 905
	2 289	**1 905**

Transactions with the management/ Management Board, Supervisory Board

Remuneration of the Management and Supervisory Board

	12 months period ended December 31, 2010	**12 months period ended December 31, 2009**
Remuneration of the Management and Supervisory Boards paid by the Company's subsidiaries	3 682	2 799
Total remuneration of 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 6). The costs relating to the employee option plan in respect of management amounted to PLN 724 thousand and PLN 228 thousand respectively in the 12 month period ended December 31, 2010 and 2009.

		2010	**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	884 759

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

12 Commitments and contingencies

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. As at December 31, 2010 the total credit liabilities amounts to: 50.000 TUSD and 26.570 TPLN (AmRest Sp. Z o.o.) and 379 403 TCZK (AmRest s.r.o.).

Due to good financial situation of the subsidiaries there is no risk that the Company will be required to repay loans taken by these subsidiaries.

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.

13 Financial instruments

The Company is exposed to a variety of financial risks: market risk (including currency and interest rate risk) and - to a limited extent - credit risk. The risk management program implemented by the Company 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 carried out based on procedures approved by the Management Board.

(in PLN thousands unless stated otherwise)

Credit risk

Financial instruments that are exposed to the credit risk include cash and cash equivalents, receivables and loans. The Company invests cash and cash equivalents in highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to their level as at balance sheet date. As at December 31, 2010 maximum amount exposed to credit risk was 375 661 TPLN and consist of the intercompany receivables from loan granted to related party (note 3).

The Company did not recognize impairment of assets listed above as well as not did create any write-offs.

Interest rate risk

The loan granted to the subsidiary (Note 3) was based on a floating interest rate. As at December 31, 2009, the Company did not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The fair value of that instruments, does not differ significantly from its carrying value.

Foreign currency risk

The Company is exposed to the foreign currency risk mainly due to the receivables and payables valuation denominated in currencies other than functional currency of the Company. The exposure to foreign currency cash flow risk is not hedged as there is no impact on cash flows.

Liquidity risk

The Company does not provide any operating activities except of holding activity, which results in no need of constant access to the financing and control over timely liability payments.

For the purpose of financing of the investment in the subsidiary (establishment of AmRest Acquisition Subsidiary and acquisition of 100% of shares in USSI, Note 2) the Company issued bonds (Note 4). As described in Note 4, these are zero coupon bonds to be terminated in 2012. The bonds have been repaid in 2010, before the termination date.

For the purpose of financing of investment activities of the Group, the Company issued bonds (Note 4) for the amount of PLN 150 million. Details of this bonds is presented in note 4.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and financing of investments in subsidiaries.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and financing of investments in subsidiaries.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total engaged capital. Net debt is calculated as total borrowings (including borrowings and payables) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios at December 31, 2010 and December 31, 2009 were as follows:

	31.12.2010	**31.12.2009**
Bonds obligations and other liabilities	149 721	183 061
Less: cash and cash equivalent	33 609	109 337
Net debt	116 112	73 724
Total equity	659 867	346 369
Capital involved	775 979	420 093
Gearing ratio	15%	17%

Recent volatility in global and country financial markets

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

(in PLN thousands unless stated otherwise)

14 Earnings per share

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

	2010	2009
Profit/loss for the period	2 842	(4 089)
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	(19 950)	-
Weighted average number of ordinary shares in issue	21 188 593	14 202 144
Profit per ordinary share		
Basic earnings per ordinary share	0,17	(0,29)
Diluted earnings per ordinary share	0,13	(0,29)

15 Events after the balance sheet date

- On 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 equity investment 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.