AmRest Holdings SE
Consolidated annual financial statements for the year ended December 31, 2017

Contents

Consolidated annual income statement for the year ended December 31, 2017

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Continuing operations			
Restaurant sales		4 943 953	3 947 314
Franchise and other sales		321 554	260 055
Total sales	2	5 265 507	4 207 369
Company operated restaurant expenses:			
Food and material		(1 440 242)	(1 180 839)
Payroll and employee benefits		(1 200 058)	(908 674)
Royalties		(252 444)	(197 991)
Occupancy and other operating expenses		(1 505 513)	(1 194 264)
Franchise and other expenses		(213 821)	(168 648)
General and administrative (G&A) expenses		(387 221)	(294 796)
Impairment losses	2,9,11	(32 852)	(16 329)
Total operating costs and losses	4	(5 032 151)	(3 961 541)
Other income/expense	5	33 526	22 346
Profit from operations		**266 882**	**268 174**
Finance costs	2,7	(59 633)	(48 089)
Finance income	2,6	3 397	3 326
Income from associates		-	59
Profit before tax		**210 646**	**223 470**
Income tax expense	2,8	(29 317)	(32 726)
Profit for the period		**181 329**	**190 744**
Profit attributable to:			
Non-controlling interests		(952)	180
Equity holders of the parent		182 281	190 564
Profit for the period		**181 329**	**190 744**
Basic earnings per share in Polish zloty	27	8,59	8,98
Diluted earnings per share in Polish zloty	27	8,59	8,98

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 year ended December 31, 2017

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Profit for the period		**181 329**	**190 744**
Other comprehensive income:			
Currency translation differences from conversion of foreign Entities		(147 564)	113 659
Net investment hedges	18	51 789	(22 386)
Income tax concerning net investment hedges	8,18	(9 840)	4 253
Total items that may be reclassified subsequently to profit or loss		(105 615)	95 526
Other comprehensive income for the period, net of tax		**(105 615)**	**95 526**
Total comprehensive income for the period		**75 714**	**286 270**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		85 900	287 291
Non-controlling interests		(10 186)	(1 021)

The consolidated annual 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, 2017

In thousands of Polish Zloty	Notes	31.12.2017	31.12.2016 (restated)*
Assets			
Property, plant and equipment	9	1 690 155	1 343 738
Goodwill	2,3,12	909 310	777 508
Other intangible assets	11	612 690	617 327
Investment properties	10	22 152	22 152
Investments in associates		-	888
Other non-current assets	13	95 853	62 503
Deferred tax assets	8	59 302	44 834
Total non-current assets		**3 389 462**	**2 868 950**
Inventories	14	93 628	82 086
Trade and other receivables	15,31	162 004	99 384
Corporate income tax receivables	8	4 174	12 797
Other current assets	16	121 571	102 898
Cash and cash equivalents	17	548 248	291 641
Total current assets		**929 625**	**588 806**
Total assets	2	**4 319 087**	**3 457 756**
Equity			
Share capital		714	714
Reserves	18	606 366	648 886
Retained earnings		837 301	655 020
Translation reserve	18	(133 917)	4 413
Equity attributable to shareholders of the parent		**1 310 464**	**1 309 033**
Non-controlling interests	18	**35 184**	**67 577**
Total equity		**1 345 648**	**1 376 610**
Liabilities			
Interest-bearing loans and borrowings	19	1 811 975	1 039 033
Finance lease liabilities	24	7 001	7 880
Employee benefits liability	20	12 488	19 850
Provisions	21	39 543	42 346
Deferred tax liability	8	114 242	117 818
Other non-current liabilities	22	24 508	8 429
Total non-current liabilities		**2 009 757**	**1 235 356**
Interest-bearing loans and borrowings	19	157 880	223 255
Finance lease liabilities	24	1 777	1 636
Trade and other accounts payable	23	779 839	613 093
Corporate income tax liabilities	8	24 186	7 806
Total current liabilities		**963 682**	**845 790**
Total liabilities	2	**2 973 439**	**2 081 146**
Total equity and liabilities		**4 319 087**	**3 457 756**

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

** The adjustment resulted from final purchase price allocation process of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) described in note 1cc).*

Consolidated annual cash flow statement
for the year ended December 31, 2017

In thousands of Polish Zloty	**Notes**	**For the 12 months ended December 31, 2017**	**For the 12 months ended December 31, 2016 (restated*)**
Cash flows from operating activities			
Profit before tax	2,8	210 646	223 470
Adjustments for:			
Share of profit of associates		-	(59)
Amortization	2,11	42 134	33 341
Depreciation	2,9	288 357	237 732
Interest expense, net	6,7	43 125	33 864
Foreign exchange result	6,7	3 549	2 903
Gain/Loss on disposal of property, plant and equipment and intangibles	9	4 062	1 642
Impairment of property, plant and equipment and intangibles	2,9,11	24 744	16 958
Share-based payments adjustments	20	21 569	22 415
Other		5 171	(823)
Working capital changes:	17		
Change in receivables		(58 349)	(2 829)
Change in inventories		(10 088)	(9 575)
Change in other assets		(43 073)	(3 926)
Change in payables and other liabilities		142 041	(45 486)
Change in other provisions and employee benefits		(22 953)	12 879
Income tax paid		(16 122)	(31 754)
Net cash provided by operating activities		**634 813**	**490 752**
Cash flows from investing activities			
Net cash outflows on acquisition	2	(398 281)	(155 147)
Proceeds related to the acquisition of subsidiaries		-	14 330
Proceeds from the sale of property, plant and equipment, and intangible assets	9	2 353	4 192
Acquisition of property, plant and equipment	9	(527 203)	(372 822)
Acquisition of intangible assets	11	(56 715)	(29 684)
Net cash used in investing activities		**(979 846)**	**(539 131)**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		4 270	11 056
Expense on acquisition of own shares (employees options)		(79 298)	(50 079)
Expense on settlement of employee stock option in cash		(4 025)	(4 134)
Proceeds from loans and borrowings		1 849 536	202 922
Repayment of loans and borrowings		(1 085 838)	(91 085)
Interest paid		(35 211)	(36 939)
Interest received	6	3 287	3 084
Dividends paid to non-controlling interest owners		(3 726)	(2 205)
Proceeds related to the acquisition of non-controlling interest		(60 619)	1 111
Proceeds/(repayment) of finance lease payables		(492)	(1 439)
Net cash provided by/(used in) financing activities		**587 884**	**32 292**
Net change in cash and cash equivalents		**242 851**	**(16 087)**
Balance sheet change of cash and cash equivalents		256 607	(26 230)
Cash and cash equivalents, beginning of period		291 641	317 871
Effect of foreign exchange rate movements		13 756	(10 143)
Cash and cash equivalents, end of period		**548 248**	**291 641**

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

**The restatement has been described in note 1cc)..*

AmRest Group

Consolidated annual statement of changes in equity for the year ended December 31, 2017

	Attributable to equity holders						Non-controlling interest	Total Equity
	Issued capital	Reserved capital (note 18)		Retained Earnings	Cumulative translation adjustments	Total equity attributable to equity holders of the parent		
		Treasury shares	Other reserved capital					
As at January 1, 2016	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	190 564	-	**190 564**	180	**190 744**
Currency translation differences (note 18)	-	-	-	-	114 860	**114 860**	(1 201)	**113 659**
Valuation impact of net investment hedging instruments	-	-	(22 386)	-	-	**(22 386)**	-	**(22 386)**
Deferred income tax concerning net investment hedges (note 8)	-	-	4 253	-	-	**4 253**	-	**4 253**
Total Comprehensive Income	**-**	**-**	**(18 133)**	**190 564**	**114 860**	**287 291**	**(1 021)**	**286 270**
TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS								
Acquisition of non-controlling interest	-	-	(3 677)	-	-	**(3 677)**	(242)	**(3 919)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(2 205)	**(2 205)**
Total transactions with non-controlling shareholders	**-**	**-**	**(3 677)**	**-**	**-**	**(3 677)**	**(2 447)**	**(6 124)**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	(50 079)	-	-	-	**(50 079)**	-	**(50 079)**
Proceeds from treasury shares	-	60 168	(60 168)	-	-	-	-	-
Employee stock option plan – value of employee services exercised in the period	-	-	19 687	-	-	**19 687**	-	**19 687**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	11 056	-	-	**11 056**	-	**11 056**
Employee stock option plan – value of unexercised employee benefits	-	-	(4 457)	-	-	**(4 457)**	-	**(4 457)**
Effect of modification of employee stock option plan	-	-	13 515	-	-	**13 515**	-	**13 515**
Change of deferred tax related to unexercised employee benefits	-	-	2 668	-	-	**2 668**	-	**2 668**
Total transactions with shareholders	**-**	**10 089**	**(17 699)**	**-**	**-**	**(7 610)**	**-**	**(7 610)**
As at December 31, 2016	**714**	**(11 123)**	**660 009**	**655 020**	**4 413**	**1 309 033**	**67 577**	**1 376 610**
As at January 1, 2017	**714**	**(11 123)**	**660 009**	**655 020**	**4 413**	**1 309 033**	**67 577**	**1 376 610**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	182 281	-	**182 281**	(952)	**181 329**
Currency translation differences (note 18)	-	-	-	-	(138 330)	**(138 330)**	(9 234)	**(147 564)**
Valuation impact of net investment hedging instruments	-	-	51 789	-	-	**51 789**	-	**51 789**
Deferred income tax concerning net investment hedges (note 8)	-	-	(9 840)	-	-	**(9 840)**	-	**(9 840)**
Total Comprehensive Income	**-**	**-**	**41 949**	**182 281**	**(138 330)**	**85 900**	**(10 186)**	**75 714**
TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS								
Acquisition of non-controlling interest	-	-	(29 061)	-	-	(29 061)	(18 481)	**(47 542)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(3 726)	**(3 726)**
Total transactions with non-controlling shareholders	**-**	**-**	**(29 061)**	**-**	**-**	**(29 061)**	**(22 207)**	**(51 268)**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	(79 298)	-	-	-	**(79 298)**	-	**(79 298)**
Proceeds from treasury shares	-	45 411	(45 411)	-	-	-	-	-
Employee stock option plan – value of employee services exercised in the period	-	-	13 451	-	-	**13 451**	-	**13 451**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	1 906	-	-	**1 906**	-	**1 906**
Employee stock option plan – value of unexercised employee benefits	-	-	3 561	-	-	**3 561**	-	**3 561**
Effect of modification of employee stock option plan	-	-	2 287	-	-	**2 287**	-	**2 287**
Change of deferred tax related to unexercised employee benefits	-	-	2 685	-	-	**2 685**	-	**2 685**
Total transactions with shareholders	**-**	**(33 887)**	**(21 521)**	**-**	**-**	**(55 408)**	**-**	**(55 408)**
As at December 31, 2017	**714**	**(45 010)**	**651 376**	**837 301**	**(133 917)**	**1 310 464**	**35 184**	**1 345 648**

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.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Notes to the consolidated financial statements

1. Information on the Group and significant accounting policies

a) General information

AmRest Holdings SE ("the Company", "AmRest", "Equity holders of the parent") 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 registered the seat of AmRest in the National Court Register. The address of the Company's registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), 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.

Here after, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2017 cover the Company, its subsidiaries and the Group's shares in associates.

These consolidated financial statements were approved by the Company's Management Board on March 8, 2018.

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 (further Czech), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchises granted. In Spain, France, Germany and Portugal the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. This business is based on the franchise agreements signed with non-related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally, in China, Spain and Poland the Group operates its own brands Blue Frog and KABB (China).

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

As at December 31, 2017, FCapital Dutch B.V. was the largest shareholder of AmRest and held 56.38% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 8, 2018 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:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	11 959 697	56.38%	11 959 697	56.38%
Nationale-Nederlanden OFE	1 484 893	7.00%	1 484 893	7.00%
Gosha Holding S.à.r.l.**	2 263 511	10.67%	2 263 511	10.67%
Other shareholders	5 505 792	25.95%	5 505 792	25.95%

* *FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.) (holding 5 232 907 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finaccess SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of AmRest*

** *Gosha Holding S.à.r.l. is the entity which relates to Mr. Henry McGovern and Mr. Steven Kent Winegar, Supervisory Board members of AmRest.*

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The Group operates its restaurants mainly on a franchise basis however being master-franchisor and business performed through one brands become more important. The table below shows the terms and conditions of cooperation with franchisers and franchisees of particular brands operated by AmRest.

Activity performed based on franchise agreement					
Brand	KFC	Pizza Hut Dine-In	Pizza Hut Express, Delivery	Burger King	Starbucks 1)
Franchiser/Partner	KFC Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czech, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Opened restaurants: Poland, Czech, Hungary, France, Russia, Germany. Possibility of opening in: Bulgaria, Serbia, Croatia, Slovakia, Slovenia	Poland, Czech, Bulgaria	Poland, Czech, Hungary, Romania, Bulgaria, Germany, Slovakia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czech, Bulgaria – 20 years or 10 years 5)	15 years, possibility of extension for a further 5 years; in Romania till October 10, 2023 16 years, in Bulgaria till October 1, 2027 20 years
Preliminary fee	up to USD 50.1 thousand 2)	up to USD 50.1 thousand 2)	USD 25.1 thousand 3)	USD 50 thousand or USD 25 thousand5)	USD 25 thousand
Franchise fee	6% of sales revenues 3)	6% of sales revenues 3)	6% of sales revenues 3)	5% of sales revenues	6% of sales revenues
Marketing costs	5% of sales revenues	5% of sales revenues	June 21, 2017 - December 31, 2021 6% of sales revenues; January 1, 2022 - December 31, 2026 5% of sales revenues; 6% later on 3)	5% of sales revenues, in Czech 3% of sales revenues for first 3 years, than 5% 4)	amount agreed each year
Activity performed through own brand					
Brand	La Tagliatella		Blue Frog	KABB	
Area of the activity	Spain, France, Germany, Portugal		China, Spain, Poland	China	

Activity performed based on master-franchise agreement (the right to grant a license to third parties)			
Brand	Pizza Hut Dine-In	Pizza Hut Express, Delivery	La Tagliatella
Partner	Yum Restaurants International Holdings LLC	PH Europe Sarl, (US Branch), Yum Restaurants International Holdings LLC	Own brand
Area covered by the agreement	Possibility of opening in France and Germany	Germany, France	Spain, France Possibility of opening in Monaco
Term of agreement	10 years with possibility of extension	10 years with possibility of extension	10 years with possibility of extension

Explanations:
1) AmRest Group took up 82%. and Starbucks 18% of the share capital of the newly-established companies in Poland, Czech Republic and Hungary. In the ninth year Starbucks will have an unconditional option of increasing 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 indicators making mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities being the sole operators on these markets. In Germany the Group acquired 100% of shares in a key operator on this market.
2) The fee is revalorized at the beginning of each calendar year by the inflation rate.
3) Preliminary franchise fees and marketing costs might be changed if certain conditions set in the agreement are met.
4) Marketing expenses for the Burger King brand amount to 2.5% of the sales revenues over the first 2 years of operation, 2% in the 3rd year and 5% in consecutive years of operation.
5) 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 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.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The Group structure

As at December 31, 2017 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U.	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	AmRest China Group PTE Ltd	100.00%	December 2012
Kai Fu Restaurant Management (Shanghai) Co., Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.1% 99.9%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH*	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Group Consultants (BVI)	100.00%	December 2012

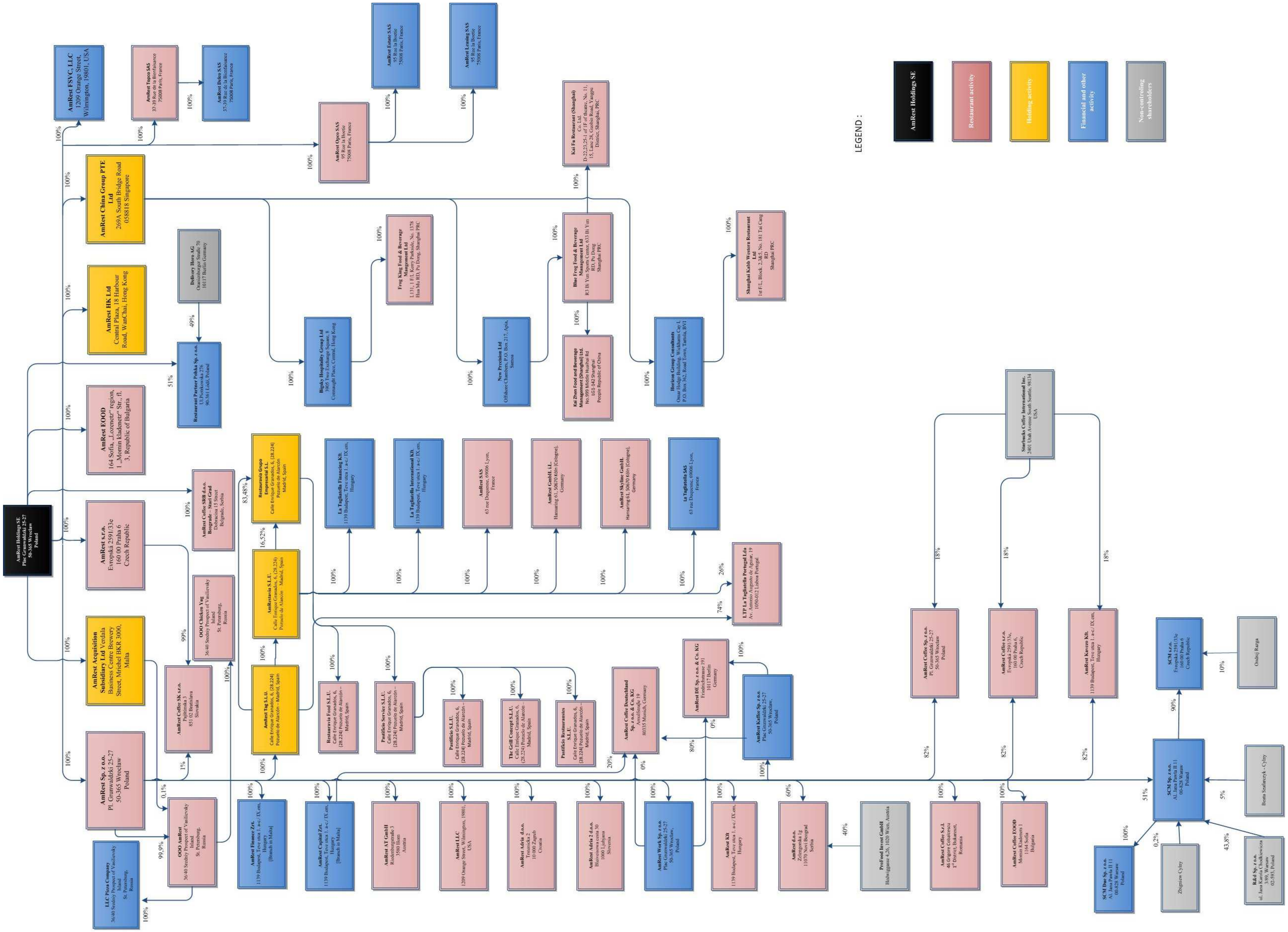
Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Skyline GMBH	Cologne, Germany	AmRestavia S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	December 2015
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest Capital Zrt	80.00% 20.00%	May 2016
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U. AmRestavia S.L.U.	74.00% 26.00%	February 2017
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco SAS	Paris, France	AmRest Holdings SE	100.00%	May 2017
AmRest Delco SAS	Paris, France	AmRest Topco SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest Holdings SE	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO Pizza Company	Saint Petersburg, Russia	OOO AmRest	100.00%	November 2017
AmRest Coffee SRB	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft**	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
Restaurant Partner Polska Sp. z o.o.	Łódź, Poland	AmRest Holdings SE Delivery Hero GmbH	51.00% 49.00%	August 2017
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Supply services for restaurants operated by the Group		
SCM s.r.o.	Prague, Czech	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Szfarczyk-Cylny	5.00%	
		Zbigniew Cylny	0.20%	
SCM Due Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

* *On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company. The liquidation process has not been finished until the date of these financial statements.*
** *On September 5, 2017 Amrestavia, S.L.U., the sole shareholder of La Tagliatella Financing Kft, has decided to liquidate this company. The liquidation process has not been finished until the date of these financial statements.*



LEGEND :
AmRest Holdings SE
Restaurant activity
Holding activity
Financial and other activity
Non-controlling shareholders

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

At December 31, 2017 and December 31, 2016 the summarised financial information for each subsidiary that has non-controlling interests:

Summarised balance sheet

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.	SCM due Sp. z o.o.	SCM s.r.o.	Restaurant Partner Polska Sp. z o.o.
Current Assets	20 747	7 767	11 274	18 104	3 290	1 524	1 951	10 438
Liabilities	(13 496)	(7 854)	(14 810)	(8 696)	(3 170)	(1 038)	(565)	(7 146)
Total current net assets	7 251	(87)	(3 536)	9 408	120	486	1 386	3 292
Non-current assets	35 602	19 294	55 706	4 686	7 579	-	68	10 878
Non-current liabilities	(657)	-	(99)	(1 559)	(7)	-	-	(513)
Total non-current net assets	34 945	19 294	55 607	3 127	7 572	-	68	10 365
Net assets	42 196	19 207	52 071	12 535	7 692	486	1 454	13 657

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	24 882	24 211	5 457	32 403	17 579	3 897
Liabilities	(54 109)	(11 639)	(6 704)	(15 864)	(5 707)	(1 913)
Total current net assets	(29 227)	12 572	(1 247)	16 539	11 872	1 984
Non-current assets	89 503	31 605	17 607	45 018	4 257	3 257
Non-current liabilities	(9 282)	(276)	(72)	(86)	(1 019)	(7)
Total non-current net assets	80 221	31 329	17 535	44 932	3 238	3 250
Net assets	50 994	43 901	16 288	61 471	15 110	5 234

Summarised income statement

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.	SCM due Sp. z o.o.	SCM s.r.o.	Restaurant Partner Polska Sp. z o.o.
Total sales	92 941	46 365	102 595	49 781	16 583	2 453	2 641	3 105
Profit before tax	14 059	3 234	(5 445)	6 577	516	243	1 045	(10 563)
Income tax expense/income	(2 724)	(804)	-	(1 608)	(49)	(28)	(180)	57
Profit/loss for the period	11 335	2 430	(5 445)	4 969	467	215	865	(10 506)
Profit/loss for the period allocated to NCI	2 040	437	(980)	2 435	187	105	468	(5 148)

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	229 028	76 779	35 749	85 026	46 118	14 472
Profit before tax	(10 507)	9 120	2 103	(3 930)	6 755	954
Income tax expense/income	(11)	(2 053)	(597)	-	(1 560)	-
Profit/loss for the period	(10 518)	7 067	1 506	(3 930)	5 195	954
Profit/loss for the period allocated to NCI	(3 583)*	1 272	271	(707)	2 546	382

** On November 15, 2016 the resolution regarding purchase shares from Coralie Danks in Blue Horizon Hospitality PTE LTD has been passed. As a result AmRest Holdings SE holds additional 5.23% of shares. On February 24, 2017, the resolution regarding purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders has been passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company. In 2017 loss attributable to non-controlling interests amounted to PLN 496 thousand.*

There are no significant restrictions on the possibility of accesses to the assets or their use and settlement of obligations for the subsidiaries having non-controlling interest.

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 as adopted by the European Union ("IFRS") for annual financial reporting, in force as at December 31, 2017.

As at December 31, 2017 there are no discrepancies between the accounting policies adopted by the Group according to IFRS accepted to use in European Union and the IFRS published by the International Accounting Standards Board ("IASB").

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 excluding valuation of derivative instruments and investment properties 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.

d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date, on which such control ends. The parent controls an entity, if the parent meets conditions described in IFRS 10.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to at least one elements of control listed in IFRS 10.

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

Any changes in the shareholding structure of the parent company that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, in order to reflect changes in the relative interest in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interest. All differences between the value of the adjustment to the non-controlling interest and the fair value of the consideration paid or received are taken to the shareholders' equity and allocated to the owners of the parent.

Associates

An associate is an entity on which the parent has, directly or indirectly through subsidiary companies, a significant influence, and which is neither its subsidiary nor joint venture, 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. Its share in other comprehensive income and 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) Going concern assumption

Information presented below should be read together with information provided in note 32 and 19, describing accordingly: significant post balance sheet events after December 31, 2017 and borrowings.

The consolidated annual financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

f) 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 following table presents functional currency used by the Group companies in particular countries.

Country	***Functional currency***
Poland	Polish zloty (PLN)
Czech Republic	koruna (CZK)
Hungary	forint (HUF)
Russia	ruble (RUB)
Bulgaria	lev (BGN)
Serbia	dinar (RSD)
Spain	euro (EUR)
Germany	euro (EUR)
Slovakia	euro (EUR)
France	euro (EUR)
Portugal	euro (EUR)
Slovenia	euro (EUR)
Croatia	kuna (HRK)
Romania	leu (RON)
China	yuan (CNY)
Hong Kong	yuan (CNY), dollar (USD)
USA	dollar (USD)

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, except incomes and losses concerning hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. 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 is translated to the presentation currency using the following procedures:

- assets and liabilities, including goodwill, and adjustments made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs and elements of other comprehensive income 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 presented in other comprehensive income and accumulated under a separate component of equity as translation differences of foreign operations. Upon the disposal of the operations, the exchange differences accumulated in equity that relate to the given foreign entity are recognized in the income statement.
- Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

The Group used European Central Bank‘s exchange rates for currency translations as at December 31, 2017.

In the case of long-term financing based on intercompany loans with indefinite repayment date and with the lack of intention of Board of repayment the Group is classifying foreign exchange differences caused by them as part of equity concerning foreign exchange differences.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2017.

g) Property, plant and equipment

Property, plant and equipment owned by the Group

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.

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 „Gains/losses from fixed assets disposal" being a part of “Occupancy and other operating expenses”.

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.

The Group does not capitalize costs of external financing, as those assets do not meet definition of qualified assets under IAS 23.

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 is 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 - 20 years*
Plant and machinery	3 - 14 years
Vehicles	4 - 6 years
Other property, plant and equipment	3 - 10 years

** regular 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 derecognized 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 recognized 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 note 1i) up to the date of change in use.

i) *Franchise, licence agreements and other fees*

As described in note 1a), the Group operates restaurants on the basis of franchise agreements. In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable initial fee upon opening each new restaurant and further fees over the period of the agreement (in the amount of % of sales revenues, usually 5-6%), and to allocate % of revenues (usually 5%) 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 initial fees are in fact fees for the right to use the e.g. 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.

A fixed licence fee equal to % of sales revenues is recognized in the income statement when as incurred in category continuing franchise fees.
The local marketing fee is recognized in the income statement as incurred in category direct marketing costs.

Group owns brands and is a franchisor in franchisee agreements. Following policies apply:

- Generally, the franchise agreement covers a 10-year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.
- Initial fees paid by franchisees are recognized by the Group as a revenue at the moment when all critical agreed in the contract areas are covered for the purpose of restaurant opening.
- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.

j) *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 recognized on the acquisition of subsidiaries that provide for lease fees lower than market fees are initially recognized at fair value and then at cost net of amortization and potential impairment (note 1p)).

Trademark

Trademarks acquired in mergers or acquisitions are recognized at fair value as at the date of transaction. The economic useful life is assessed individually. Trademark of La Tagliatella has indefinite economic useful life and is not subject of amortization, but of annual impairment tests. Blue Frog brand has its economic useful life and is amortized.

Relationships with Franchisees, relationships with clients (clients' database)

Relationships with Franchisees and with clients recognized at mergers and acquisitions are measured at fair value at the acquisition date. Useful life is determinated for each asset separately.

Rights to the Pizza Hut, KFC, Burger King, Starbucks trademark

See note 1i).

Other intangible assets

Other intangible assets are recognized at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (see note 1p)). The exclusivity rights of brand operators on particular markets are presented within other intangible assets.

Amortization

Intangible assets are amortized on 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 1p) 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	3-5 years
Favourable lease agreements	2-10 years*
Trademarks	5-10 years
Own trademark Blue Frog	20 years
Rights to Pizza Hut, KFC, Burger King and Starbucks trademark	10 years
Relations with franchisees	20-24 years**
Clients' database	2 years
Exclusivity rights brand operator	6-12 years***
Other intangible assets	5-10 years

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

k) Goodwill

Business combinations are accounted for under the acquisition method.

Goodwill on acquisition of a business entity is initially measured at acquisition cost which is an excess of:

- the sum total of:
  - the consideration paid,
  - the amount of all non-controlling interest in the acquiree, and
  - in the case of a business combination achieved in stages, the fair value, at the acquisition-date, of an interest in the acquiree,
- over the net fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill on consolidation is disclosed in a separate line in statement of financial position and measured at cost net of accumulated impairment write-downs. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired (refer to the note 1p) of accounting policy). 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 allocated 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.

l) 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. A financial asset is classified as held for trading if it is: acquired principally for the purpose of selling it in the near term; part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative unless they are designated as hedges. 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 included financial assets held to maturity are quoted in an active market non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

The carrying amount of investments are measured at amortised cost using the effective interest rate.

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 1m)), if they mature within 12 months of the balance sheet date.

Regular purchase and sale transactions of financial assets 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 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 adjusted purchase price (amortized cost using the effective interest method).

m) 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 (note 1p)). An estimate for doubtful debts is made when collection of the full amount is no longer probable.

n) Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

o) Cash and cash equivalents

Cash reported in the statement of financial position comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (overdraft facilities).

p) Impairment

The Group assesses at each reporting date whether there is any objective evidence of assets impairment. Group verifies the carrying value of inventories (See note 1n) of the accounting policies) and deferred income tax assets (note 1x)), 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.

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 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.

An assessment is made at each reporting date to determine whether there is any indication that a non-financial asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised 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 (cash-generating unit).

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.

In case of renovation, negotiation concerning change in location or other not typical events, the Group uses specific rules dependent on situation with specific treatment of particular restaurant.

Reversal of impairment write-downs

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

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.

q) Loans and borrowings

Initially, borrowings are recognized in the books of account at the fair value net of transaction costs associated with the borrowing. 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 the determined costs and 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.

r) Share capital

Equity includes equity attributable to shareholders of the parent and non-controlling interests.

Equity attributable to shareholders of the parent includes:

- Share capital
- Reserves
- Retained earnings
- Translation reserve

Within reserves position effect of following transactions are presented:

- Surplus over nominal value (share premium)
- Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE
- Impact of put option valuation
- Effect of accounting for share based payments
- Treasury shares
- Hedges valuation
- Transactions with non-controlling interests

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

s) Employee benefits

Share-based payments

The Group has both equity-settled share-based programs and cash settled share- based programs.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to award fair value at the grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the parent's Management Board at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

Cash-settled transactions

Cash-settled transactions were started to be accounted in 2014 as a result of modification introduced in existing share based programs. Programs were modified so that it may be settled in cash instead of shares. As a result, the group re-measures the liability related to cash settled transaction.

The liability is subsequently be measured at its fair value at every balance sheet date and recognised to the extent the service vesting period passed, with changes in liability valuation recognized in income statement. Cumulatively, at least the original grant date fair value of the equity instruments is recognised as an expense (share-based payment expense).

At the date of settlement, the Group shall remeasure the liability to its fair value. The actual settlement method selected by the employees, will dictate the accounting treatment:

- if cash settlement is chosen, the payment reduces the entirely recognised liability;
- if the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any equity component previously recognised shall remain within equity.

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 the same period as the related remuneration, under "Payroll and employee benefits".

Management incentive program for Group employees in local markets

AmRest Group has issued management incentive program towards employees of Spanish group based on financial result for Spanish, Portuguese and French markets. This plan provides minimal hurdle rate of Spanish business economic value increase. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

t) 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 analyses 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.

u) Trade and other payables

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

v) Revenues

Restaurant sales, franchise sales and other sales constitute Group 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.

w) Finance and operating leases

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 note 1g).

x) Income tax expense

The income tax shown in the income statement comprises the current and deferred part. 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.

For financial reporting purposes, deferred tax is recognised, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax relating to items recognised outside profit or loss is also recognized outside profit or loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

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 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

y) Derivative financial instruments and hedge accounting

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss for the period.

The group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing quarterly basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in other comprehensive income are shown in note 18.

Cash flow hedge

The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘other financial income or costs – net’.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within ‘other financial income or costs – net’.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Financial derivative included in non-financial host contract which meets criteria of embedded derivative is accounted as a separate derivative instrument and as such can be used as hedging instrument in cash flow or net investment hedge relationship.

z) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by the Executive Committee while making strategic decisions. The Executive Committee (Exec) analyses performance of the Group allocating owned resources according to given restaurants.

aa) 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. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition.

If the Group wants to sell assets and as a result of that transaction it looses a control over a subsidiary, all assets and liabilities of this subsidiary should be classified as assets held for sale regardless the Group remains non-controlling interest after that transaction.

bb) Seasonal fluctuations in production and sales

The seasonal fluctuations in sales and inventory of the Group are not significant which is characteristic for the entire restaurant industry.

The lowest sales are recorded in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

cc) Adjustments, standards’ amendments and changes in accounting policy

Comparable data were restated as a consequence of following adjustments.

In the first half of 2017, the Group finalized acquisition accounting for AmRest Coffee Deutschland Sp. z o.o. & Co. KG. The adjustments that were introduced based on the verification of fair value of acquired assets and liabilities also impacted value of goodwill previously established under the provisional acquisition of Starbucks in Germany.

As a consequence, comparative data, and relevant explanatory notes, presented in these consolidated financial statements were restated.

Adjustments introduced did not materially affect the comparative data presented in these financial statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share, hence the data were note restated.

Schedules of effects of above mentioned adjustments and the reconciliations between data published for the year ended December 31, 2016 and reported in current period statements as data for the year ended December 31, 2016 are presented below.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Consolidated annual statement of financial position as at December 31, 2016

	According to the published financial statement	Adjustment	Restated
Assets			
Property, plant and equipment	1 343 738	-	1 343 738
Goodwill	769 063	8 445	777 508
Other intangible assets	604 139	13 188	617 327
Investment property	22 152	-	22 152
Investments in associates	888	-	888
Other non-current assets	62 503	-	62 503
Deferred tax assets	49 674	(4 840)	44 834
Total non-current assets	**2 852 157**	**16 793**	**2 868 950**
Inventories	82 086	-	82 086
Trade and other receivables	99 384	-	99 384
Corporate income tax receivables	12 797	-	12 797
Other current assets	102 898	-	102 898
Cash and cash equivalents	291 641	-	291 641
Total current assets	**588 806**	**-**	**588 806**
Total assets	**3 440 963**	**16 793**	**3 457 756**
Equity			
Share capital	714	-	714
Reserves	648 886	-	648 886
Retained earnings	655 020	-	655 020
Translation reserve	4 413	-	4 413
Equity attributable to shareholders of the parent	**1 309 033**	**-**	**1 309 033**
Non-controlling interests	**67 577**	**-**	**67 577**
Total equity	**1 376 610**	**-**	**1 376 610**
Liabilities		-	
Interest-bearing loans and borrowings	1 039 033	-	1 039 033
Finance lease liabilities	7 880	-	7 880
Employee benefit liability	19 850	-	19 850
Provisions	23 717	18 629	42 346
Deferred tax liability	117 818	-	117 818
Other non-current liabilities	8 429	-	8 429
Total non-current liabilities	**1 216 727**	**18 629**	**1 235 356**
Interest-bearing loans and borrowings	223 255	-	223 255
Finance lease liabilities	1 636	-	1 636
Trade and other accounts payable	614 929	(1 836)	613 093
Income tax liabilities	7 806	-	7 806
Total current liabilities	**847 626**	**(1 836)**	**845 790**
Total liabilities	**2 064 353**	**16 793**	**2 081 146**
Total equity and liabilities	**3 440 963**	**16 793**	**3 457 756**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

In 2017 the Group decided to change a presentation of interests paid and received in the cashflow statement. The change was inspired by the desire to reflect better the nature of the transactions as well as the growing magnitude of cashflow. Interests are now presented in the financing activities the instead of operating activities. As a result cashflow statement presented in the published annual consolidated financial statement for 2016 has to be restated. Following table presents details.

Consolidated annual cash flow statement for period ended as at December 31, 2016

	According to the published financial statement	Adjustment	Restated
Cash flows from different positions of operating activities	490 752	-	490 752
Interest paid	(36 939)	36 939	-
Interest received	3 084	(3 084)	-
Net cash provided by operating activities	**456 897**	**33 855**	**490 752**
Net cash used in investing activities	**(539 131)**	**-**	**(539 131)**
Cash flows from different positions of financing activities	66 147	-	66 147
Interest paid	-	(36 939)	(36 939)
Interest received	-	3 084	3 084
Net cash provided by/(used in) financing activities	**66 147**	**(33 855)**	**32 292**
Net change in cash and cash equivalents	**(16 087)**	**-**	**(16 087)**

The accounting policies applied in the preparation of the attached consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2016 with the exception of the amendments presented below.

Newly applied and amended standards

In the financial statements the following amendments to the standards were applied from January 1, 2017:

a) Disclosure Initiative - Amendments to IAS 7

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Group applied standard’s requirements from January 1, 2017 and addressed it in the note 19.

b) Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The change has no impact on the reported companies and on the Group financial situation.

c) Annual Improvements to IFRSs 2014-2016 cycle

Amendments were issued on 8 December 2016 and impact three standards IFRS 12, IFRS 1 and IAS 28.

The amendments include clarification and changes to the scope, valuation, recognition of standards and editorial improvements.

The amendments are effective from January 1, 2017 (refer to IFRS12) or from January 1, 2018 (refer to IFRS 1 and IAS 28).

The changes had not significant impact on the accounting policies applied.

Standards or interpretation issued but not effective as at December 31, 2017 and not yet applied by the Group

In this consolidated financial statements the Group has not decided to adopt issued standards, amendments or interpretations before their effective date.

a) IFRS 9 Financial instruments

IFRS 9 replace IAS 39 and is effective for annual periods beginning on or after January 1, 2018.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. Hedge accounting requirements were amended to align accounting more closely with risk management.

The Group applies hedge accounting and from January 1, 2018 will also be in line with the requirements of new standard.

The Group applied the standard from January 1, 2018.

The impact of standard application is not significant.

b) IFRS 15 Revenue from Contracts with Customers

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group applied the standard for January 1, 2018.

The impact of standard application is not significant.

c) Amendments to IFRS 15, Revenue from Contracts with Customers

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The Group applied the standard for January 1, 2018.

d) IFRS 16 "Leases"

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the standard from January 1, 2019.

The Group is currently assessing the impact of the amendments on its financial statements. Taking into consideration large scale and value of signed lease agreements, the Group expects a significant impact of the implementation of standard on the consolidated financial statements.

e) Amendments to IFRS 2, Share-based Payment

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

The Group applied the standard from January 1, 2018.

The impact of standard application is not significant.

f) Transfers of Investment Property - Amendments to IAS 40

The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction.

The Group will apply the standard once approve by UE.

g) Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28

The amendments are effective for annual periods beginning January 1, 2019 or later. The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

The Group will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Group has not yet completed its assessment of the impact of the amendments on the consolidated financial statement.

At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

h) IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. IFRIC is effective for annual periods beginning January 1, 2018 or later.

The Group will apply the standard once approved by UE.

i) IFRIC 23 "Uncertainty over Income Tax Treatments

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC is effective for annual periods beginning January 1, 2019 or later

The Group will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Group has not yet completed its assessment of the impact of the amendments on the consolidated financial statement.

At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

j) Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IASB issued in December 2017 annual improvements to IFRSs 2015-2017 cycle changing IFRS 3, IFRS 11, IAS 12 and IAS 23. Amendments contain clarifications and specification relating to recognition and valuation.

The Group will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Group has not yet completed its assessment of the impact of the amendments on the consolidated financial statement.

At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

k) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments were issued on February 7, 2018 and are effective for annual periods beginning January 1, 2019 or later. The amendments specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan

The Group will apply the standard from January 1, 2019.

At the date of preparation this financial statements the Group has not yet completed its assessment of the impact of the amendments on the consolidated financial statement.

At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

l) IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The standard was not endorsed by the IASB.

Other issued but not endorsed standards or interpretations do not affect the Group’s activity.

Other items

According to art. 264 and 264b of the German Commercial Code (“Handelsgesetzbuch”) German group subsidiaries may be exempted from its duty to audit and disclose its financial statements and management report according to the respective provisions for corporations:

- AmRest Coffee Deutschland Sp. z o.o. & Co. KG, Munich;
- AmRest DE Sp. z o.o. & Co. KG, Berlin;
- AmRest Skyline GmbH, Cologne.

2. Segment reporting

AmRest as a Group of dynamic developing entities running operations at many markets and various restaurant business segments is under constant analysis of the Executive Committee. This Committee is also constantly reviewing the way how business is analysed and adjust it accordingly to changing Group Structure as a consequence of strategic decisions. Operating segments are set on the basis of management reports used by the Executive Committee during making strategic decisions. The Executive Committee verifies group performance while deciding of owned resources allocations in breakdown AmRest Group for divisions.

The approach is current valid solution for strategic analysis and capital allocation decision making process by Executive Committee. As for the balance sheet date, Executive Committee defines segments in presented below layout.

Segment	Description
Central and Eastern Europe (CEE)	Restaurant operations in: • Poland - KFC, Pizza Hut, Starbucks, Burger King, Blue Frog, • Czech - KFC, Pizza Hut, Starbucks, Burger King, • Hungary - KFC, Pizza Hut, Starbucks, • Bulgaria - KFC, Starbucks, Burger King, • Croatia, Austria, Slovenia and Serbia - KFC • Romania, Slovakia – Starbucks.
Western Europe	Restaurant operations together with supply chain and franchise activity in: • Spain - KFC, La Tagliatella, Blue Frog, • France - KFC, Pizza Hut, La Tagliatella, • Germany - Starbucks, KFC, Pizza Hut, La Tagliatella. • Portugal - La Tagliatella.
China	Blue Frog and KABB restaurant operations in China.
Russia	KFC and Pizza Hut restaurant operations in Russia.
Unallocated	Asset and liability balances non-allocated to segments (covering borrowings and lease liabilities), transactions of SCM sp. z o.o. and its subsidiaries, Restaurant Partner Polska, AmRest Holdings SE, a subsidiary located in the Ukraine, AmRest Capital Zrt, AmRest Finance Zrt and AmRest Finance S.L. and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Below are presented data relating to operating segments for the year ended December 31, 2017 and for the comparative year ended December 31, 2016.

2017	CEE	Western Europe	Russia	China	Unallocated	Total
Revenue from external customers	2 633 787	1 702 799	605 785	265 159	57 977	5 265 507
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	218 656	79 831	28 639	(1 012)	(59 232)	266 882
Finance income	-	-	-	-	3 397	3 397
Finance costs	-	-	-	-	(59 633)	(59 633)
Income tax	-	-	-	-	(29 317)	(29 317)
Profit for the period	-	-	-	-	181 329	181 329
Segment assets	1 439 705	2 025 398	425 613	201 584	226 787	4 319 087
Investments in associates	-	-	-	-	-	-
Total assets	1 439 705	2 025 398	425 613	201 584	226 787	4 319 087
Goodwill	35 534	614 785	169 647	83 426	5 918	909 310
Deferred tax assets	20 107	21 994	-	1 633	15 568	59 302
Segment liabilities	395 954	357 715	38 506	45 895	2 135 369	2 973 439
Employee benefits	115 657	114 436	29 594	18 644	15 824	294 155
Depreciation (note 9)	154 438	78 199	35 409	19 326	985	288 357
Amortization (note 11)	20 580	17 516	2 033	1 228	777	42 134
Capital investment	306 573	391 779	86 580	27 058	8 790	820 780
Impairment of fixed assets (note 9,11)	(259)	14 128	5 409	5 466	-	24 744
Impairment of trade receivables (note 4,31)	374	7 346	-	119	(291)	7 549
Impairment of inventories (note 4,14)	29	305	-	-	-	334
Impairment of other assets	-	225	-	-	-	225

2016 (restated)	CEE	Western Europe	Russia	China	Unallocated	Total
Revenue from external customers	2 254 328	1 212 674	465 222	229 028	46 117	4 207 369
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	177 186	113 925	17 812	(8 547)	(32 202)	268 174
Finance income	-	-	-	-	3 326	3 326
Finance costs	-	-	-	-	(48 089)	(48 089)
Share of profit of associates	-	-	-	-	59	59
Income tax	-	-	-	-	(32 726)	(32 726)
Profit for the period	-	-	-	-	190 744	190 744
Segment assets	1 155 144	1 622 630	349 756	208 186	121 152	3 456 868
Investments in associates	-	-	-	-	888	888
Total assets	1 155 144	1 622 630	349 756	208 186	122 040	3 457 756
Goodwill	35 639	550 964	95 848	94 146	911	777 508
Deferred tax assets	32 343	2 090	-	-	10 401	44 834
Segment liabilities	326 449	259 924	33 782	39 984	1 421 007	2 081 146
Employee benefits	96 950	75 823	21 917	18 087	15 612	228 389
Depreciation (note 9)	133 572	57 175	28 256	17 935	794	237 732
Amortization (note 11)	17 865	12 526	1 472	1 199	279	33 341
Capital investment	233 926	192 411	45 199	23 672	1 503	496 711
Impairment of fixed assets (note 9,11)	4 128	5 020	3 296	4 514	-	16 958
Impairment of trade receivables (note 4,31)	(159)	141	(205)	2	(392)	(613)
Impairment of inventories (note 4,14)	-	36	-	-	-	36
Impairment of other assets	319	(371)	-	-	-	(52)

Capital expenditure comprises increases and acquisition in property, plant and equipment (note 9), intangible assets (note 11), adjusted for change in investment liabilities.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Within "CEE" segment, for Poland and Czech Republic as significant geographical regions the key characteristics were disclosed below. Among the countries allocated into Western Europe segment, Spain and Germany are significant geographical regions with the key characteristics disclosed below.

		For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Revenue from external customers	Poland	1 574 851	1 413 526
	Czech Republic	591 103	487 444
	Spain	924 610	836 531
	Germany	667 698	356 998
		31.12.2017	**31.12.2016**
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	Poland	658 004	587 263
	Czech Republic	177 250	154 204
	Spain	1 075 993	1 112 892
	Germany	353 518	245 755

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.

3. Business combinations

A. Entrance into German restaurant market – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at April 19, 2016 Group has acquired 100% shares in StarbucksCoffee Deutschland Ltd & Co. KG from companies of Starbucks Corporation Group. The take-over of control, based on agreement, began from May 23, 2016. The purchase price amounted to EUR 40 million (PLN 177.454 thousand) and was increased by EUR 1.5 million (PLN 6.997 thousand).

As part of this transaction Area Development and Operation Agreement and Supply Agreement were signed regarding the rights and license to develop, own and operate Starbucks stores in Germany for the period of 15 years that can be extended for 5 years.

As a result of the transaction mentioned above the Group has strengthened its presence on the market and accelerated development of the Starbucks brand.

ALLOCATION OF THE ACQUISITION PRICE

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Fair value (thousand EUR)**	**Fair value (thousand PLN)**
Cash and cash equivalents	6 616	29 304
Property, plant and equipment	16 712	74 022
Other intangible assets	6 419	28 431
Inventories	1 361	6 029
Trade and other receivables	773	3 424
Other current assets	2 249	9 961
Asset related to right to compensation resulting from the acquisition agreement	11 338	50 221
Provisions	(6 423)	(28 448)
Pre-acquisition tax settlements liability	(11 338)	(50 221)
Trade and other payables	(21 017)	(93 090)
Net assets acquired	**6 690**	**29 633**
Amount paid in cash	40 064	177 454
Purchase price adjustment	1 585	6 997
Total payment for acquisition	41 649	184 451
The fair value of net assets	6 690	29 633
Goodwill	**34 959**	**154 818**
Amount paid in cash	41 649	184 451
Acquired cash and cash equivalents	6 616	29 304
Cash outflows on acquisition	**35 033**	**155 147**

The fair value of net asset presented in similar acquisition note in consolidated financial statements as at December 31, 2016 was adjusted by PLN 8.445 thousand (EUR 1.909 thousand), due to the identification of other intangible assets amounting to PLN 13.188 thousand (EUR 2.981 thousand), reduction of deferred tax asset by PLN 4.840 thousand (EUR 1.094 thousand), recognition of additional provision for costs of future asset restorations by PLN 18.629 thousand (EUR 4.211 thousand) and decrease of liabilities by PLN 1.836 thousand (EUR 415 thousand).

The purchase price allocation process has been completed.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Key fair value adjustment characteristics are following:

	Description	Methods/key assumptions
Intangible assets	Valuation of customer base from loyalty program	Independent DCF valuation
Other intangible assets - Exclusivity right of Starbucks brand operator	Identification of exclusivity right of Starbucks brand operator in Germany.	Independent DCF valuation with income approach (WACC 12.0%)
Intangible assets	Entitlement to franchise operation for acquired restaurants for 15 years	Valuation based on current initial fees level
Property plant and equipment, current assets	Valuation of property, plant and equipment together with impairment provision.	Independent valuation based on depreciated replacement / reproduction cost with DCF based impairment tests.
Other non-current assets, Trade and other receivables, other current assets, trade and other payables	Other adjustments related to book values adjustment to accounting policies of the Group and IFRS	Independent valuation and review of underlying book values

Goodwill recognized on this acquisition consists mostly of synergies unidentified separately, unexploited market potential and expected economies of scale from combining the current activities of the AmRest Group and the acquired business.

B. Entrance into German restaurant market – acquisition of KFC restaurants

DESCRIPTION OF THE ACQUISITION

On November 30, 2016 AmRest signed assets sale and transfer agreement (the “APA”) between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. Under the terms of APA AmRest acquires 15 KFC restaurants operating in the German market. The Completion was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change.

On March 1, 2017 the transaction was completed and from this date AmRest DE Sp. z o.o. & Co. KG became the operator of 15 KFC restaurants in Germany.

Acquisition price amounted to EUR 10.275 thousand (PLN 44.101 thousand). Final price can be adjusted mainly according to variances in the assessed quality of acquired assets. Owing to the fact that the sides are currently performing review and analysis of the assets, as at the date of issuing these financial statements no price adjustment has been recorded.

Apart of purchase price paid as stated above Group incurred costs of initial fees for all new stores in total value of EUR 696 thousand (PLN 2.988 thousand). Initial fees paid were recognized as intangible asset on acquisition date.

In the opinion of the Management Board of AmRest, great potential for development of KFC brand in the German market, combined with the Company’s over 20 years’ experience in running KFC restaurants will allow AmRest to substantially increase the scale of that business within the coming years.

PROVISIONAL ALLOCATION OF THE ACQUISITION PRICE

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

AmRest DE Sp. z o.o. & Co. KG	**Fair value (EUR thousand)**	**Fair value (PLN thousand)**
Cash and cash equivalents	60	258
Property, plant and equipment	6 880	29 529
Intangible assets	819	3 514
Inventories	220	947
Provisions	(1 080)	(4 635)
Trade and other payables	(590)	(2 533)
Net assets acquired	**6 309**	**27 080**
Amount paid in cash	10 971	47 089
The fair value of net assets	6 309	27 080
Goodwill	**4 662**	**20 009**
Amount paid in cash	10 971	47 089
Acquired cash and cash equivalents	60	258
Cash outflows on acquisition	**10 911**	**46 831**

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio. Particularly, the process of tax settlement of the transaction and impact on deferred taxes has not been completed. According to fair values of assets and liabilities, purchase price and goodwill were presented provisionally.

Within provisional purchase price allocation process Group has not finalized process of allocation of goodwill to groups of cash generating units where goodwill related synergies will be realized.

Group believes that there were no indicators of impairment as no significant changes occurred in assumptions made as at acquisition.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of 15 KFC stores occurred March 1, 2017, the results of acquired assets for the first two months of 2017 have not been reported in the consolidated financial statements. If described above acquisition would have happened as at January 1, 2017 estimated consolidated revenues would grow by PLN 21.292 thousand and net profit would decrease by PLN 687 thousand. These estimates were sourced from non-audited internal reports prepared according to US GAAP.

The acquisition cost of PLN 977 thousand has been recognized in financial statements as general and administrative expenses (PLN 876 thousand in 2016 and PLN 101 thousand in 2017).

C. Entrance into French restaurant market – acquisition of Pizza Hut Delivery operator

DESCRIPTION OF THE ACQUISITION

On May 16, 2017 AmRest completed the Share Purchase Agreement (“SPA”) between AmRest and Top Brands NV and thereby acquired 100% shares of Pizza Topco France SAS (currently AmRest Topco France SAS). The control by the Group was obtained on May 16, 2017 according to the agreement. Acquisition price amounted to PLN 53.792 thousand (EUR 12.779 thousand).

Within the transaction the master franchisee agreement was also signed, under which AmRest becomes the exclusive master-franchisee and has the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in France and Monaco.

PROVISIONAL ALLOCATION OF THE ACQUISITION PRICE

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio.

The Group has not finalized process of identification and fair valuation of acquired assets and liabilities therefore the below purchase price allocation results are provisional.

Particularly, provisional values were applied for items of property, plant and equipment (which have been recognized based on statutory accounting records), intangible assets and provisions.

Group is verifying fair value of intangible asset related to exclusive right of master- franchisee on French market in Delivery and Express area. In these financial statements an asset was recognized in estimated value of EUR 6.000 thousand, with amortization charge based on assessed 10-years useful life period. Estimate made and any assumptions used are verified by independent entity specializing in such valuations. Deferred tax liability was as well recognised on respective temporary difference between tax and accounting values.

Group expects that provisional values may be amended when the purchase price allocation process is completed.

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

Pizza TopCo France SAS (currently AmRest TopCo France SAS)	**Fair value (EUR thousand)**	**Fair value (PLN thousand)**
Cash and cash equivalents	755	3 176
Property, plant and equipment	1 119	4 704
Intangible assets	6 185	26 000
Other non-current assets	127	534
Inventories	44	186
Trade and other receivables	1 470	6 181
Tax receivables	377	1 586
Other current assets	249	1 048
Deferred tax liabilities	(2 000)	(8 407)
Provisions	(402)	(1 690)
Trade and other payables	**(3 262)**	**(13 717)**
Net assets acquired	4 662	19 601
Amount paid in cash	12 779	53 792
The fair value of net assets	4 662	19 601
Goodwill	**8 117**	**34 191**
Amount paid in cash	12 779	53 792
Acquired cash and cash equivalents	755	3 176
Cash outflows on acquisition	**12 024**	**50 616**

Based on the purchase agreement for shares in AmRest Topco France SAS, the Group did not acquire some of the receivables from sub- franchisees that arose prior to the takeover of control by AmRest. The Group is required to periodically verify the cash inflows from settling these receivables. As at December 31, 2017, the Group recognized a liability for the obligation to transfer the received cash in the amount of approx. PLN 2.297 thousand (EUR 550 thousand).

Within provisional purchase price allocation process Group has not finalized process of allocation of goodwill to groups of cash generating units where goodwill related synergies will be realized.

Group believes that there were no indicators of impairment as no significant changes occurred in assumptions made as at acquisition.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As AmRest obtained control over Pizza Topco France SAS (currently AmRest Topco France SAS) on May 16, 2017, the results of acquired assets before that date have not been reported in the consolidated financial statements. If described above acquisition would have happened as at January 1, 2017 estimated consolidated revenues for the 12 months ended December 31, 2017 would grow by PLN 11.575 thousand and net profit would decrease by PLN 1.979 thousand. The acquisition cost of PLN 3.019 thousand has been recognized as general and administrative expense.

D. Entrance into KFC French restaurant market

DESCRIPTION OF THE ACQUISITION

In October 2017 Group started process of acquisition of 42 KFC restaurants operating on French market from KFC France SAS. Total agreed price for the acquired restaurant business was set as EUR 39.874 thousand. Till the end of 2017 final agreements were signed for 37 out of 42 planned restaurants for total purchase price of PLN 141.768 thousand (EUR 33.425 thousand). The Group intends to finalize the acquisition of 5 remaining restaurants in first quarter of 2018.

Additionally, during fourth quarter of 2017 Group acquired 5 more KFC restaurants on French market for the total price of PLN 29.788 thousand (EUR 7.022 thousand).

KFC restaurants in France are operated within AmRest Opco SAS and two of its subsidiaries: AmRest Leasing SAS and AmRest Estate SAS.

Control over particular restaurants was obtained on various dates within October, November and December, and for each restaurant Group started to consolidate its results since the date of control.

For the purpose of the disclosure data for all stores were aggregated to presents impact of KFC acquisition on French market on Group's balance sheet and reported results.

Through the transaction AmRest has become the largest franchise partner of KFC in France.

PROVISIONAL ALLOCATION OF THE ACQUISITION PRICE

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio.

The Group has not finalized process of identification and fair valuation of acquired assets and liabilities therefore the below purchase price allocation results are provisional. In particular group is verifying and confirming fair values of acquired property plant and equipment as well as intangible assets. Within the transaction also a transfer of employees took place. Employee related accruals, such as holiday pay accrual and any potential bonuses were provisionally accounted with corresponding recognition of receivables from the seller, as transfer of those accruals is subject to reimburse from seller. Valuation of accruals is still being verified.

Group expects that provisional values may be amended when the purchase price allocation process is completed.

Apart of purchase prices paid as stated above Group incurred costs of initial fees for all new stores in total value of PLN 7.647 thousand (EUR 1.803 thousand). Initial fees paid were recognized as intangible asset on acquisition date. Total purchase price amounted PLN 179.203 thousand.

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

AmRest Opco SAS group	**Fair value (EUR thousand)**	**Fair value (PLN thousand)**
Cash and cash equivalents	67	284
Property, plant and equipment	29 988	127 194
Intangible assets	1 803	7 647
Inventories	636	2 698
Asset related to right to compensation resulting from the acquisition agreement	3 509	14 883
Employee related accruals	(3 509)	(14 883)
Net assets acquired	**32 494**	**137 823**
Purchase price	42 250	179 203
The fair value of net assets	32 494	137 823
Goodwill	**9 756**	**41 380**
Amount paid in cash	42 250	179 203
Acquired cash and cash equivalents	67	284
Cash outflows on acquisition	**42 183**	**178 919**

Within provisional purchase price allocation process, allocation of goodwill to groups of cash generating units where goodwill related synergies will be realized, has been not yet finalized. Group believes that there were no indicators of impairment as no significant changes occurred in assumptions made as at acquisition.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

If above described acquisition of KFC French restaurants would have happened as at January 1, 2017 estimated consolidated revenues in the consolidated financial statements would have been higher by PLN 369.016 thousand and net profit would decrease by PLN 1.807 thousand. These estimates are based on historical data of KFC France restaurants according to US GAAP.

The acquisition cost of PLN 7.341 thousand (EUR 1.756 thousand) has been recognized as other expense/income and PLN 3.581 thousand as general and administrative expense. High level of acquisition related costs results from the obligatory registration and notary fees paid.

E. Entrance into KFC Russia restaurant market

DESCRIPTION OF THE ACQUISITION

As at October 2, 2017 Group has acquired 100% shares in Chicken Yug OOO from Ms. Svetlana Mikhailovna Popova. The initially agreed purchase price amounted to RUB 1.655 million (PLN 105 million) and was increased by RUB 38.5 million (PLN 2.4 million) due to acquisition of additional assets.

As a result of the transaction mentioned above the Group has strengthened its presence on the Russian market by adding 22 restaurants to existing portfolio and accelerated development of the KFC brand.

PRELIMINARY ALLOCATION OF THE ACQUISITION PRICE

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and assets portfolio. The Group has not finalized process of identification and fair valuation of acquired assets and liabilities therefore the below purchase price allocation results as at December 31, 2017 are provisional. In particular group is verifying and confirming fair values of acquired property plant and equipment as well as intangible assets.

Details of fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

Chicken Yug OOO	**Fair value (RUB thousand)**	**Fair value (PLN thousand)**
Cash and cash equivalents	611	40
Property, plant and equipment	228 000	14 453
Other intangible assets	42 026	2 664
Other non-current assets	14 715	933
Inventories	22 693	1 439
Other current assets	10 577	670
Deferred tax liabilities	(33 674)	(2 135)
Net assets acquired	**284 948**	**18 064**
Amount paid in cash	1 693 868	107 398
The fair value of net assets	284 948	18 064
Goodwill	**1 408 920**	**89 334**
Amount paid in cash	1 693 868	107 398
Acquired cash and cash equivalents	611	40
Cash outflows on acquisition	**1 693 257**	**107 358**

Within provisional purchase price allocation process, allocation of goodwill to groups of cash generating units where goodwill related synergies will be realized, has been not yet finalized.

Group believes that there were no indicators of impairment as no significant changes occurred in assumptions made as at acquisition.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of Chicken Yug OOO occurred in October 2017, the results of acquired assets for the first nine months of 2017 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2017 estimated consolidated revenues for the 12 months ended December 31, 2017 would grew by PLN 91.147 thousand and net profit would be increased by PLN 9.400 thousand. Non-audited internal reporting packages prepared according to RAS (Russian accounting standards) constituted the source of data. In the period for the 12 months ended December 31, 2017 the cost of PLN 2.241 thousand related to the transaction has been recognized as general and administrative expense.

F. Entrance into other markets in Poland and Germany

On July 31, 2017 AmRest Group signed the Master Franchise Agreement ("MFA") with Yum Restaurants International Holdings, LLC and acquired two Pizza Hut delivery restaurants based on the Asset Purchase Agreement ("APA") with Pizza Hut Delivery Germany GmbH. The purchase price amounted to EUR 1 (approx. PLN 4).

Additionally, on August 1, 2017 AmRest Group acquired 3 KFC restaurants, purchase price amounted to EUR 1.7 million (PLN 7.3 million).

On August 31, 2017 AmRest Group took over the newly issued shares in Restaurant Partner Polska Sp. z o.o. (hereinafter referred to as RPP) – the operator of PizzaPortal.pl platform in Poland, and became its majority shareholder holding 51% of total number of RPP shares. The outstanding 49% of shares remained in the possession of Delivery Hero. The acquisition price for the 51% of shares in the RPP was agreed at about PLN 10 million. In addition, the parties of Shareholders Agreement committed to make investment in the RPP in the amount of PLN 14 million (PLN 7 million each) in the first quarter of 2018 – payments were made in full amount (in December 2017 and January 2018).

On October 18, 2017 AmRest Group signed the agreement of purchase 6 restaurants with AutoGrill Polska Sp. z o.o. (further ATG). The purchase price amounted to EUR 1.9 million (approx. PLN 8 million), which of PLN 0.3 million will be paid after 12 months from the date of agreement, unless there are no claims against ATG within this period.

The process of allocating the acquisition price to the purchased assets and acquired liabilities in the above-mentioned transactions has not been completed due to the ongoing process of integration and verification of risks and assets portfolio. Particularly, the process of fair value estimation of property, plant and equipment and intangible assets (including among others, trademark, customer and restaurant database) has not been completed. According to that, fair values of assets and liabilities (including deferred tax liability of PLN 570 thousand), purchase price, non-controlling interests (PLN 4.9 million) and goodwill (in total value of PLN 7.2 million) were presented provisionally.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

4. Operating expenses

Operating expenses are as follows:

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Depreciation (note 2, 9)	288 357	237 732
Amortization (note 2, 11)	42 134	33 341
Food and materials	1 671 703	1 366 432
Utilities	203 941	157 873
External services, including marketing	443 033	340 093
Payroll	1 198 281	902 446
Social security and employee benefits	296 310	230 017
Operating leases (occupancy cost) (note 24)	514 313	413 092
Continuing franchise fees	252 444	197 991
Insurance	3 942	3 300
Business travel	32 012	23 469
Other	48 767	37 784
	4 995 237	**3 943 570**
Costs of food	1 440 242	1 180 839
Payroll and employee benefits	1 200 058	908 674
Cost of license fees (franchise)	252 444	197 991
Occupancy and other operating expenses (without result from fixed asset disposal)	1 501 451	1 192 622
Total restaurant expenses	**4 394 195**	**3 480 126**
Depreciation and amortization expenses (franchise and other expenses)	14 727	12 078
Total franchise and other expenses - other	199 094	156 570
Depreciation and amortization expenses (G&A)	26 977	20 899
Other general and administrative expenses - other	360 244	273 897
	4 995 237	**3 943 570**
Loss/(gain) from fixed assets disposal (note 9)	4 062	1 642
Total impairment of assets	32 852	16 329
Total operating costs and losses	**5 032 151**	**3 961 541**

In current and previous period impairment costs (income) were as follows:	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Impairment on trade receivables (note 31)	7 549	(613)
Impairment on inventory (note 14)	334	36
Impairment on other assets	225	(52)
Total impairment of current assets	**8 108**	**(629)**
Impairment of property, plant and equipment (note 9)	19 409	16 249
Impairment of intangible asset (note 11)	5 335	709
Total impairment of non-current assets	**24 744**	**16 958**
Total impairment of assets	**32 852**	**16 329**

In 2017 marketing costs were incurred of the value of PLN 201.698 thousand, in 2016 they amounted to PLN 155.515 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

5. Other income/expenses

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Marketing income	9 407	8 823
Reversal of cost accruals	7 670	670
Compensation received for the early termination of rental contracts	6 665	-
PFRON income	3 933	-
Income from recycling	3 498	2 184
Income on terminated pre-paid cards	2 989	-
Sublease income	1 954	1 675
Compensations received	524	-
Income from direct taxes correction	-	5 305
Other income	4 227	3 689
Registration and notary costs related to the acquisition in France	(7 341)	-
	33 526	**22 346**

6. Finance income

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Income from bank interest	3 287	3 084
Other	110	242
	3 397	**3 326**

7. Finance costs

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Interest expense	(46 412)	(36 947)
Cost from arrangement fee	(3 806)	(3 758)
Net cost from foreign exchange differences	(3 549)	(2 903)
Other	(5 866)	(4 481)
	(59 633)	**(48 089)**

8. Income tax expense

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Current tax	(51 408)	(25 326)
Deferred income tax recognized in income statement	22 091	(7 400)
Income tax recognized in the income statement	**(29 317)**	**(32 726)**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Deferred tax asset		
Opening balance	44 834	33 352
Closing balance	59 302	44 834
Deferred tax liability		
Opening balance	117 818	90 492
Closing balance	114 242	117 818
Change in deferred tax assets/liabilities	**18 044**	**(15 844)**
of which:		
Deferred income tax recognized in income statement	22 091	(7 400)
Deferred income tax regarding titles directly reported in goodwill (note 3)	(11 112)	-
Deferred tax assets/liabilities directly reported in equity – hedge instruments valuation	(9 840)	4 253
Deferred tax assets/liabilities directly reported in equity – valuation of employee options	2 685	2 668
Foreign exchange differences	14 220	(15 365)

Country	**The income tax rates in force in the Group are as follows:**		**Deferred income tax assets and liabilities for were calculated using the following rates:**	
	2017	**2016**	**2017**	**2016**
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	9.00%	10.00%	9.00%	10.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	37.44%	37.44%	37.44%	37.44%
Malta	35.00%	35.00%	35.00%	35.00%
Spain	25.00%	25.00%	25.00%	25.00%
Germany*	29.83%	29.83%	29.83%	29.83%
France	33.33%	33.33%	33.33%	33.33%
Croatia	21.00%	20.00%	21.00%	20.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	16.00%	16.00%	16.00%
Slovakia	21.00%	22.00%	21.00%	22.00%
Slovenia	19.00%	-	19.00%	-
Austria	25.00%	-	25.00%	-
Portugal	25.00%	-	25.00%	-

**Basic income tax rate in Germany is 15%. Additional trade tax of ca. 14.83% is applicable.*

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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:

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Profit before tax	**210 646**	**223 470**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	32 869	39 498
Effect of permanent non-tax deductible differences	(4 535)	(1 711)
Utilization of tax losses not recognized in the prior periods	(1 255)	(1 889)
Tax loss for the current period for which no deferred tax asset was recognized	2 680	253
Effect of the remaining differences	(442)	(3 425)
Corporate income tax in the income statement	**29 317**	**32 726**

**The applicable weighted average tax rate amounted to 15.6% (for the period ended December 31, 2016: 17.7%).*

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. The current financial situation and strategic plans allow to consider the level of recognized assets and deferred tax assets to be reasonable.

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

	Asset		**Liability**	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Property, plant and equipment and intangible assets	16 908	17 217	132 470	124 695
Receivables	33	528	3 643	931
Provisions, liability and impairments	33 364	28 016	1 443	2 918
Tax losses carried forward	31 133	12 002	-	2 527
Other differences	10 973	25 890	9 795	25 477
	92 411	**83 653**	**147 351**	**156 548**

Temporary differences after the offset are as follows:

	Asset		**Liability**	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Property, plant and equipment and intangible assets	(5 068)	6 046	110 494	113 524
Receivables	(3 671)	(403)	(62)	-
Provisions, liability and impairments	31 308	20 935	(613)	(4 163)
Tax losses carried forward	31 133	8 141	-	(1 334)
Other differences	5 600	10 115	4 423	9 791
	59 302	**44 834**	**114 242**	**117 818**

As at December 31, 2017 and December 31, 2016, tax loss carry forwards are as follows:

	31.12.2017	**31.12.2016**
Poland	56 918	59 954
Hungary	24 788	26 117
France	57 842	36 955
Germany	154 203	71 040
Croatia	2 363	2 464
China	1 551	4 715
Bulgaria	7 686	8 140
Serbia	1 039	1 053
Russia	3 087	30 187
Slovenia	597	-
Romania	254	-
	310 328	**240 625**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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
2017	5 772	1 136	4 636
2018	19 144	8 673	10 471
2019	13 567	874	12 693
2020	14 183	-	14 183
2021	14 117	-	14 117
2022	1 735	5	1 730
2024	3 342	-	3 342
No time limit	238 468	96 226	142 242
	310 328	**106 914**	**203 414**

As at December 31, 2017 the Group recognized a deferred tax asset from tax losses in the amount PLN 31.113 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses or no activity of some 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.

Tax inspections in AmRest Sp. z o.o.

a) On July 28, 2016 in AmRest Sp. z o.o. a tax inspection began regarding VAT returns for 2014. On September 11, 2017 the Company received a report of tax inspection issued by the Director of Lower Silesia Tax Office ("the Director"), which questioned the correctness of output VAT settlement for a part of operational sales revenues. The Director claimed in his decision the tax liability amounting to PLN 4.335 thousand and the amount of the return received unduly of PLN 10.243 thousand. Once both amounts become due, there will be interests charged accordingly to the Tax Ordinance Act. As at the date of publication of these Financial Statements the decision is not final and did not become enforceable.

   On September 22, 2017 the Company submitted an appeal referring to described above decision.

   On October 10, 2017 the Company received the response to submitted appeal that confirmed the Director's decision on that matter. In the next step the case will be analysed by the Tax Administration Chamber.

b) On September 15, 2016 in AmRest Sp. z o.o. a tax inspection began regarding VAT returns for the period from January to September 2013.

   On October 2, 2017 the Company received a report of tax inspection issued by the Malopolska Customs and Tax Office in Cracow ("the Director"), which questioned the correctness of output VAT settlement for a part of operational sales revenues. The Director claimed in his decision the tax liability amounting to PLN 3.051 thousand and the amount of the return received unduly of PLN 11.196 thousand. Once both amounts become due, there will be interests charged accordingly to the Tax Ordinance Act. As at the date of publication of these Financial Statements the decision is not final and did not become enforceable.

   On October 16, 2017 the Company submitted an appeal referring to described above decision. On January 17, 2018 the Director of the Tax Administration Chamber issued a decision revoking the body of first instance and submitted it for further examination.

c) On September 28, 2016 in AmRest Sp. z o.o. the tax inspection began on VAT returns for 2012. On September 11, 2017 the Company received a decision issued by the Director of Malopolska Customs and Tax Office in Cracow ("the Director"), which questioned the correctness of output VAT settlement on a part of operational sales revenues. The Director claimed in his decision the underestimated output VAT amounting to PLN 18.498 thousand. Once the amount becomes due, there will be interests charged accordingly to the Tax Ordinance Act. As at the date of publication of these Financial Statements the decision is not final and did not become enforceable.

   On October 16, 2017 the Company received the response to submitted on September 25, 2017 appeal that confirmed the Director's decision on that matter. On December 12, 2017 the Director of the Tax Administration Chamber issued a decision revoking the body of first instance and submitted it for further examination.

On November 7, 2017 the Company received the Director's of Lower Silesia Tax Office decision based on which the mentioned above decision of Director of Malopolska Customs and Tax Office become immediately enforceable. As a result on November 7, 2017 the Company's bank account has been seized in order to cover tax liabilities consisting of VAT liability for July, August and September 2012 in mount of PLN 1 259 thousand, unduly received in December 2012 VAT return (for July 2012) in amount of PLN 515 thousand, interest accrued in amount of PLN 825 thousand and enforcement costs in amount of PLN 158 thousand.

On November 14, 2017 the Company submitted an appeal to that decision and administrative action taken.

On February 12, 2018 the Director of the Tax Administration Chamber issued a decision revoking the contested order and submitted it for further examination of tax body and instance.

d) On November 3, 2016 in AmRest Sp. z o.o. a tax inspection began regarding VAT returns for August and September 2016.

   On September 14, 2017 the Company received a report of tax inspection issued by the Director of Lower Silesia Tax Office ("the Director"), which questioned the correctness of output VAT settlement for a part of operational sales revenues. The Director claimed in his decision that the amount of tax difference to be refunded was exceeded by PLN 3.931 thousand and the amount to be carried over for August was exceeded by PLN 591 thousand and for September by PLN 1.108 thousand. Once both amounts become due, there will be interests charged accordingly to the Tax Ordinance Act. As at the date of publication of these Financial Statements the decision is not final and did not become enforceable.

   On October 13, 2017 the Company received the response to submitted on September 28, 2017 appeal that confirmed the Director's decision on that matter. In the next step the case will be analysed by the Tax Administration Chamber.

e) On March 24, 2017 at AmRest Sp. z o.o. a tax inspection began regarding VAT returns for December 2016. On September 28, 2017 the Company has received the tax protocol and on October 11, 2017 the Company has raised the qualifications.

   On December 19, 2017 tax inspection began regarding to VAT from December 2016. As at date of publication of these Financial Statements the inspection has not been finished. As at date of publication of these Financial Statements the inspection has not been finished.

f) On May 24, 2016 in AmRest Sp. z o.o. a tax inspection began regarding VAT returns for March 2016. On October 12, 2017 the Company received a report of tax inspection, on October 25, 2017 the Company submitted a complaint to that report.

g) On October 11, 2016 at AmRest Sp. z o.o. a tax inspection began regarding VAT returns for period from January till July 2017. On February 8, 2018 the Company received a report of tax inspection, on February 22, 2018 the Company submitted a complaint to that report.

In all issued decisions tax authorities indicate an incorrect classification of the operations run by the Company, with regards to The Value-Added Tax Act (sales of goods vs. sales of gastronomic service) as well as inconsistency between the actual state described in the Company's individual binding tax rulings and the actual state.

The Company does not agree with the claims raised by the Director. The circumstances of the case and the allegations of the Director have been thoroughly analysed by the Company and its tax advisers, who found the Director's standpoint to be completely unjustified and against the law. In the opinion of the Company, the individual binding tax rulings issued by the Minister of Finance present a reliable and true actual state and consequently have protective power according to Art.14k and Art. 14m of the Tax Ordinance Act.

Additionally, the matter of applying 5% VAT rate to take away segment has been verified and confirmed by positive decisions issued by the Director in 2014 (inspections for October, November and December 2013).

The Company would like to draw attention to the fact that administrative courts in many cases present a standpoint consistent with the Company's. Also, the case law of the European Court of Justice presents such approach.

According to the statement of reasons issued on January 22, 2018 by the Director of DUCS, the reason of missing the deadline of tax proceedings was re-examination of collected evidence in order to state a view on the correctness of VAT rate applied, taking into account different approach in the current case of low of the administrative courts and review bodies.

For the above reasons, the Company insist that the case should be determined with application of the Art. 2a of the act from August 29, 1997, the Tax Ordinance Act (which says that , even in the situation when the rules of law are not clear than the case should be determinated in favour of the taxpayer) the Director of the Tax Administration Chamber does not agree with the statements presented in the appeal against the decisions or decided that the Company's individual binding tax rulings do not give the protective power.

The Management Board of the Parent performer the analysis of the risk in regards to ongoing tax inspections and assess the risk as less than 50%. In reference to the IAS 37, point 14 in the Management Board's opinion there is no legal obligation and any cash outflows regarding to that need higher probability of materialisation of the risk. Therefore, the Management Board decided that as at December 31, 2017 and as at date of publication of these Financial Statements there are no obligating events, so there are no grounds for booking the provisions for aforementioned risks.

h) In February 8, 2018 at AmRest Sp. z o.o. a tax inspection began regarding VAT returns for period from August till November 2017. As at date of publication of these Financial Statements the inspection has not been finished.

i) In February 23, 2018 at AmRest Sp. z o.o. a tax inspection began regarding CIT for 2016. As at date of publication of these Financial Statements the inspection has not been finished.

Tax inspections in other group companies

a) On January 17, 2018 at AmRest Coffee Sp. z o.o. a tax inspection began regarding VAT returns for period from December 2012 till March 2013. As at date of publication of these Financial Statements the inspection has not been finished.

b) In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG has identified the products that were sold with an incorrectly applied VAT rate. This fact was presented to the tax officer who was responsible for the inspection of periods prior the acquisition the business by AmRest. The company undertook to correct the VAT calculation for not lapsed periods and then prepare corrective VAT returns. Currently the Company expects a confirmation of proposed approach to possible tax returns from the German Tax Office. The maximum liability of this adjustments was estimated in amount of EUR 11.338 thousand. The Group recognized the above provision with corresponding asset related to right to compensation resulting from the acquisition agreement as at date of acquisition of AmRest Coffee Deutschland Sp. z o.o. & Co. KG.

c) On June 22, 2017 at AmRest Topco SAS a tax inspection began regarding tax settlements during 2014 and 2015. As at date of publication of these Financial Statements the inspection has not been finished.

d) On November 16, 2017 at AmRest Holdings SE a tax inspection began regarding CIT for 2012. On February 12, 2018 the Company received a decision regarding the tax inspection based on which the Company submitted on February 22, 2018 a corrective tax return increasing the taxable income. The corrected amount was immaterial.

e) On January 11, 2018 at AmRest Holdings SE a tax inspection began regarding CIT for 2013. As at date of publication of these Financial Statements the inspection has not been finished.

f) On November 1, 2017 at AmRest DE Sp. z o.o. & Co. KG a tax inspection began regarding VAT returns for August 2017. As at date of publication of these Financial Statements the inspection has not been finished.

In Management Board's opinion, there is no other contingent liabilities concerning pending audits and tax proceedings, other than stated above.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

9. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2017 and 2016:

2017	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 01.01.2017	**23 060**	**1 540 341**	**815 713**	**8 096**	**174 651**	**95 712**	**2 657 573**
Acquisition	47 606	74 935	59 487	116	3 889	187	**186 220**
Additions	-	256 270	166 125	2 020	39 304	84 122	**547 841**
Disposals	-	(5 083)	(33 825)	(1 106)	(8 792)	(1 909)	**(50 715)**
Foreign exchange differences	(2 389)	(64 019)	(29 446)	10	(6 313)	(7 566)	**(109 723)**
As at 31.12.2017	**68 277**	**1 802 444**	**978 054**	**9 136**	**202 739**	**170 546**	**3 231 196**
Accumulated depreciation							
As at 01.01.2017	**-**	**659 776**	**435 326**	**3 457**	**77 054**	**-**	**1 175 613**
Additions	-	145 342	105 080	1 828	36 107	-	**288 357**
Disposals	-	(1 487)	(24 483)	(964)	(7 545)	-	**(34 479)**
Foreign exchange differences	-	(22 190)	(12 840)	46	(2 414)	-	**(37 398)**
As at 31.12.2017	**-**	**781 441**	**503 083**	**4 367**	**103 202**	**-**	**1 392 093**
Impairment write-downs							
As at 01.01.2017	**-**	**105 168**	**25 056**	**-**	**3 956**	**4 042**	**138 222**
Additions	654	10 755	5 846	-	282	1 872	**19 409**
Disposals	-	(1 157)	-	-	(140)	(30)	**(1 327)**
Foreign exchange differences	(46)	(4 595)	(1 960)	-	(143)	(612)	**(7 356)**
As at 31.12.2017	**608**	**110 171**	**28 942**	**-**	**3 955**	**5 272**	**148 948**
Net book value As at 01.01.2017	**23 060**	**775 397**	**355 331**	**4 639**	**93 641**	**91 670**	**1 343 738**
Net book value As at 31.12.2017	**67 669**	**910 832**	**446 029**	**4 769**	**95 582**	**165 274**	**1 690 155**

2016	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 01.01.2016	**20 074**	**1 255 836**	**670 006**	**6 129**	**119 945**	**57 068**	**2 129 058**
Acquisition	-	48 928	14 323	-	10 554	217	**74 022**
Additions	-	-	-	2 515	-	406 986	**409 501**
Transfers	-	195 651	127 548	-	48 857	(372 056)	**-**
Disposals	-	(17 343)	(26 477)	(555)	(9 796)	(3 245)	**(57 416)**
Foreign exchange differences	2 986	57 269	30 313	7	5 091	6 742	**102 408**
As at 31.12.2016	**23 060**	**1 540 341**	**815 713**	**8 096**	**174 651**	**95 712**	**2 657 573**
Accumulated depreciation							
As at 01.01.2016	**-**	**525 176**	**351 889**	**2 302**	**56 469**	**-**	**935 836**
Additions	-	122 949	85 767	1 480	27 536	-	**237 732**
Disposals	-	(9 010)	(16 549)	(327)	(9 046)	-	**(34 932)**
Foreign exchange differences	-	20 661	14 219	2	2 095	-	**36 977**
As at 31.12.2016	**-**	**659 776**	**435 326**	**3 457**	**77 054**	**-**	**1 175 613**
Impairment write-downs							
As at 01.01.2016	**-**	**95 021**	**29 417**	**-**	**3 533**	**5 232**	**133 203**
Additions	-	12 972	2 599	-	601	77	**16 249**
Disposals	-	(6 545)	(8 150)	-	(330)	(1 762)	**(16 787)**
Foreign exchange differences	-	3 720	1 190	-	152	495	**5 557**
As at 31.12.2016	**-**	**105 168**	**25 056**	**-**	**3 956**	**4 042**	**138 222**
Net book value As at 01.01.2016	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**
Net book value As at 31.12.2016	**23 060**	**775 397**	**355 331**	**4 639**	**93 641**	**91 670**	**1 343 738**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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

	Land	Buildings	Vehicles	Total
As at 31.12.2017				
Gross value	971	7 801	5 360	14 132
Accumulated depreciation	-	(2 310)	(2 870)	(5 180)
Impairment	-	-	-	-
Net value	**971**	**5 491**	**2490**	**8 952**
As at 31.12.2016				
Gross value	972	8 074	4 660	13 706
Accumulated depreciation	-	(2 288)	(1 939)	(4 227)
Impairment	-	(424)	-	(424)
Net value	**972**	**5 362**	**2 721**	**9 055**

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the year ended December 31, 2017 and 2016:

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Proceeds from the sale of property, plant and equipment and intangible assets	2 353	4 192
Net cost of property, plant and equipment and intangible assets sold	(5 874)	(4 186)
Loss on sale of non-financial non-current assets	**(3 521)**	**6**
Net cost of property, plant and equipment and intangible assets disposal	(541)	(1 648)
Loss/(gain) on disposal and sales of non-financial non-current assets	**(4 062)**	**(1 642)**

The depreciation was charged to the costs of restaurant operations – PLN 279.544 thousand (prior period: PLN 228.061 thousand), franchise expenses and other – PLN 3.668 thousand (prior period: PLN 4.223 thousand) and general expenses PLN 5.145 thousand (prior period: PLN 5.448 thousand).

The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets / groups of assets.

The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate for each individual country.

	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results
	Year 2017			**Year 2016**		
Poland	9.12%			10.64%		
Czech	7.38%			7.89%		
Hungary	8.17%			11.18%		
Russia	18.57%			21.02%		
Serbia	13.95%			16.35%		
Bulgaria	7.49%	Determined individually for each individual restaurant		9.48%	Determined individually for each individual restaurant	
Spain	8.85%			10.47%		
Germany	6.41%			7.42%		
France	7.52%			9.36%		
Croatia	10.15%			12.17%		
China	11.49%			11.12%		
Romania	9.37%			11.54%		

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

10. Investment properties

The valuation of fair value performed with discounted cash flows method did not differ materially to the balance sheet amount. In Management Board's opinion, there have not occurred any indicators for update of valuation in 2017.

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2017	**For the 12 months ended December 31, 2016**
Sublease income	1 513	1 865
Investment property costs	(1 248)	(947)
Operating profit	**265**	**918**

11. Intangible assets

The table below presents changes in the value of intangible assets in 2017 and 2016:

2017	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangib le assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2017	**310 671**	**5 057**	**111 920**	**182 021**	**190 232**	**799 901**
Acquisition	-	2 120	15 223	33 299	-	**50 642**
Increases	-	-	23 161	33 554	-	**56 715**
Decreases	(631)	-	(1 224)	(37 026)	-	**(38 881)**
Foreign exchange differences	(18 553)	(339)	(3 228)	(8 800)	(10 621)	**(41 541)**
As at 31.12.2017	**291 487**	**6 838**	**145 852**	**203 048**	**179 611**	**826 836**
Accumulated amortization						
As at 01.01.2017	4 579	5 057	45 089	79 108	44 918	**178 751**
Increases	1 051	78	11 921	21 457	7 627	**42 134**
Decreases	-	-	(248)	(8 266)	-	**(8 514)**
Foreign exchange differences	(534)	(283)	(289)	(3 342)	(2 649)	**(7 097)**
As at 31.12.2017	**5 096**	**4 852**	**56 473**	**88 957**	**49 896**	**205 274**
Impairment write-downs						
As at 01.01.2017	101	-	2 180	1 542	-	**3 823**
Increases	-	-	2 303	3 032	-	**5 335**
Decreases	(101)	-	(25)	(27)	-	**(153)**
Foreign exchange differences	-	-	49	(182)	-	**(133)**
As at 31.12.2017	**-**	**-**	**4 507**	**4 365**	**-**	**8 872**
Net value as at 01.01.2017	**305 991**	**-**	**64 651**	**101 371**	**145 314**	**617 327**
Net value as at 31.12.2017	**286 391**	**1 986**	**84 872**	**109 726**	**129 715**	**612 690**

2016 (restated)	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2016	**299 697**	**6 257**	**73 271**	**154 947**	**183 244**	**717 416**
Acquisitions	-	-	13 188	15 227	-	**28 415**
Increases	-	-	22 574	7 110	-	**29 684**
Decreases	-	-	(655)	(133)	-	**(788)**
Foreign exchange differences	10 974	(1 200)	3 542	4 870	6 988	**25 174**
As at 31.12.2016	**310 671**	**5 057**	**111 920**	**182 021**	**190 232**	**799 901**
Accumulated amortization						
As at 01.01.2016	**3 711**	**5 261**	**35 592**	**60 260**	**35 632**	**140 456**
Increases	1 120	-	8 883	15 529	7 809	**33 341**
Decreases	-	-	(555)	(39)	-	**(594)**
Foreign exchange differences	(252)	(204)	1 169	3 358	1 477	**5 548**
As at 31.12.2016	**4 579**	**5 057**	**45 089**	**79 108**	**44 918**	**178 751**
Impairment write-downs						
As at 01.01.2016	**101**	**-**	**1 532**	**1 218**	**-**	**2 851**
Increases	-	-	691	18	-	**709**
Decreases	-	-	(56)	(1)	-	**(57)**
Foreign exchange differences	-	-	13	307	-	**320**
As at 31.12.2016	**101**	**-**	**2 180**	**1 542**	**-**	**3 823**
Net value as at 01.01.2016	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**
Net value as at 31.12.2016	**305 991**	**-**	**64 651**	**101 371**	**145 314**	**617 327**

Other intangible assets include mainly computer software, exclusivity rights and provisional valuation of MFA intangible asset.

Own brands value (La Tagliatella) with indefinite useful life as at December 31, 2017 was equal PLN 271.514 thousand and as at December 31, 2016 PLN 287.560 thousand.

The amortization was charged to the costs of restaurant operations – PLN 12.840 thousand (prior period: 10.036 PLN thousand), franchise expenses and other – PLN 9.736 thousand (prior period: PLN 7.854 thousand) and administrative expenses - PLN 19.558 thousand (prior period: PLN 15.451 thousand).

Impairment testing of own brands

As at December 31, 2017, the Group conducted own brand value (La Tagliatella) impairment tests with respect to the acquisitions of businesses in Spain. The tests have shown no need to create an impairment.

The cash generating units is activity connected with La Tagliatella brand. The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate in Spain.

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.

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 behaviours.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Impairment testing was realized taking into consideration following assumptions:

	2017	2016
Discount rate before tax	8.85%	10.47%
Budgeted average EBITDA margin	21.25%	19.34%
Expected mid-term EBITDA growth rate	6.93%	7,87%
Residual growth rate	2.00%	2.00%

If discount rate or EBITDA margin in period of 12 months ended December 31, 2017 were bigger/smaller by 1 percentage point, which is considered as a reasonably possible change in the assumptions, it would not result in recognition of impairment.

12. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2017	31.12.2016 (restated)
Gross value		
At the beginning of the period	779 077	586 753
Acquisition (note 3)	192 157	154 818
Foreign exchange differences	(60 479)	37 506
At the end of the period	**910 755**	**779 077**
Impairment write-downs		
At the beginning of the period	1 569	1 375
Foreign exchange differences	(124)	194
At the end of the period	**1 445**	**1 569**
Net book value as at the beginning of the period	**777 508**	**585 378**
Net book value as at the end of the period after adjustment	**909 310**	**777 508**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2017 and December 31, 2016.

	Acquisition date	**As at 01.01.2017**	Acquisition	F/X differences	**As at 31.12.2017**
miklik's food s.r.o.	May 2005	5 865	-	(4)	5 861
AmRest Kft (previously: Kentucky System Kft)	June 2006	17 641	-	(899)	16 742
OOO AmRest (previously: OOO Pizza Nord)	July 2007	74 852	-	(8 586)	66 266
9 restaurants RostiksKFC	April 2008	18 592	-	(2 133)	16 459
5 restaurants RostiksKFC	June 2008	2 404	-	(275)	2 129
SCM Sp. z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	396 308	-	(22 127)	374 181
Blue Horizon Hospitality PTE Ltd.	December 2012	94 146	-	(10 720)	83 426
AmRest Coffee S.R.L.	June 2015	12 134	-	(974)	11 160
AmRest Coffee Deutschland Sp. z o.o. &Co. KG	May 2016	154 655	-	(8 633)	146 022
AmRest DE Sp. z o.o. & Co. KG	March 2017	-	20 474	(545)	19 929
AmRest TopCo France SAS	May 2017	-	34 191	(288)	33 903
Restaurant Partner Polska Sp.z o.o.	August 2017	-	5 007	-	5 007
AmRest Opco France SAS	October 2017	-	41 380	(630)	40 750
OOO Chicken Yug	October 2017	-	89 334	(4 541)	84 793
6 restaurants in Poland	October 2017	-	1 771	-	1 771
		777 508	**192 157**	**(60 355)**	**909 310**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	Acquisition date	**As at 01.01.2016**	Acquisition	F/X differences	**As at 31.12.2016 (restated)**
miklik's food s.r.o.	May 2005	5 650	-	215	5 865
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 868	-	773	17 641
OOO AmRest (previously: OOO Pizza Nord)	July 2007	58 120	-	16 732	74 852
9 restaurants RostiksKFC	April 2008	14 436	-	4 156	18 592
5 restaurants RostiksKFC	June 2008	1 867	-	537	2 404
SCM Sp. z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 751	-	14 557	396 308
Blue Horizon Hospitality PTE Ltd.	December 2012	94 049	-	97	94 146
AmRest Coffee S.R.L.	June 2015	11 726	-	408	12 134
AmRest Coffee Deutschland Sp. z o.o. &Co. KG	May 2016	-	154 818	(157)	154 655
		585 378	**154 818**	**37 312**	**777 508**

Impairment testing

As at December 31, 2017, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain, Romania, China and Germany, where goodwill is significant and purchase price allocation process was completed. The tests have shown no need to recognize any impairment losses.

The recoverable value of the cash generating units is based on calculations of value in use. The calculation includes 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.

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 consumer behaviors.

Impairment testing was performed taking into consideration following assumptions:

	Hungary	**Russia**	**Spain**	**China**	**Romania**	**Germany**
			Year 2017			
Discount rate before tax	7.44%	14.85%	6.63%	8.61%	9.37%	4.39%
Budgeted average EBITDA margin	20.61%	12.96%	21.25%	12.62%	23.72%	6.45%
Expected mid-term growth rate of EBITDA	15.91%	15.32%	6.93%	15.91%	13.47%	37.67%
			Year 2016			
Discount rate before tax	10.06%	16.82%	7.86%	8.34%	9.69%	5.08%
Budgeted average EBITDA margin	17.77%	12.74%	19.34%	11.69%	26.56%	9.57%
Expected mid-term growth rate of EBITDA	16.52%	17.41%	7.87%	17.70%	16.08%	26.81%

Expected future cash flows are analysed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period (usually 10 years) results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business. The Residual growth rate was estimated of 2%. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding given cash generating unit and takes into account all applicable factors influencing this ratio.

Management performed impairment testing model sensitivity analysis in order to assess whether theoretical impairment is probable, assuming changes in key assumptions. If EBITDA margin decreased by 1 percentage point for the test of Russian business, the possible impairment would amount to PLN 55 million. If discount rates increased by 1 percentage points, the possible impairment loss would amount to PLN 4 million.

Management believes this scenario is remote, because the current analysis is based on fairly prudent assumptions. Assumed development plans include costs of both new openings and other capital expenditures. Group analysis shows that the reduction of these plans and focus on economies of scales and process optimization would mitigate the risk of impairment.

For other countries, management believes that no reasonably possible change in any of the key assumptions would result in recognition of impairment loss of goodwill as at December 31, 2017.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

13. Other non-current assets

As at December 31, 2017 and December 31, 2016, the balances of other non-current assets were as follows:

	31.12.2017	31.12.2016
Prepaid rental fees	1 446	1 035
Deposits for rentals	78 717	55 974
Prepaid other services	4 607	-
Settlement referring to acquisitions	4 530	-
Prepaid tax costs	1 690	-
Other	4 863	5 494
	95 853	**62 503**

14. Inventories

As at December 31, 2017 and December 31, 2016, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials. Inventories are presented in net value including write-downs.

15. Trade and other receivables

	31.12.2017	31.12.2016 (restated)
Trade receivables from non-related entities	78 639	56 822
Trade receivables from related entities (note 29)	9	13
Other tax receivables	72 246	31 872
Other	24 298	19 890
Write-downs of receivables (note 3, 31)	(13 188)	(9 213)
	162 004	**99 384**

16. Other current assets

	31.12.2017	31.12.2016 (restated)
Prepaid costs in respect of deliveries of utilities	1 412	1 804
Prepaid lease costs	25 270	19 126
Prepaid property insurance	1 319	2 160
Prepaid professional services cost	549	975
Prepaid marketing costs	477	419
Prepaid tax costs	5 579	3 345
Assets related to a right to compensation resulting from the acquisition agreement (note 3)	66 329	50 161
Other	21 254	25 346
Write-downs of other current assets	(618)	(438)
	121 571	**102 898**

Increase in the balance of asset related to right to compensation resulting from the acquisition agreements results from recognition of additional assets on KFC France acquisition (see note 3) related to employee liabilities subject to re-payment by seller in amount of EUR 3.509 thousand as well as additionally recognized assets related to tax liabilities in Starbucks Germany in amount EUR 2.400 thousand recognized as a result of updated tax settlement calculations for year 2015 fully indemnified by the seller. Remaining part of balance (EUR 9.973 thousand as at December, 31 2017 and EUR 11.338 thousand as at December, 31 2016) results from an asset recognized on acquisition of Starbucks Germany, which was partially utilized in 2017.

Other current assets are presented in net value taking into consideration impairment provisions.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

17. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2017 and December 31, 2016 are presented in the table below:

	31.12.2017	31.12.2016
Cash at bank	473 040	245 608
Cash in hand	75 208	46 033
	548 248	**291 641**

Reconciliation of working capital changes as at December 31, 2017 and December 31, 2016 is presented in the table below:

2017	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan and options' settlement	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in receivables	(62 620)	10 937	(2 682)	-	(3 984)	(58 349)
Change in inventories	(11 542)	5 661	-	-	(4 207)	(10 088)
Change in other assets	(52 023)	18 862	-	-	(9 912)	(43 073)
Change in payables and other liabilities	182 825	(43 127)	-	(20 639)	22 982	142 041
Change in provisions and employee benefits	(10 165)	(8 481)	(6 035)	-	1 728	(22 953)

2016 *(restated)*	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Elimination of the acquisition transaction	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in receivables	(7 455)	3 424	-	-	-	1 202	(2 829)
Change in inventories	(18 536)	6 029	-	-	-	2 932	(9 575)
Change in other assets	(70 245)	60 182	-	14 330	-	(8 193)	(3 926)
Change in payables and other liabilities	146 683	(145 147)	-	-	(31 723)	(15 299)	(45 486)
Change in provisions and employee benefits	19 472	(9 794)	10 374	-	-	(7 173)	12 879

18. Equity

Share capital

As described in note 1a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange ("WSE").

As at December 31, 2017, the Company held 21 213 893 issued, fully paid-up shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option valuation	Employee options	Treasury shares	Hedges valuation influence	Transactions with non-controlling interests	Reserves total
As at 01.01.2017	**755 692**	**6 191**	**(176 536)**	**(9 102)**	**(11 123)**	**(29 254)**	**113 018**	**648 886**
OTHER COMPREHENSIVE INCOME								
Impact of net investment hedges valuation	-	-	-	-	-	51 789	-	**51 789**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	(9 840)	-	**(9 840)**
Other comprehensive income total	-	-	-	-	-	41 949	-	**41 949**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acquisition of non-controlling interest	-	-	-	-	-	-	(29 061)	**(29 061)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(29 061)	**(29 061)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(79 298)	-	-	**(79 298)**
Proceeds from treasury shares	-	-	-	(45 411)	45 411	-	-	**-**
Employee stock option plan – value of employee benefits exercised in the period	-	-	-	13 451	-	-	-	**13 451**
Employee stock option plan – proceeds from employees for shares disposal	-	-	-	1 906	-	-	-	**1 906**
Employee stock option plan – change in unexercised employee benefits	-	-	-	3 561	-	-	-	**3 561**
Change of deferred tax related to unexercised employee benefits	-	-	-	2 685	-	-	-	**2 685**
Effect of modification of employee stock option plan	-	-	-	2 287	-	-	-	**2 287**
Transactions with shareholders total	-	-	-	(21 521)	(33 887)	-	-	**(55 408)**
As at 31.12.2017	**755 692**	**6 191**	**(176 536)**	**(30 623)**	**(45 010)**	**12 695**	**83 957**	**606 366**
As at 01.01.2016	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
OTHER COMPREHENSIVE INCOME								
Impact of net investment hedges valuation	-	-	-	-	-	(22 386)	-	**(22 386)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	4 253	-	**4 253**
Other comprehensive income total	-	-	-	-	-	(18 133)	-	**(18 133)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acquisition of non-controlling interest	-	-	-	-	-	-	(3 677)	**(3 677)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(3 677)	**(3 677)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(50 079)	-	-	**(50 079)**
Proceeds from treasury shares	-	-	-	(60 168)	60 168	-	-	**-**
Employee stock option plan – value of employee benefits exercised in the period	-	-	-	19 687	-	-	-	**19 687**
Employee stock option plan – proceeds from employees for shares disposal	-	-	-	11 056	-	-	-	**11 056**
Employee stock option plan – change in unexercised employee benefits	-	-	-	(4 457)	-	-	-	**(4 457)**
Effect of modification of employee stock option plan	-	-	-	2 668	-	-	-	**2 668**
Change of deferred tax related to unexercised employee benefits	-	-	-	13 515	-	-	-	**13 515**
Transactions with shareholders total	-	-	-	(17 699)	10 089	-	-	**(7 610)**
As at 31.12.2016	**755 692**	**6 191**	**(176 536)**	**(9 102)**	**(11 123)**	**(29 254)**	**113 018**	**648 886**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Hedges valuation influence

As at December 31, 2017 within the EUR denominated debt, a bank loan of EUR 177.75 million and debt instrument Schuldscheindarlehen (SSD) issue of EUR 26 million are hedging net investment in Hungarian subsidiary AmRest Capital ZRT and in the Spanish subsidiaries. EUR denominated debt hedges the Group against the foreign currency risk resulting from revaluations of net assets. Gains or losses arising from the translation of the liability at the relevant exchange rate at the end of the period are charged to reserve capital in order to offset gains or losses on translation of the net investment in subsidiaries. During the period for the 12 months ended December 31, 2017 hedge was fully effective.

As at December 31, 2017 accumulated value of currency revaluation recognized in reserve capital (resulted from net investment hedges) amounted to PLN 51.789 thousand and deferred tax concerning this revaluation PLN 9.840 thousand.

Impact of hedges valuation:	Net investment in EUR	Valuation effects of security, total
As at 01.01.2017	**(29 254)**	**(29 254)**
Impact of net investment hedges valuation	51 789	51 789
Deferred income tax	(9 840)	(9 840)
As at 31.12.2017	**12 695**	**12 695**
As at 01.01.2016	**(11 121)**	**(11 121)**
Impact of cash flow hedges valuation	(22 386)	(22 386)
Deferred income tax	4 253	4 253
As at 31.12.2016	**(29 254)**	**(29 254)**

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 Group's foreign operations into Polish zlotys.

	For the 12 months ended December 31, 2017	**For the 12 months ended December 31, 2016**
At the beginning of the period	4 413	(110 447)
Foreign exchange differences from net assets revaluation in subsidiaries	(138 330)	114 860
At the end of the period	**(133 917)**	**4 413**

Non-controlling interest

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

	31.12.2017	**31.12.2016**
Blue Horizon Hospitality Group PTE Ltd.	-	36 524
AmRest Coffee Sp. z o.o.	10 086	11 066
SCM Sp. z o.o.	6 401	7 153
AmRest Coffee s.r.o.	9 955	7 904
AmRest Kávézó Kft	3 223	2 944
AmRest d.o.o.	2 405	1 986
SCM s.r.o.	724	-
SCM due Sp. z o.o.	105	-
Restaurant Partner Polska Sp. z o.o.	2 285	-
Non-controlling interests	**35 184**	**67 577**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

19. Borrowings

Borrowings as at December 31, 2017 and December 31, 2016 are presented in the table below:

Long-term	31.12.2017	31.12.2016
Bank loans	1 250 946	759 550
Bonds	561 029	279 483
	1 811 975	1 039 033

Short-term	31.12.2017	31.12.2016
Bank loans	7 060	223 247
Bonds	150 820	8
	157 880	**223 255**

Bank loans and bonds

Currency	Lender/ book builder	Interest rate	31.12.2017	31.12.2016
PLN	Syndicated bank loan	3M WIBOR+margin	125 762	125 487
EUR	Syndicated bank loan	3M/const. EURIBOR+margin	1 084 290	786 419
CZK	Syndicated bank loan	3M PRIBOR+margin	38 302	58 848
PLN	Bonds 5 – years (issued in 2013 & 2014)	6M WIBOR+margin	285 724	279 486
EUR	Schuldscheinedarlehen Bonds	6M/const. EURIBOR+margin	426 126	-
CNY	Bank loan – China	Constant	9 651	12 048
			1 969 855	**1 262 288**

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

On October 5, 2017 a Credit Agreement („the Agreement") between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski Polska S.A. and Česká spořitelna – jointly „the Lenders" was signed. AmRest Sp. z o.o. and AmRest s.r.o. are fully owned by AmRest Holdings SE.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 430 million, app. PLN 1.848 million (tranche A-D granted at the moment of signing the contract), which might be increased by amount of EUR 148 million, app. PLN 623 million (what stands for tranche E-F) upon fulfilment certain conditions. Ultimate due date for credit repayment is September 30, 2022.

The facility is dedicated for repayment of the obligations under the credit agreement signed September 10, 2013 along with further annexes, financing development activities of AmRest and working capital management.

The facility (available as at the day of signing the contract) consists of four tranches:

- tranche A in maximum amount of EUR 250 million,
- tranche B in maximum amount of PLN 300 million,
- tranche C in maximum amount of CZK 300 million,
- tranche D granted as a revolving credit facility in amount of PLN 450 million.

Additionally, two more tranches might be granted:

- tranche E – PLN 280 million that might be used for Polish bonds repayment
- tranche F – PLN 350 million that might be used for general corporate purpose, including development activities.

All Borrowers bear joint liability for any obligations resulting from the Agreement.

The loan is provided at a variable interest rate except from tranche A which has a constant interest rate.

Majority of the facility is provided at variable interest rate and a part of tranche A is provided on fixed rate.

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AmRest is required to maintain certain ratios at agreed levels, in particular, net debt/EBITDA is to be held below 3.5x and EBITDA/interest charge is to stay above 3.5.

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

On June 18, 2013 bonds in the amount of PLN 140 million were issued and on September 10 another issue was completed, also for PLN 140 million. Both issues were completed under agreement signed with Pekao S.A on August 22, 2012.

Bonds were issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018 and September 10, 2019, respectively. Interest is paid on semi-annual basis (June 30 and December 30) and the Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the respective Issue Terms and Conditions. There are no additional securities on the bond issues.

On April 7, 2017 AmRest issued Schuldscheinedarlehen ("SSD" – debt instrument under German law) in the amount of EUR 26 million. SSD were issued on a fixed interest rate with EUR 17 million maturing on April 7, 2022 and 9 million maturing on April 5, 2024. The role of the Lead Arranger and Paying Agent was entrusted to Erste Group Bank AG and CaixaBank S.A. acted as Co-lead Arranger.

On July 3, 2017 AmRest finalized another issue of Schuldscheindarlehen („SSD") for the total value of EUR 75 million. The SSD interest is fixed on the following tranches: EUR 45.5 million - repayment due on July 1, 2022 and EUR 20 million - repayment due on July 3, 2024. EUR 9.5 million tranche was issued with variable interest rate and repayment date of July 3, 2024. The role of the Lead Arranger and Paying Agent was entrusted to Erste Group Bank AG with CaixaBank S.A. and Bank Zachodni WBK S.A. acting as Co-lead Arrangers.

Both issues aimed at diversifying financing sources and also allowed to diversify interest rate structure of debt. The proceeds were used for the development of the Company and refinancing of its debt. As at December 31, 2017 the payables concerning bonds issued are PLN 711.849 thousand.

The maturity of long- and short-term loans as at December 31, 2017 and December 31, 2016 is presented in the table below:

	31.12.2017	**31.12.2016**
Up to 1 year	157 880	223 255
Between 1 and 2 years	139 894	899 033
Between 2 and 5 years	1 511 392	140 000
Beyond 5 year	160 689	-
	1 969 855	**1 262 288**

The Group has the following unused, awarded credit limits as at December 31, 2017 and December 31, 2016:

	31.12.2017	**31.12.2016**
With floating interest rate		
- expiring within one year	-	-
- expiring beyond one year	585 968	300 000
	585 968	300 000

The table below presents the reconciliation of the debt:

	Loans and borrowings	**Bonds**	**SSD**	**Finance lease liabilities**	**Total**
01.01.2017	**982 797**	**279 491**	**-**	**9 516**	**1 271 804**
Payment	(974 606)	-	-	(738)	(975 344)
Loan taken/new contracts	1 301 774	-	-	-	1 301 774
Accrued interests	-	5 905	5 287	-	11 192
Issuance	-	-	427 259	-	427 259
FX valuation	(44 388)	-	(5 382)	-	(49 770)
Other	(7 571)	(711)	-	-	(8 282)
31.12.2017	**1 258 006**	**284 685**	**427 164**	**8 778**	**1 978 633**

20. Employee benefits liabilities

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its selected 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 options granted to employees is limited to 200 000 options. 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.

In June 2011, Supervisory Board of Group parent entity approved and changed the previous note related to the number of options granted to employees is limited to 100 000 per annum.

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value (employee decides about settlement method).

For the grants after December 8, 2015 a change in regulations was implemented which eliminated a possibility of option settlement with cash method. Furthermore, group of employees made a unilateral statement about resignation from cash settlement possibility in relation to option granted also in previous periods. Due to above changes, Employee option plan 2 comprises of both equity-settled options and cash-settled options. As a result of modification of some options from cash-settled into equity-settled, a reclassification was performed from liabilities into equity in amount of PLN 2.287 thousand. As at December 31, 2017 liability of PLN 9.355 thousand was recognized. As at December 31, 2016 liability amounted to PLN 11.255 thousand. For equity-settled options as at December 31, 2017 a provision of PLN 16.242 thousand was recognized in reserve capital (modification described above included). As at December 31, 2016 this provision amounted to PLN 14.043 thousand.

Employee share option plan 3

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1.041.000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of 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 preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will be increased by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

As at December 31, 2017 PLN 5.124 thousand of liabilities were presented in equity (note 18) according to group policy (note 1 s). As at December 31, 2016 PLN 7.399 thousand were presented in equity.

Employee share option plan 4

In January 2017 the Group introduced share-based Employee Option Plan, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board. Moreover, the number of options granted to employees is limited to 750.000 options in the period from 1 January 2017 till 31 December 2019. 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. As at December 31, 2017 the amount of PLN 1.838 thousand were recognized in reserve capital for this program.

Employee share option plan 5

In January 2017 the Group introduced share-based Employee Option Plan, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1.000.000 shares. In accordance with the provisions of the Plan, the Supervisory

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Board of Group, on request of 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 preceding the day of awarding the option, and the vesting period will be 3 to 5 years. The option exercise price will increase by 11% each of three years. As at December 31, 2017 the amount of PLN 3.826 thousand were recognized in reserve capital for this program.

Value of liability for Employee share option plan as at December 31, 2017 and December 31, 2016 was presented below:

	31.12.2017	**31.12.2016**
Liability for Employee share option plan 2	9 355	11 255
Other	3 133	8 595
	12 488	**19 850**

The terms and conditions for the share options awarded in 2017 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 4				
May 30, 2017	196 170	3-5 years, 60% after 3 year, 20% after 4 and 5 year	340.0	10 years
Plan 5				
March 15, 2017	290 000	3-5 years, gradually, 33% p.a.	321.1	10 years
June 30, 2017	100 000	3-5 years, gradually, 33% p.a.	355.0	10 years
September 13, 2017	10 000	3-5 years, gradually, 33% p.a.	335.0	10 years
October 13, 2017	60 000	3-5 years, gradually, 33% p.a.	362.6	10 years

In the table below we present the number and weighted average of the exercise price of the options from all plans for the 12 months period ended December 31, 2017 and 2016:

Number of option 2017	**Weighted average option exercise price in PLN(before indexation)**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	61	-	-	405 002	425 884
Utilized during the period	112	-	-	(121 669)	(90 318)
Redeemed during the period	136	-	-	-	(22 888)
Awarded during the period	336	460 000	196 170	-	-
At the end of the period	209	460 000	196 170	283 333	312 678
Available for exercising as at the end of the period	74	-	-	206 666	97 428

Number of option 2016	**Weighted average option exercise price in PLN(before indexation)**	**Plan 3**	**Plan 2**
At the beginning of the period	67	659 999	403 649
Utilized during the period	90	(254 997)	(111 575)
Redeemed during the period	111	-	(9 150)
Awarded during the period	224	-	142 960
At the end of the period	61	405 002	425 884
Available for exercising as at the end of the period	65	253 334	97 358

The fair value of the work performed in consideration for the options granted is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using numerical method for solving differential equations by approximating them with difference equations, called finite difference method.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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

Plan	Average fair value of option as at the date of award	Average price of share at the date of measurem ent/grant	Average exercise price	Expected volatility of share prices (expressed as the weighted average volatility in share prices used in the model)	Expected term to exercise of the options (expressed as the weighted average historical exercises period used in the model)	Expected dividend	Risk-free interest rate
Plan 4	PLN 97	PLN 340	PLN 340	28%	5 years	-	2%
Plan 5	PLN 57	PLN 334	PLN 334	28%	5 years	-	2%

Options vest when the terms and conditions relating to the period of employment are met. The Plan does not provide for any additional market conditions on which the vesting of the options would depend.

Other incentive programs

Key managers of the Spanish market participate in motivation programs which bases on exceeding goals of the following businesses growth.

Employee benefits costs

The costs recognized in connection with the plans relating to incentive programs for the period of 12 months ending on December 31, 2017 and December 31, 2016 respectively are presented below:

	31.12.2017	**31.12.2016**
Employee stock option plan 2	15 575	20 042
Employee stock option plan 3	631	2 372
Employee stock option plan 4	1 839	-
Employee stock option plan 5	3 826	-
Local incentive program - Spain	3 596	5 400
Local incentive program - China	-	(535)
	25 467	**27 279**

Pension, health care and other contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2017 and December 31, 2016 respectively are presented below:

	31.12.2017	**31.12.2016**
Pension, health care contributions and other	268 701	201 110
	268 701	**201 110**

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

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

21. Provisions

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

2017	**As at 01.01.2017**	Increase resulted from acquisitions	Increases	Utilization	F/X differences	**As at 31.12.2017**
Onerous contracts	6 667	2 155	3 910	(8 700)	(208)	3 824
Asset retirement obligation	28 266	4 635	140	(2 259)	(1 575)	29 207
Provision for court fees	1 474	1 689	-	(1 032)	(619)	1 512
Provision for tax risks	5 937	-	247	(697)	(487)	5 000
Provision for other	2	-	-	(1)	(1)	-
Total	**42 346**	**8 479**	**4 297**	**(12 689)**	**(2 890)**	**39 543**

2016 (restated)	**As at 01.01.2016**	Increase resulted from acquisitions	Increases	Utilization	F/X differences	**As at 31.12.2016**
Onerous contracts	3 149	-	4 735	(1 652)	435	6 667
Asset retirement obligation	-	28 448	-	-	(182)	28 266
Provision for court fees	615	-	881	(18)	(4)	1 474
Provision for tax risks	479	-	6 386	(594)	(334)	5 937
Provision for other	2	-	-	-	-	2
Total	**4 245**	**28 448**	**12 002**	**(2 264)**	**(85)**	**42 346**

All provisions are treated as long-term liability.

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.

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.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments and often has to decide to create 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.

Asset retirement obligation

Taking into account characteristics of German market and Group's accounting policy note 1t), the Group recognized on the acquisition of German subsidiaries a provision for costs of future asset restorations. The provision consists of expected costs to bear at the end of rental agreement. The provision would be used for renovation work needed to restore rented properties, as required by rental agreements.

22. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 24.508 thousand and PLN 8.429 thousand respectively as at December 31, 2017 and December 31, 2016.

23. Trade and other payables

Trade and other payables as at December 31, 2017 and December 31, 2016 cover the following items:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2017	31.12.2016 restated
Payables to non-related entities, including:	**578 061**	**457 494**
Trade payables	309 163	238 636
Payables in respect of uninvoiced lease fees and deliveries of food	34 504	31 688
Employee payables	42 800	31 849
Social insurance payables	37 520	37 267
Pre-acquisition tax settlements liability (note 2)	52 916	50 161
Other tax payables	22 555	19 929
Gift voucher liabilities	2 552	2 066
Other payables to non-related entities	76 051	45 898
Liabilities to related entities (note 29)	144	42
Accruals, including:	**184 607**	**135 114**
Employee bonuses	42 926	29 139
Marketing services	7 871	8 287
Holiday pay accrual	41 177	19 238
Professional services	18 246	16 067
Franchise fees	21 432	11 877
Lease cost provisions	22 743	16 147
Investment payables accrual	22 645	27 192
Other	7 567	7 167
Deferred income – short-term portion	15 586	19 498
Social fund	1 441	945
Total trade and other payables	**779 839**	**613 093**

24. Finance lease liabilities

Financial lease liabilities – present value:

	31.12.2017	31.12.2016
Payable within 1 year	1 777	1 636
Payable from 1 to 5 years	3 945	4 426
Payable after 5 years	3 056	3 454
	8 778	**9 516**

Finance lease liabilities – minimum lease payments:

	31.12.2017	31.12.2016
Payable within 1 year	2 231	2 507
Payable from 1 to 5 years	3 997	6 101
Payable after 5 years	2 995	4 728
Total minimum lease payments	9 223	13 336
Future finance costs in respect of finance leases	(445)	(3 820)
Present value of finance lease liabilities	**8 778**	**9 516**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

25. 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 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:

	31.12.2017	31.12.2016
Payable within 1 year	432 461	389 534
Payable from 1 to 5 years	1 265 083	1 109 743
Payable after 5 years	1 091 762	852 613
Total minimum lease payments	**2 789 306**	**2 351 890**

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 2017 and 2016 are as follows:

	For the 12 months ended December 31, 2017			For the 12 months ended December 31, 2016		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech	42 623	5 859	48 482	37 563	4 870	42 433
Hungary	18 994	3 109	22 103	16 202	2 115	18 317
Poland	120 396	10 398	130 794	109 866	9 537	119 403
Russia	55 925	5 451	61 376	45 026	4 320	49 346
Bulgaria	2 967	15	2 982	2 525	58	2 583
Serbia	1 720	-	1 720	1 498	44	1 542
Croatia	1 500	-	1 500	1 280	-	1 280
Spain	80 986	68	81 054	70 988	3 825	74 813
China	46 445	1 672	48 117	36 184	2 926	39 110
Romania	10 044	989	11 033	8 303	917	9 220
Germany	92 615	6 933	99 548	50 228	4 260	54 488
Slovakia	1 394	-	1 394	450	107	557
Austria	130	19	149	-	-	-
France	3 890	170	4 060	-	-	-
Slovenia	1	-	1	-	-	-
Total	**479 630**	**34 683**	**514 313**	**380 113**	**32 979**	**413 092**

The Group signs agreements for a definite period without the opportunity to terminate the contract. The prolongation of the agreement bases on market conditions.

26. 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 Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U. and AmRest Capital Zrt – 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. September 30, 2022.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

27. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2017 and 2016 were calculated as follows:

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Net profit from continued operations attributable to equity holders of the parent company	182 281	190 564
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share	8,59	8,98
Diluted earnings per ordinary share	8,59	8,98

28. 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 with 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 with 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 the current and future franchise agreements were described in note 1a) and note 10.

According to Group Management the above-mentioned requirements are fulfilled and any discrepancies are communicated to third parties, mitigating any potential risks affecting business and financial performance of the Group.

In regards to credit agreement described in note 19 the following Group entities provided surety: AmRest Kaffee sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest Capital ZRT., AmRest KFT, OOO AmRest, AmRest Tag, S.L.U., Amrestavia, S.L.U., Restauravia Grupo Empresarial, S.L., Restauravia Food, S.L.U., Pastificio Service, S.L.U. for the following banks Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Česka Sporitelna A.S., ING Bank Śląski S.A. in amount of EUR 375 million, PLN 1.125 million, CZK 450 million till the date of debt payment however not later than October 5, 2025.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

29. Transactions with related entities

Transactions with related parties are held in accordance with market regulations.

Trade and other receivables from related entities

	31.12.2017	31.12.2016
MPI Sp. z o. o.	9	11
Associates	-	2
	9	**13**

Trade and other payables to related entities

	31.12.2017	31.12.2016
MPI Sp. z o. o.	144	38
Associates	-	4
	144	**42**

Sales of goods for resale and services

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
MPI Sp. z o. o.	73	75
Associates	-	31
	73	**106**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
MPI Sp. z o. o.	1 675	1 432
Associates	-	-
	1 675	**1 432**

Other related entities

Metropolitan Properties International Sp. z o. o.

As at December 31, 2017 Metropolitan Properties International Sp. z o.o. was a company owned by Henry McGovern. Henry McGovern entered on December 31, 2016 Supervisory Board of AmRest Holdings SE.

Company Metropolitan Properties International Sp. z o.o is involved in activities related to real estate. The Group leases from Metropolitan Properties International Sp. z o.o three restaurants on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid MPI amounted to PLN 1.675 thousand and PLN 1.432 thousand a period of twelve consecutive months ending December 31, 2017 and December 31, 2016.

Group shareholders

As at December 31, 2017, FCapital Dutch B.V. was the largest shareholder of AmRest and held 56.38% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with the management/Management Board, Supervisory Board

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

	For the 12 months ended December 31, 2017	For the 12 months ended December 31, 2016
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	10 740	13 318
Total remuneration paid to the Management Board and Supervisory Board	**10 740**	**13 318**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The Group's key employees also participate in an employee share option plan (note 20). The costs relating to the employee option plan in respect of management amounted to PLN 3.329 thousand and PLN 2.166 thousand respectively in the 12 month period ended December 31, 2017 and December 31, 2016.

		For the 12 months ended December 31, 2017	**For the 12 months ended December 31, 2016**
Number of options awarded	pcs	586 266	358 420
Number of available options	pcs	249 666	305 353
Fair value of options as at the moment of awarding	PLN	27 035 182	11 954 180

As at December 31, 2017and December 31, 2016, there were no liabilities to former employees.

30. 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 each year tests goodwill for impairment in accordance with its accounting policies described in note 1p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (note 12). As at December 31, 2017 and December 31, 2016 goodwill impairment was not recognized.

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according to the accounting policy described in note 1p). This value is compared with assets value and in case of identification of gap in coverage there is impairment loss recognized. In the period of 12 months ended December 31, 2017 and December 31, 2016 were recognized impairment losses according to information presented in note 0 and 11.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis of technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the 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, 2017 by ca. PLN 30.046 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, 2016 by ca. PLN 24.643 thousand.

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren't in turnover on active market is calculated by using valuation techniques. The Group used estimations to establish fair value of assets and liabilities on acquisition. Details of those estimations are described in note 3.

The Group uses different methods and assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which are not in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The following fair value valuations concerning financial instruments were used by the Group:

- quoted prices (not adjusted) from active markets for the same assets and liabilities (Level 1),
- input data different from quoted prices included in Level 1, which are observed for assets and liabilities directly (as prices) or indirectly (based on prices) (Level 2),
- input data for valuation of assets and liabilities, which don't base on possible to observe market data (input data not observed) (Level 3).

Fair value of investment property, which was not in turnover on active market, was calculated with use of valuation techniques. Investment property belongs to the "CEE" segment.

	Note	Level 1	Level 2	Level 3	31.12.2017
Investment property	10	-	22 152	-	22 152

For the purpose of the risk management related to certain transaction within the Group, forward currency contracts are used. Open 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 twelve months. As at December 31, 2017 the Group was not in possession of open contracts.

Provisions

Key uncertainties and estimates are described in note 21.

Deferred income tax

Uncertainties and estimates related to deferred taxes come mainly from recognizing a deferred tax asset in respect of unused tax losses carried forward (note 8).

Lease classification

In classification of agreements for operating lease and finance categories critical judgments are made allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

31. Financial instruments

Fair value

Book values of short-term: receivables, other assets, payables, loans and liabilities are similar to their fair values due to their short-term settlement. According to the estimations of the Group, fair values of non-current assets and liabilities immaterially differs from their respective book values.

As at December 31, 2017 the Group did not possess financial instruments measured at fair value. As at December 31, 2017 the Group did not recognize the transfers between levels of fair value valuations.

Risk management

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, derivatives 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 increased an impairment of the Group's receivables exposed to credit risk in amount of PLN 7.549 thousand. The maximum credit risk exposure amounts to PLN 710.252 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The ageing break-down of receivables and receivable write-downs as at December 31, 2017 is presented in the table below:

	Current	Overdue in days				Total
		less than	91 -	181 - 365	more	
Trade and other receivables	149 425	7 633	10 542	402	7 190	**175 192**
Receivable write-downs	(5 694)	(315)	(20)	-	(7 159)	**(13 188)**
Total	**143 731**	**7 318**	**10 522**	**402**	**31**	**162 004**

Value of impairment provisions for receivables as at December 31, 2017 and December 31, 2016 is presented in table below:

	31.12.2017	**31.12.2016**
Value for the beginning of the period	9 213	10 540
Provision created	9 149	1 096
Provisions released	(1 600)	(1 709)
Provisions used	(3 298)	(1 141)
Other	(276)	427
Value for the end of the period	**13 188**	**9 213**

The Group did not recognize impairment on overdue trade and other receivables of PLN 18.273 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 (note 19). As at December 31, 2017 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses 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 is analysed in quarterly periods.

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended December 31, 2017 30 base points higher/lower, the profit before tax for the period would have been PLN 1.473 thousand lower/higher (2016: PLN 1.248 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2017 been 30 base points higher/lower, the profit before tax for the period would have been PLN 166 thousand lower/higher (2016: PLN 188 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2017 been 30 base points higher/lower, the profit before tax for the period would have been PLN 1.954 thousand lower/higher (2016: PLN 2.264 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 EUR or USD. 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 EUR or to USD.

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

Net investment foreign currency valuation risk

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

In 2016 Group applies hedging accounting for revaluation of borrowings, in EUR constituting net investment hedges in Hungarian and Spanish entities. Details concerning hedging on currency risk are described in note 19.

Sensitivity analysis

As at December 31, 2017 and December 31, 2016, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2017 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would not influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 129.905 thousand (2016: PLN 78.637 thousand).

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, 2017 and December 31, 2016 is presented in the table below:

	31.12.2017			**31.12.2016**		
	Loan instalments	**Interest and other charges**	**Total**	**Loan instalments**	**Interest and other charges**	**Total**
Up to 1 year	157 880	51 850	209 730	223 255	56 719	279 974
Between 1 and 2 years	140 000	52 102	192 102	903 349	47 942	951 291
Between 2 and 5 years	1 521 410	96 827	1 618 237	140 082	35 957	176 039
More than 5 years	160 689	5 307	165 996	-	-	-
Payable gross value	**1 979 979**	**206 086**	**2 186 065**	**1 266 686**	**140 618**	**1 407 304**
Not amortized loan cost	(10 124)	-	(10 124)	(4 398)	-	(4 398)
Payable net value	**1 969 855**	**206 086**	**2 175 941**	**1 262 288**	**140 618**	**1 402 906**

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 value of EBITDA. Net debt is calculated as the sum of borrowings (comprising loans and advances, and finance lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The Group's gearing as at December 31, 2017 and December 31, 2016 is as follows:

	31.12.2017	**31.12.2016**
Total borrowings (note 19)	1 969 855	1 262 288
Finance lease liabilities (note 24)	8 778	9 516
Less: cash and cash equivalents (note 17)	(548 248)	(291 641)
Net debt	1 430 385	980 163
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impairment (EBITDA according to the bank agreement)	646 804	541 950
Gearing ratio	**2.21**	**1.81**

32. Events after the Balance Sheet Date

The Management Board of AmRest Holdings SE ("AmRest", the "Company") announced signing on February 27, 2018 the Subscription and Shareholders' Agreement (the "SSHA") with LPQ Russia Limited, based in London, United Kingdom ("the Partner"). The SSHA defines the main terms and conditions of cooperation between the Company and the Partner aimed at developing a restaurant business in the bakery segment in Russia through a newly-formed corporate structure. As a result, AmRest will become a majority shareholder, holding 51% stake in newly created company ("NewCo"). The remaining 49% stake will be held by the Partner. NewCo will own and control its subsidiaries: the operating entity in Russia and the trademarks holding company.

Currently the Partner owns the trademarks of "Хлеб Насущный" (Xleb Nasuschny), "Филипповъ" (Philippov) "Наш хлеб" (Nash Khleb) and "Андреевские булочные" (Andreevsky Bulochnye) (jointly: "Trademarks"). The cooperation assumes the contribution of Trademarks to the Structure by the Partner. AmRest will invest EUR 6m (six million Euro) into the Structure with the purpose of developing the restaurant business in Russia.

Intention of the parties is to finalize the transaction by June 2018, which is a subject to fulfilment of conditions precedent defined in SSHA.

On October 5, 2017 the Extraordinary General Meeting of AmRest Holdings SE adopted a resolution on the approval of the international transfer of the registered office to Spain. As a result of that, on March 1, 2018 the transfer public deed to the Madrid Commercial Registry was filed. Additionally the Group is planning to change the presentation currency of its consolidated financial statements that will be applied in the first report issued after registration of domicile change.

Signatures of Board Members

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Jacek Trybuchowski
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Wrocław, March 8, 2018