# AmRest Holdings SE

## Condensed Interim Consolidated Financial Statements

## as at and for the six months ended 30 June 2011

## Contents


| | Page |
|---|---|
| **Interim Consolidated Income Statement** | **3** |
| **Interim Consolidated Statement of Comprehensive Income** | **4** |
| **Interim Consolidated Statement of Financial Position** | **5** |
| **Interim Consolidated Statement of Cash Flows** | **6** |
| **Interim Consolidated Statement of Changes in Shareholders' Equity** | **8** |
| **Notes to the Interim Condensed Consolidated Financial Statements** | **9** |


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

Wroclaw, 31 August 2011

## Interim Consolidated Income Statement for the six months ended June 30, 2011

| *In thousands of Polish Zloty* | Note | Six months ended June 30, 2011 | Six months ended June 30, 2010 (after adjustments)* |
|---|---|---|---|
| **Continuing operations** | | | |
| Restaurant sales | | 1 110 065 | 982 122 |
| Franchise and other sales | | 30 268 | 11 640 |
| Total sales | 2 | 1 140 333 | 993 762 |
| Company operated restaurant expenses: | | | |
| Food and material | | (349 203) | (310 765) |
| Payroll and employee benefits | | (281 552) | (253 793) |
| Royalties | | (58 360) | (51 897) |
| Occupancy and other opertaing expenses | | (322 509) | (280 900) |
| Franchise and other expenses | | (18 396) | (8 055) |
| General and administrative (G&A) expenses | | (69 873) | (56 082) |
| Impairment losses | | (1 880) | (1 065) |
| Other operating income | | 5 363 | 6 932 |
| Total operating costs and losses | | (1 096 410) | (955 625) |
| **Profit from operations** | | **43 923** | **38 137** |
| Finance costs | 3 | (16 909) | (18 907) |
| Finance income | 4 | 4 113 | 12 205 |
| Income from associaties | 21 | 49 | 18 |
| **Profit before tax** | | **31 176** | **31 453** |
| Income tax expense | 5 | (5 635) | (6 547) |
| **Profit for the period from continuing operations** | | **25 541** | **24 906** |
| **Discontinued operations** | | | |
| Loss on discontinued operations | 6 | (723) | (1 004) |
| Profit for the period | | 24 818 | 23 902 |
| Profit attributable to: | | | |
| Non controlling interests | | 1 587 | (43) |
| **Equity holders of the parent** | | **23 231** | **23 945** |
| Profit for the period | | 24 818 | 23 902 |
| **Basic earnings per share in Polish zloty** | 1 | 1,16 | 1,63 |
| **Diluted earnings per share in Polish zloty** | 1 | 1,09 | 1,26 |
| Continuing operations | | | |
| Basic earnings per share in Polish zloty | 1 | 1,20 | 1,70 |
| Diluted earnings per share in Polish zloty | 1 | 1,13 | 1,31 |
| Discontinued operations | | | |
| Basic loss per share in Polish zloty | 1 | (0,04) | (0,07) |
| Diluted loss per share in Polish zloty | 1 | (0,03) | (0,05) |

** Adjustments are the result of change in presentation of income statement presented in Note 1(j).*
*The Interim Consolidated Income Statement has to be analyzed jointly with the notes which constitute an integral part of these Interim Consolidated Financial Statements. Quarterly information is available in Directors' Report for the first half of the 2011.*

## Interim Consolidated Statement of Comprehensive Income for the six months ended June 30, 2011

| *In thousands of Polish Zloty* | **Six months ended June 30, 2011** | **Six months ended June 30, 2010** |
|---|---|---|
| **Profit for the period** | 24 818 | 23 902 |
| **Other comprehensive income:** | | |
| Currency translation differences from conversion of foreign entities | (3 921) | 53 504 |
| Put option valuation | (756) | - |
| Net investment hedges | 10 620 | - |
| Income tax related to net investment hedges and put option | (1 874) | - |
| **Other comprehensive income for the period, net of tax** | 4 069 | 53 504 |
| **Total comprehensive income for the period** | 28 887 | 77 406 |
| Profit attributable to: | | |
| Equity holders of the parent | 27 044 | 77 449 |
| Non controlling interests | 1 843 | (43) |

*The Interim Consolidated Income Statement has to be analyzed jointly with the notes which constitute an integral part of these Interim Consolidated Financial Statements. Quarterly information is available in Directors' Report for the for the first half of the 2011.*

.

## Interim Consolidated Statement of Financial Position
### as at June 30, 2011

| *In thousands of Polish Zloty* | **Note** | **30.06.2011** | **31.12.2010** |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 7 | 815 347 | 631 833 |
| Goodwill | 9 | 619 629 | 293 347 |
| Other intangible assets | 8 | 515 974 | 58 253 |
| Investment property | | 21 317 | 21 317 |
| Investment in associates | 21 | 116 | 129 |
| Leasing receivables | | 376 | 458 |
| Other non-current assets | | 27 033 | 18 212 |
| Deferred tax assets | 16 | 40 472 | 10 562 |
| **Total non-current assets** | | 2 040 264 | 1 034 111 |
| Inventories | 10 | 32 137 | 20 886 |
| Trade and other receivables | 11 | 60 826 | 45 007 |
| Corporate income tax receivables | | 2 191 | 4 898 |
| Leasing receivables | | 167 | 150 |
| Other current assets | | 21 838 | 12 632 |
| Assets available for sale | 6 | 771 | 1 405 |
| Other financial assets | | 4 946 | 4 752 |
| Cash and cash equivalents | 12 | 140 614 | 245 118 |
| **Total current assets** | | 263 490 | 334 848 |
| **Total assets** | 2 | 2 303 754 | 1 368 959 |
| **Equity** | | | |
| Share capital | | 713 | 623 |
| Reserves | 13 | 648 784 | 595 451 |
| Retained earnings | | 120 440 | 97 209 |
| Translation reserve | | 34 039 | 38 216 |
| **Equity attributable to shareholders of the parent** | | 803 976 | 731 499 |
| **Non- controlling interests** | | 86 451 | 14 531 |
| **Total equity** | | 890 427 | 746 030 |
| **Liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | 819 927 | 370 057 |
| Finance lease liabilities | 18 | 3 417 | 3 407 |
| Employee benefits | | 2 740 | 2 746 |
| Provisions | | 4 889 | 5 482 |
| Deferred tax liability | 16 | 147 339 | 9 447 |
| Other non-current liabilities | 17 | 167 445 | 401 |
| **Total non-current liabilities** | | 1 145 757 | 391 540 |
| Interest-bearing loans and borrowing | 14 | 10 828 | 13 224 |
| Finance lease liabilities | 18 | 226 | 237 |
| Trade and other payables | 15 | 254 213 | 215 975 |
| Income tax liabilities | | 1 638 | 1 909 |
| Other financial liabilities | | 665 | 44 |
| **Total current liabilities** | | 267 570 | 231 389 |
| **Total liabilities** | 2 | 1 413 327 | 622 929 |
| **Total equity and liabilities** | | 2 303 754 | 1 368 959 |

*The Interim Consolidated Income Statement has to be analyzed jointly with the notes which constitute an integral part of these Interim Consolidated Financial Statements.*

## Interim Consolidated Statement of Cash Flows for the six months ended June 30, 2011

| *In thousands of Polish Zloty* | Note | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | 2 | 31 176 | 31 453 |
| Loss from discontinued operations | 2 | (723) | (1 004) |
| Adjustments for: | | | |
| Share of profit of associates | 2 | (49) | (18) |
| Non-controlling interests | | 1 587 | (43) |
| Amortization | 2,8 | 5 037 | 3 211 |
| Depreciation | 2,7 | 61 307 | 46 449 |
| Interest expense, net | | 11 637 | 14 912 |
| Unrealised foreign exchange gains on financial activity | 3 | (1 169) | (9 311) |
| Loss on disposal of fixed assets | | 877 | 2 443 |
| Impairment of assets | 7 | 2 127 | 1 862 |
| Equity-settled share-based payments expenses | | 1 122 | 1 498 |
| Working capital changes: | | | |
| Change in receivables | | 2 700 | (3 959) |
| Change in inventories | | 256 | 3 114 |
| Change in other assets | | (10 253) | (3 946) |
| Change in payables and other liabilities | | (43 755) | (36 184) |
| Change in provisions and employee benefits | | (17) | (28) |
| Income tax (paid)/received | | (1 905) | (816) |
| Interest paid | | (11 658) | (14 989) |
| Other | | (2 132) | 4 370 |
| | | **46 165** | **39 014** |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries, settlement | | - | 1 200 |
| Proceeds from transactions with non-controlling interests | | 4 351 | 504 |
| Proceeds from the sale of property, plant and equipment and intangible assets | | 1 527 | 791 |
| Acquisition of property, plant and equipment | 7 | (111 426) | (57 002) |
| Acquisition of intangible assets | 8 | (6 699) | (1 833) |
| Expense for acquisition of subsidiaries, decreased by cash | 2 | (512 781) | - |
| Expense for related parties loans | | - | (763) |
| **Net cash used in investing activities** | | **(625 028)** | **(57 103)** |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | | 169 624 | 307 048 |
| Proceeds from debt securities issued | | - | 39 749 |
| Proceeds from borrowings | | 459 017 | - |
| Repayment of borrowings | | (153 893) | (7 574) |
| Dividend paid for non controlling interest owners | | (431) | (294) |
| Proceeds/repayment of finance lease payables | | (286) | 61 |
| Proceeds/repayment of finance lease receivables | | 65 | 154 |
| **Net cash provided by financing activities** | | **474 096** | **339 144** |

| | | |
|---|---|---|
| **Total net cash** | (104 767) | 321 055 |
| **Net change in cash and cash equivalents** | (104 504) | 325 115 |
| **Cash and cash equivalents, beginning of the period** | 245 118 | 159 148 |
| **Effect of foreign exchange rate fluctuations** | 263 | 4 060 |
| **Cash and cash equivalents, end of the period** | **140 614** | **484 263** |

*The Interim Consolidated Income Statement has to be analyzed jointly with the notes which constitute an integral part of these Interim Consolidated Financial Statements.*

## Interim Consolidated Statement of Changes in Shareholders' Equity for the six months ended June 30, 2011

| | Attributable to equity holders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Issued capital | Reserved capital | Retained Earnings | Cumulative translation adjustments | **Total equity attributable to equity holders of the parent** | Non-controlling interest | **Total Equity** |
| As at 01.01.2010 | 427 | 282 481 | 56 611 | 33 175 | **372 694** | 10 197 | **382 981** |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Income for the period | - | - | 23 945 | - | **23 945** | (43) | **23 902** |
| Currency translation differences | - | - | - | 53 504 | **53 504** | - | **53 504** |
| **Total Comprehensive Income** | - | - | 23 945 | 53 504 | **77 449** | (43) | **77 406** |
| **TRANSACTION WITH NON CONTROLLING SHAREHOLDERS** | | | | | | | |
| Equity attributable to non controlling interests | - | - | - | - | **-** | 504 | 504 |
| Dividends paid to non controlling shareholders | - | - | - | - | **-** | (294) | **(294)** |
| **Total with non controlling shareholders** | - | - | - | - | **-** | 210 | **210** |
| **TRANSACTION WITH SHAREHOLDERS** | | | | | | | |
| Share issue | 195 | 306 853 | - | - | **307 048** | - | **307 048** |
| Employees share option scheme – value of employee services | - | 1 498 | - | - | **1 498** | - | **1 498** |
| **Total transaction with shareholders** | 195 | 308 351 | - | - | **308 546** | - | **308 546** |
| As at 30.06.2010 | 622 | 590 832 | 80 556 | 86 679 | **758 689** | 10 364 | **769 053** |
| As at 01.01.2011 | 623 | 595 451 | 97 209 | 38 216 | **731 499** | 14 531 | **746 030** |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Income for the period | - | - | 23 231 | - | **23 231** | 1 587 | **24 818** |
| Currency translation differences | - | - | - | (4 177) | **(4 177)** | 256 | **(3 921)** |
| Put option valuation (Note 2) | - | (756) | - | - | **(756)** | - | **(756)** |
| Net investment hedges valuation | - | 10 620 | - | - | **10 620** | - | **10 620** |
| Deferred tax related to net investment hedges and put option | - | (1 874) | - | - | **(1 874)** | - | **(1 874)** |
| **Total Comprehensive Income** | - | 7 990 | 23 231 | (4 177) | **27 044** | 1 843 | **28 887** |
| **TRANSACTION WITH NON CONTROLLING SHAREHOLDERS** | | | | | | | |
| Equity attributable to non controlling interests | - | - | - | - | **-** | 4 351 | **4 351** |
| Equity attributable to non controlling interests on Spanish acquisition | - | - | - | - | **-** | 66 157 | **66 157** |
| Put option recognition (Note 2) | - | (154 707) | - | - | **(154 707)** | - | **(154 707)** |
| Deferred tax related to put option | - | 29 394 | - | - | **29 394** | - | **29 394** |
| Dividends paid to non controlling shareholders | - | - | - | - | **-** | (431) | **(431)** |
| **Total with non controlling shareholders** | - | (125 313) | - | - | **(125 313)** | 70 077 | **(55 236)** |
| **TRANSACTION WITH SHAREHOLDERS** | | | | | | | |
| Share issue | 90 | 169 534 | - | - | **169 624** | - | **169 624** |
| Employees share option scheme – value of employee services | - | 1 122 | - | - | **1 122** | - | **1 122** |
| **Total transaction with shareholders** | 90 | 170 656 | - | - | **170 746** | - | **170 746** |
| As at 30.06.2011 | 713 | 648 784 | 120 440 | 34 039 | **803 976** | 86 451 | **890 427** |

*The Interim Consolidated Income Statement has to be analyzed jointly with the notes which constitute an integral part of these Condensed Interim Consolidated Financial Statements.*

## 1 Information on the Group and significant accounting policies

### (a) General information

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

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

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

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

The Group's Interim Condensed Consolidated Financial Statements for the six months period ended June 30, 2011 cover the Company, its subsidiaries and the Group's shares in associates. Company AmRest LLC prepares financial statements for the period of six months ending June 26, 2011.

These Interim Condensed Consolidated Financial Statements were approved by the Company's Management Board on August 31, 2011.

The Group's core activity is operating Kentucky Fried Chicken ('KFC'), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria and Spain on the basis of franchises granted, and Applebee's® in the USA. Additionally in Spain and France the Group operates its own brands La Tagliatella, Trastevere and il Pastificcio. 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.

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

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

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

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

***(All amounts in Polish Zloty thousands unless otherwise stated)***

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4 726 263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307,2 million. At June 10, 2010 was registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47 262,63 (PLN 195 374,26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription will be PLN 75 per share.
On March 25, 2011, WP subscribed for 2 271 590 shares with the issuance price of PLN 75 per share.

As at June 30, 2011 the Company’s largest shareholders was WP Holdings VII B.V. having 32,9999% shares and voting rights.

Pursuant to the information held by the Company, as of the half-yearly report, August 30, 2011, following shareholders submitted information on holding directly or indirectly (through subsidiaries) at least 5% of the number of votes at the General Shareholders Meeting of AmRest Holdings SE:

| Shareholders | Shares amount | Share in Equity % | Share at AGM % |
|---|---|---|---|
| WP Holdings VII B.V.* | 6 997 853 | 32.99% | 32.99% |
| ING OFE | 3 633 013 | 17.13% | 17.13% |
| BZ WBK ** | 2 672 016 | 12.60% | 12.60% |
| AVIVA OFE | 1 411 207 | 6.65% | 6.65% |
| Henry McGovern* ** | 1 408 036 | 6.64% | 6.64% |

* WP Holdings VII B.V. owns directly 32.9999% shares in Equity and at AGM.
**BZ WBK AIB AM governs assets which are accounted mostly for funds owned by BZ WBK AIB TFI.
*** shares owned directly by Henry McGovern and companies directly related to him i.e. IRI and MPI.

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

On March 8, 2007, the Company signed a “Development Agreement” with Burger King Europe GmbH (“BKE”), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. The franchise agreements are concluded separately by each restaurant upon its being opened. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. The franchise agreements, for restaurants opened between March 01, 2009 and June 30, 2010 and after this period was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

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

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

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

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

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

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

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

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

As at June 30 , 2011, the Group had 30 open Burger King restaurants.

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

The Parties established three separate companies in each of the 3 countries: Poland, the Czech Republic and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. The

***(All amounts in Polish Zloty thousands unless otherwise stated)***

Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some of the institutional locations.

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

The Group will be obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or terminate the agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

On July 9, 2008, AmRest LLC ("AmRest USA") purchased 80% of shares in Apple Grove Holdings LLC ("AGH"), a limited liability company with its registered office in Delaware, USA from Grove Ownership Holding LLC, a limited liability company with its registered office in Georgia, USA.

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

On April 28, 2011 the Group purchased 76.27% shares of Restauravia Grupo Empresarial S.L.. Details to the transaction are presented in note 2.

As at June 30, 2011, the Group comprised the following subsidiaries:

| Company | City and country of incorporation | Core business | Parent/ non-controlling undertaking | Ownership interest and total vote | Date of effective control |
|---|---|---|---|---|---|
| AmRest Sp. z o.o. | Wrocław, Poland | Restaurant activity in Poland | AmRest Holdings SE | 100.00 % | December 2000 |
| AmRest s.r.o. | Prague, Czech Republic | Restaurant activity in the Czech Republic | AmRest Holdings SE | 100.00 % | December 2000 |
| AmRest BK s.r.o. | Prague, Czech Republic | Burger King restaurant activity in the Czech Republic | AmRest Holdings SE | 100.00 % | December 2009 |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| Company | City and country of incorporation | Core business | Parent/ non-controlling undertaking | Ownership interest and total vote | Date of effective control |
|---|---|---|---|---|---|
| AmRest Tag S.L. | Madrid , Spain | Holding activity | AmRest Holdings SE. | 76.27% | April 2011 |
| AmRestavia S.L. | Madrid , Spain | Holding activity | AmRest Tag S.L. | 100% | April 2011 |
| Restauravia Grupo Empresarial S.L. | Madrid , Spain | Holding activity | AmRestavia S.L.<br>AmRest Tag S.L. | 16.52%<br>83.48% | April 2011 |
| Restauravia Food S.L.U | Madrid , Spain | Restaurant activity in Spain | Restauravia Grupo Empresarial S.L. | 100% | April 2011 |
| Pastificio Service S.L.U | Lleida , Spain | Restaurant activity in Spain | Restauravia Grupo Empresarial S.L. | 100% | April 2011 |
| Pastificio Restaurantes S.L.U | Lleida , Spain | Restaurant activity in Spain | Pastificio Service S.L.U | 100% | April 2011 |
| Tagligat S.L.U | Lleida , Spain | Restaurant activity in Spain | Pastificio Service S.L.U | 100% | April 2011 |
| Pastificio S.L.U | Lleida , Spain | Restaurant activity in Spain | Pastificio Service S.L.U | 100% | April 2011 |
| AmRest Kft | Budapest, Hungary | Restaurant activity in Hungary | AmRest Sp. Z o.o. | 100.00% | June 2006 |
| AmRest Ukraina t.o.w. | Kiev, Ukraine | Established to develop and operate restaurants in Ukraine | AmRest Sp. Z o.o. | 100.00 % | December 2005 |
| AmRest Coffee Sp. z o.o | Wrocław, Poland | Operation of coffee stores in Poland | AmRest Sp. z o.o.<br>Starbucks Coffee International, Inc | 82.00 %<br>18.00% | March 2007 |
| Bécsi út.13 Kft | Budapest, Hungary | Owner of building ,where the office surface is placed | AmRest Kft | 100.00 % | April 2007 |
| AmRest EOOD | Sofia, Bulgaria | Restaurant activity in Bulgaria | AmRest Sp. Z o.o. | 100.00 % | April 2007 |
| AmRest Coffee s.r.o. | Wrocław, Poland | Operation of coffee stores in Czech Republic | AmRest Sp. z o.o.<br>Starbucks Coffee International, Inc | 82.00 %<br>18.00% | August 2007 |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| Company | City and country of incorporation | Core business | Parent/ non-controlling undertaking | Ownership interest and total vote | Date of effective control |
|---|---|---|---|---|---|
| AmRest Acquisition Subsidiary Inc. | Wilmington, USA | Holding activity | AmRest Holding SE | 100.00 % | May 2007 |
| OOO AmRest | Petersburg, Russia | Restaurant activity in Russia | AmRest Acquisition Subsidiary Inc.<br>AmRest Sp. z o. o. | 1.56%<br>98.44% | July 2007 |
| AmRest Kávézó Kft | Budapest, Hungary | Operation of coffee stores in Hungary | AmRest Sp. z o.o.<br>Starbucks Coffee International, Inc | 82.00%<br>18.00% | August 2007 |
| AmRest D.O.O. | Belgrad, Serbia | Restaurant activity in Serbia | AmRest Sp. z o.o.<br>ProFood Invest GmbH | 60.00 %<br>40.00% | October 2007 |
| AmRest LLC | Wilmington, USA | Restaurant activity in USA | AmRest Sp. Z o.o. | 100.00 % | July 2008 |
| SCM Sp. z o.o. | Chotomów, Poland | Delivery services for restaurants operated by the Group | AmRest Sp. z o.o.<br>Zbigniew Cylny<br>Beata Szafarczyk-Cylny | 51.00%<br>44.00%<br>5.00% | April 2008 |
| Rodeo Drive Sp. z o.o. | Wroclaw, Poland | Lack of running activity | AmRest Sp. z o.o. | 100.00% | April 2011 |

As at January 11, 2011, the Group finished the liquidation process of OOO KFC Nord.

As at June 30, 2011, the Group comprised the following associated entities included in the Interim Condensed Consolidated Financial Statements under the equity method:

| Company | City and country of incorporation | Core business | Parent Undertaking | Ownership interest and total vote | Initial investment |
|---|---|---|---|---|---|
| SCM s.r.o. | Prague, Czech Republic | Delivery services for restaurants operated by the Group | SCM Sp. z o.o. | 45.90% | March 2007 |

The Group’s offices are located in Wroclaw, Poland. As at June 30, 2011, the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia, the USA, Spain and France.

### (b) Basis of preparation and accounting policies

These Interim Condensed Consolidated Financial Statements as at and for the six months ended June 30, 2011 have been prepared in accordance with the IAS 34 Interim Financial Reporting.
These Interim Condensed Consolidated Financial Statements do not include all information or disclosures which are required in the annual financial statements and they should be read together with the annual Consolidated Financial Statements of the Group as at December 31, 2010.

Accounting policies on which bases the interim condensed consolidated financial statement prepared for the six months ended June 30, 2011 and consolidated financial statement for the year ended December 31, 2010 are consistent, except standards, changes in standards and interpretations which are mandatory for reporting periods beginning after January 1, 20111.

The Group didn't decide about implementation of new standards and interpretations earlier than they become mandatory:

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2011:

- IFRS 9 "Financial instruments Chapter 1: Classification and measurement";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- Amendments to IFRS 7 "Financial Instruments: Disclosures";
- Realisation of the assets value – amends to IAS 12
- Hyperinflation and withdrawal of fixed dates for first-time adopters of IFRS– Amendments to IFRS 1
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 19 "Employee Benefits"

Standards and interpretations mandatory for the Group from January 1, 2011 are as follows:

- Amendments to IAS 32: "Classification of Rights Issues";
- Amendments to IFRS 1: exemptions for first-time adopters of IFRS concerned disclosures comparative data (IFRS 7);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Changed IAS 24 "Related Party Disclosures";
- Amendments to IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction"
- Amendments IFRS 2010

The Management Board believes that the changes and improvements will not have a material effect on the Company's financial statements.

**(c) 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.

**(d) Form of presentation of the Interim Condensed Consolidated Financial Statements. Type and amounts of changes in the value of the estimates.**

The interim condensed consolidated financial statements are presented in Polish zlotys (PLN), rounded up/down to full thousands. The Interim Condensed Consolidated Financial Statements were prepared on the historical cost basis, except for financial assets and financial liabilities (including derivative instruments) which are subject to revaluation at fair value which is then recognized in the profit and loss account.

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, liabilities, income and expenses. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

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

The most significant estimates and assumptions have occurred in the area of valuation of property, plant and equipment, intangible assets, including goodwill, write-downs of account receivables, inventory and adjustments of deferred income tax. During the reporting period there was no significant change in the estimated amounts that have been reported in previous reporting periods.

As a result of moving the Company’s headquarter to Poland the functional currency of the Parent has changed from January 1, 2009.

**(e) Unusual events affecting the operating activities**

During the reporting period no significant unusual events have been identified.

**(f) Issuances, repurchases and repayments of debt and equity securities**

During the reporting period no issuances, repurchases and repayments of debt and equity securities have been identified.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

### (g) Dividends paid

In the period covered by this Interim Condensed Consolidated Financial Statements Group has paid dividend to non controlling interest owner, of SCM sp. z o.o. and SCM s.r.o. in the value of PLN 431 Thousands.

### (h) The effects of changes in the shareholders structure of the Group

Pursuant to the information held by the Company, as of the quarterly report, i.e. August 31, 2011, following shareholders submitted information on holding directly or indirectly (through subsidiaries) at least 5% of the number of votes at the General Shareholders Meeting of AmRest Holdings SE (‘AmRest’):

| Shareholders | Shares amount | Share in Equity % | Share at AGM % |
|---|---|---|---|
| WP Holdings VII B.V.* | 6 997 853 | 32.99% | 32.99% |
| ING OFE | 3 633 013 | 17.13% | 17.13% |
| BZ WBK ** | 2 672 016 | 12.60% | 12.60% |
| AVIVA OFE | 1 411 207 | 6.65% | 6.65% |
| Henry McGovern* ** | 1 408 036 | 6.64% | 6.64% |

* WP Holdings owns directly 32.9999% shares in Equity and at AGM.
**BZ WBK AIB AM governs assets which are accounted mostly for funds owned by BZ WBK AIB TFI.
*** shares owned directly by Henry McGovern and companies directly related to him i.e. IRI and MPI.

### (i) Changes in future and contingent liabilities

As in the previous reporting period, the Company’s future liabilities follow on from the Franchise Agreements and Development Agreement.

Restaurants are operated in accordance with franchise agreements with YUM! and its subsidiaries and Starbucks Coffee International , Inc and Burger King Europe GmbH.

These franchise agreements typically require that the Group pays an initial non-refundable fee upon the opening of each new restaurant, continuing fees of 6% of revenues and commits 5% of revenue to advertising as specified in the relevant agreements. In addition, after completion of the initial contract period, the Group may renew the franchise agreement, which is a subject to a renewal fee.
Initial non-refundable fees constitute in substance rights to use Pizza Hut and KFC trademarks and are classified as intangible asset and amortized over the period of the franchise agreement (usually 10 years). Other fees are recognized in the profit and loss account when incurred. Renewal fees are amortized over the renewal period when a renewal agreement comes into force.

The initial fees paid are approximately USD 45 500 per restaurant and renewal fees are 50% of the initial fees, adjusted to reflect changes in the US Consumer Price Index during the term of the relevant franchise.

The most significant conditions relating to franchise agreements to be concluded with Burger King Section (a) are as follows:

- The license is granted for 10 years from the date on which the restaurant starts operating. Franchisee has the right to extend the contract for a further period of 10 years after the completion of certain conditions.
- Franchisee will pay to the franchisor monthly continuing franchise fees of 5% of the Gross Sales of the Burger King restaurant run by the franchisee.
- Franchisee will pay to the franchisor monthly continuing advertising and sales promotion fees of 5% of the Gross Sales of the Burger King restaurant run by the franchisee.

The key fees and costs to be incurred by the Group relating to agreements with Starbucks Coffee International, Inc. Section (a) are as follows:

- The development and service fees for initial operation support equal to an amount USD 950 thousand.
- The initial franchise fee of USD 25 thousand for each Starbucks store.
- The continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store.
- A local marketing fee determined each year between parties.

The key fees and costs to be incurred by the Group relating to agreements with Applebee's Franchising LLC Section (a) are as follows:

- The initial franchise fee of USD 35 thousand per each newly opened Applebee's restaurant.
- The fixed license fee equal to 5% of sales revenues of each of the Applebee's restaurants.
- The monthly fee for advertising and promoting sales in an amount of no less than 2.75% of sales of the Applebee's restaurants, in recognition of the fact that the Franchiser may increase the fee to 4%.
- A local marketing fee of 1% of the sales revenue of the Applebee's restaurants.

According to the Management Board as at the date of these Interim Condensed Consolidated Financial Statements the Group meets all of the conditions of franchise agreements.

### (j) Change in presentation of Income Statement.

Due to entrance into the Spanish market as described in note 2, the structure of the Group operating activity was significantly modified for the areas of operating own brands and sales of franchise rights. The Board decided to adjust the presentation of the income statement in order to align to new operating areas. Changes were implemented in order to govern the presentation and recording the most important operating results of the Group without changes to  accounting policy.

Changes are as follows:

- addition of franchise and other sales category which includes net value of initial and continued franchise fees, net value of goods and products delivered to franchisees and fees related to other logistic activity and support the restaurant business other than sales in the  restaurants owned by the Group;

- addition of franchise and other expenses which includes franchise expenses and costs of the operating the own brands and other costs not connected with the sales restaurants owned by the Group based on matching concept;

Additionally during verification of presentation principles for the income statement following reclassifications were implemented:

- marketing costs, depreciation and amortisation expenses together with  (loss)/gain on the sale of fixed assets and assets held for sale were included in occupancy and other operating expenses;

- general and administrative (G&A) depreciation and amortization was included in total with general and administrative expenses (G&A) without depreciation and amortization in the general and administrative (G&A) expenses category.

New operating activities of the Group required the determination of following  accounting principles:

***(All amounts in Polish Zloty thousands unless otherwise stated)***

- revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale;
- fees for using own brand paid by franchisees to the Group as a percentage from the sales (continued fees) are recognized as earned;
- intangible assets, covering relationships with franchise clients, recognised during the acquisition process are amortized within the average period of the contractual relationship with franchise clients and own brand is treated as non amortized asset due to infinite useful life.

Above changes are presented in the following table:

| | **Six months ended June 30, 2010 before adjustments** | | **Adjustments** | **Six months ended June 30, 2010 after adjustments** |
|---|---|---|---|---|
| Restaurant expenses: | 982 122 | Restaurant sales | - | 982 122 |
| | | Franchise and other sales | 11 640 | 11 640 |
| | | Total sales | 11 640 | 993 762 |
| Restaurant expenses: | | Company operated restaurant expenses: | | |
| Costs of food | (310 765) | Koszty artykułów żywnościowych | - | (310 765) |
| Payroll and employee benefits | (253 793) | Food and material | - | (253 793) |
| Continuing franchise fees | (51 897) | Payroll and employee benefits | - | (51 897) |
| Direct marketing costs | (45 862) | Royalties | 45 862 | - |
| Direct depreciation and amortization expenses | (45 135) | | 45 135 | - |
| Occupancy and other operating expenses | (187 460) | Occupancy and other operating expenses | (93 440) | (280 900) |
| | - | Franchise and other expenses | (8 055) | (8 055) |
| Total restaurant expenses | (894 912) | | | |
| General and administrative expenses (G&A) | (51 620) | General and administrative (G&A) expenses | (4 462) | (56 082) |
| Depreciation and amortization expenses (G&A) | (4 525) | | 4 525 | - |
| Impairment losses | (1 065) | Impairment losses | - | (1 065) |
| (Loss) on disposal of property, plant and equipment and intangibles | (2 443) | | 2 443 | - |
| Other operating income | 10 580 | Other operating income / (expense), net | (3 648) | 6 932 |
| | | Total operating cost and losses | - | (955 625) |
| **Operating profit** | **38 137** | **Profit from operations** | **-** | **38 137** |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

### (k) Earnings per share

The basic and diluted earnings per ordinary share were calculated as follows:

| | **Six months ended June 30, 2011** | **Six months ended June 30, 2010** |
|---|---|---|
| Net profit from continued operations attributable to equity holders of the parent company | 23 954 | 24 949 |
| Loss on net profit from discontinued operations attributable to equity holders of the parent company | (723) | (1 004) |
| Net profit attributable to equity holders of the parent company | 23 231 | 23 945 |
| | | |
| Weighted average number of ordinary shares in issue | 19 975 767 | 14 708 595 |
| Impact of share issuance | 1 229 922 | 4 204 024 |
| Impact of share options awarded in 2005 | 21 499 | 19 183 |
| Impact of share options awarded in 2006 | 21 510 | 9 223 |
| Impact of share options awarded in 2007 | - | - |
| Impact of share options awarded in 2008 | - | - |
| Impact of share options awarded in 2009 | 29 382 | 13 469 |
| Impact of share options awarded in 2010 | 5 995 | 27 236 |
| Weighted average number of ordinary shares for diluted earnings per share | 21 284 075 | 18 981 730 |
| | | |
| Basic earnings per ordinary share | 1,16 | 1,63 |
| Diluted earnings per ordinary share | 1,09 | 1,26 |
| | | |
| Basic earnings from continued operations per ordinary share | 1,20 | 1,70 |
| Diluted earnings from continued operations per ordinary share | 1,13 | 1,31 |
| | | |
| Basic earnings from discontinued operations per ordinary share | (0,04) | (0,07) |
| Diluted earnings from discontinued operations per ordinary share | (0,03) | (0,05) |

## 2 Segment reporting

Operating segments were set on the basis of management reports used by Executive Committee during making strategic decisions. Executive committee verifies group performance while deciding of owned resources allocations in breakdown for each restaurant. Because most of the criteria for aggregation of operating segments are met (individually not exceed set in IFRS8 materiality thresholds) Group presents them in reportable segment by geographical split in which Group operations are realized.
Entrance to the Western Europe market by acquisition of Spanish Group (see further part of the note 2) had significant impact on the management and control method of the Group activity which was the reason of the change in aggregation of operating segments compared to previous years.

Below are presented data relating to operating segments for the sixe-month period ended June 30, 2011 and for the comparative period ended June 30, 2010.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| | *CEE* | *USA* | *Western Europe* | *Russia* | *Unallocated* | *Total according to Interim Condensed Consolidated Financial Statements* |
|---|---|---|---|---|---|---|
| **<u>Six months ended June 30, 2011</u>** | | | | | | |
| Revenue from external customers | 613 374 | 354 307 | 74 028 | 98 624 | - | 1 140 333 |
| Inter-segment revenue | - | - | - | - | - | - |
| | | | | | | |
| Operating result, segment result | 19 712 | 9 537 | 11 558 | 7 809 | (4 693) | 43 923 |
| Finance income | - | - | - | - | - | 4 113 |
| Finance costs | - | - | - | - | - | (16 909) |
| Share of profits of associates | 49 | - | - | - | - | 49 |
| Income tax | - | - | - | - | - | (5 635) |
| Profit/(loss) for the period from continuing operations | - | - | - | - | - | 25 541 |
| Profit/(loss) for the period from discontinuing operations | - | - | - | - | - | (723) |
| Profit/(loss) for the period | - | - | - | - | - | 24 818 |
| | | | | | | |
| Segment assets | 721 803 | 254 476 | 1 004 611 | 234 458 | 88 290 | 2 303 638 |
| Investments in associates | 116 | - | - | - | - | 116 |
| Total assets | 721 919 | 254 476 | 1 004 611 | 234 458 | 88 290 | 2 303 754 |
| Goodwill | 26 325 | 121 212 | 331 960 | 140 132 | - | 619 629 |
| Segment liabilities | 136 792 | 49 451 | 229 291 | 15 862 | 981 931 | 1 413 327 |
| | | | | | | |
| Pension, health care, sickness fund state | 27 007 | 20 615 | 2 522 | 6 085 | - | 56 229 |
| | | | | | | |
| Depreciation | 42 269 | 9 439 | 3 662 | 5 937 | - | 61 307 |
| Amortization | 3 947 | 539 | 407 | 144 | - | 5 037 |
| Capital investment | 86 236 | 11 647 | 596 472 | 13 361 | - | 707 716 |
| Impairment of fixed assets | 1 829 | - | - | - | - | 1 829 |
| Impairment of trade receivables | 51 | - | - | - | - | 51 |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| | *CEE* | *USA* | *Western Europe* | *Russia* | *Unallocated* | *Total according to Interim Condensed Consolidated Financial Statements* |
|---|---|---|---|---|---|---|
| **Six months ended June 30, 2010** | | | | | | |
| Revenue from external customers | 544 667 | 364 188 | - | 84 907 | - | 993 762 |
| Inter-segment revenue | - | - | - | - | - | - |
| | | | | | | |
| Operating result, segment result | 26 867 | 8 808 | - | 6 567 | (4 105) | 38 137 |
| Finance income | - | - | - | - | - | 12 205 |
| Finance costs | - | - | - | - | - | (18 907) |
| Share of profits of associates | 18 | - | - | - | - | 18 |
| Income tax | - | - | - | - | - | (6 547) |
| Profit/(loss) for the period from continuing operations | - | - | - | - | - | 24 906 |
| Profit/(loss) for the period from discontinuing operations | - | - | - | - | - | (1 004) |
| Profit/(loss) for the period | - | - | - | - | - | 23 902 |
| | | | | | | |
| Segment assets | 577 233 | 303 120 | - | 251 000 | 423 726 | 1 555 079 |
| Investments in associates | 190 | - | - | - | - | 190 |
| Total assets | 577 423 | 303 120 | - | 251 000 | 423 726 | 1 555 269 |
| Goodwill | 25 319 | 149 532 | - | 149 029 | - | 323 880 |
| Segment liabilities | 114 027 | 60 760 | - | 20 217 | 591 212 | 786 216 |
| | | | | | | |
| Pension, health care, sickness fund state | 25 680 | 19 008 | - | 3 610 | - | 48 298 |
| | | | | | | |
| Depreciation | 33 034 | 8 867 | - | 4 548 | - | 46 449 |
| Amortization | 2 671 | 384 | - | 156 | - | 3 211 |
| Capital investment | 51 641 | 4 649 | - | 2 545 | - | 58 835 |
| Impairment of fixed assets | 1 210 | - | - | - | - | 1 210 |
| Impairment of trade receivables | (145) | - | - | - | - | (145) |

Capital expenditure comprises increases in property, plant and equipment (Note 7) and intangible assets (Note 8).

The “CEE” column relates to companies located in Poland, Czech, Bulgaria, Serbia and Hungary.

The “Western Europe” column applies to companies located in Spain.

The “Unallocated” column relates to asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of AmRest Holdings SE and subsidiary located in the Ukraine.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

***Entry to the restaurant market in Spain***

***Acquisition of Restauravia Grupo Empresarial S.L.***

DESCRIPTION OF ACQUISITION

On March 15, 2011, AmRest Holdings SE acquired 100% of AmRest Tag S.L. shares, with its registered office in Madrid, Spain. The transaction value was PLN 357 048 thousand (EUR 90 million) and amount paid within the loan given was PLN 189 315 thousand (EUR 47 720 thousand).

On March 15, 2011, AmRest Tag S.L. acquired 100% of AmRestavia S.L shares.

The purpose of the acquisition of above mentioned companies was the purchase of 100% shares in Restauravia Grupo Empresarial S.L. ("RGE").

On April 28, 2011, the Group acquired 100% shares in Restauravia Grupo Empresarial S.L. from Corpfin Capital Fund III F.C.R., Corpfin Capital S.A. S.C.R., Corpfin Capital Fund III SBP F.C.R., Delta Spain S.A.R.L. SICAR, known as „Shaleholders Corpfin" and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. and Ebitda Consulting S.L.. As a result of shares purchase in RGE, both companies acquired on March 15,2011 became shareholders of RGE AmRes Tag 83.48% and AmRestavia 16.52%). Additionally 23.73% of shares in AmRest Tag was covered by existing shareholders of the RGE.

On April 26, 2011 Amrest Sp. z o.o. signed with AmRest Tag S.L. the loan agreement in amount EUR 47 720 thousand. The loan is treated as a part of the purchase price.

On April 28, 2011 the Group Restauravia Grupo Empresarial S.L., through its subsidiaries, operated 60 own restaurants in Spain: 30 KFC, 20 La Tagliatella, 6 il Pastificcio and 4 Trastevere. Additionally the Group owns assets of the central kitchen which supports restaurant business and product delivery to franchised units.

As a result of above transactions the group became the owner of brands:, il Pastificcio, Trastevere and La Tagliatella which has significant growth potential in Spain and other countries. Additionally the group will become the biggest franchisee of KFC brand in Spain.

Above transactions were the next step for the Group to become the dominant restaurant network in Europe.

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:

| | **Carrying amount** | **Adjustment of fair value and other adjustments** | **Fair value** |
|---|---|---|---|
| Cash and cash equivalents | 33 582 | - | 33 582 |
| Property, plant and equipment | 115 430 | 19 352 | 134 782 |
| Intangible assets | 21 855 | (39) | 21 816 |
| La Tagliatella brand | - | 257 868 | 257 868 |
| Intangible asset – relationships with franchisees | - | 170 590 | 170 590 |
| Favorable leases | - | 4 535 | 4 535 |
| Inventories | 11 691 | - | 11 691 |
| Trade and other receivables | 22 046 | - | 22 046 |
| Other current assets | 488 | - | 488 |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| | | | |
|---|---|---|---|
| Deferred tax assets | 7 629 | - | 7 629 |
| Other non-current assets | 2 158 | - | 2 158 |
| Trade and other payables | (249 318) | - | (249 318) |
| Deferred tax liabilities | - | (135 692) | (135 692) |
| Net assets acquired | (34 439) | 316 614 | 282 175 |
| Amount paid in cash | | | 357 048 |
| Amount paid within loan given | | | 189 315 |
| Non controlling interests (23.73%) | | | 66 157 |
| The fair value of net assets | | | (282 175) |
| Goodwill | | | **330 345** |
| Amount paid in cash | | | 546 363 |
| Acquired cash and cash equivalents | | | (33 582) |
| Cash outflows on acquisition | | | **512 781** |

The process of allocating the acquisition price to the purchased assets and acquired liabilities wasn't completed.

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

- fair value measurement of property, plant and equipment;
- fair value measurement of intangible asstes;
- fair value measurement of deferred tax liabilities;

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Spanish restaurant market clients and potential of acquired business concept of the own brand. Due to specific character of the restaurant business, the Group doesn't keep the record of its clients who aren't bounded with any agreement and aren't individually identified, The Group keeps the record of franchisees who operates La Tagliatella and Trastevere restaurants. Non controlling interest were revaluated at fair value.
According to terms of the agreement AmRest owns "Call Option" to purchase total or part of shares from non controlling interest shareholders. AmRest has the right to realize Call option after 3 and to 6 years from the date of finalizing the agreement on May 1st and December 1st each year within this period. Non controlling shareholders have the right to "Put Option" to sell total or part of shares. Put option can be realized after 3 and to 6 years from the date of finalizing the agreement. The price of both options will be equal 8,2 times of the EBITDA value for last 12 months, adjusted by net debt value on the day of option realization. In the Group's consolidated financial statement as at June 30, 2011, liability relates to Put option valuation was presented in the amount of PLN 155 463 thousand (EUR 38 996 thousand). As at the date of the Group Restauravia Grupo Empresarial L.S. purchase the liability was equal to PLN 154 707 thousand (EUR 38 996 thousand). According to Group AmRest policy the valuation cost of the Put option is presented in equity.

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. As at June 30, 2011 the Group had no costs related to this program due to valuation equal zero.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED FINANCIAL STATEMENT

From the acquisition date to June 30, 2011 revenues of the Spanish Group were equal to PLN 74 028 thousand and net income – PLN 6 987 thousand. If acquisition mentioned above was dated at January 1, 2011, estimated consolidated revenues in the current period would increase by PLN 131 424 thousand and net income would increase by PLN 1 762 thousand. Calculated results of the Spanish Group concerned the period from January 1, 2011 to April 28, 2011.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

## 3 Finance costs

| | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|
| Interest expense | (14 502) | (17 806) |
| Other | (2 407) | (1 101) |
| | **(16 909)** | **(18 907)** |

## 4 Finance income

| | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|
| Bank interest income | 2 865 | 2 894 |
| Net foreign exchange gains | 1 169 | 9 311 |
| Other | 79 | - |
| | **4 113** | **12 205** |

## 5 Income tax

| | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|
| Current tax | (1 630) | (3 678) |
| Change in deferred tax asset / liability | (4 005) | (2 869) |
| Deferred tax recognized in the income statement | **(5 635)** | **(6 547)** |

## 6 Discontinued operations

Following the decision, made in 2009, of excluding from AmRest Group portfolio proprietary brands Freshpoint and Rodeo Drive as at June 30, 2011 Freshpoint was outside the Group. Negotiation concerned excluding Rodeo Drive from the Group were finalized. As at the June 30, 2011 assets concerning Rodeo Drive brand were classified as other current assets and results of their for the period from January 1, 2011 to April 19, 2011 were classified as discontinued according to IFRS 5. Rodeo Drive Brand suspended its operating activity on April 19, 2011.

Results of the Rodeo Drive brand for the reporting years are presented below:

| *In thousands of zlotys* | **Six months ended June 30, 2011** | **Six months ended June 30, 2010** |
|---|---|---|
| Restaurant sales | 634 | 4 936 |
| Total sales | 634 | 4 936 |
| | | |
| Company operated restaurant expenses: | | |
| Food and material | (303) | (1 768) |
| Payroll and employee benefits | (560) | (1 873) |
| Occupancy and other operating expenses | (515) | (2 044) |
| General and administrative (G&A) expenses | (52) | (365) |
| Other operating income | 73 | 110 |
| Total operating cost and expenses | (1 357) | (5 940) |
| Loss from operation | (723) | (1 044) |
| Loss before tax | (723) | (1 004) |
| Income tax | - | - |
| **Loss from discontinued operations** | **(723)** | **(1 004)** |

Basic categories of assets for discontinued operations classified as available for sale assets as at June 30, 2011 and December 31, 2010 are presented below:

| *In thousands of zlotys* | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 771 | 1 362 |
| Inventories | - | 43 |
| Assets of discontinued operations classified as available for sale | **771** | **1 405** |

| *In thousands of zlotys* | **Six months ended June 30, 2011** |
|---|---|
| **Assets available for sale** | |
| As at 01.01.2011 | 1 405 |
| Increases | - |
| Decreases | (634) |
| As at 30.06.2011 | 771 |

**Notes to Interim Condensed Consolidated Financial Statements**
***(All amounts in Polish Zloty thousands unless otherwise stated)***

## 7 Property, plant and equipment

Movements in property, plant and equipment in 2011 and 2010 can be presented as follows:

| 2011 | Land | Buildings and restaurant development assets | Machinery & Equipment | Vehicles | Other tangible assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | | |
| As at 01.01.2011 | 4 729 | 566 812 | 371 218 | 1 467 | 49 008 | 52 387 | **1 045 621** |
| Acquisition (Note 2) | 3 162 | 79 935 | 23 343 | 516 | 25 108 | 2 718 | **134 782** |
| Additions | - | 46 456 | 41 447 | 212 | 6 258 | 17 053 | **111 426** |
| Disposals | - | (142) | (3 846) | (288) | (724) | (2 443) | **(7 443)** |
| Exchange rate differences | 51 | 4 123 | (382) | 15 | 908 | 361 | **5 076** |
| As at 30.06.20111 | 7 942 | 697 184 | 431 780 | 1 922 | 80 558 | 70 076 | **1 289 462** |
| **Accumulated depreciation** | | | | | | | |
| As at 01.01.2011 | - | 206 110 | 174 774 | 850 | 20 368 | - | **402 102** |
| Additions | - | 27 954 | 27 529 | 163 | 5 661 | - | **61 307** |
| Disposals | - | (606) | (3 599) | (289) | (635) | - | **(5 129)** |
| Exchange rate differences | - | 1 290 | (285) | 11 | 402 | - | **1 418** |
| As at 30.06.2011 | - | 234 748 | 198 419 | 735 | 25 796 | - | **459 698** |
| **Impairment losses** | | | | | | | |
| As at 01.01.2011 | - | 9 118 | 2 205 | - | 363 | - | **11 686** |
| Additions | - | 2 127 | - | - | - | - | **2 127** |
| Disposals | - | - | (5) | - | - | - | **(5)** |
| Exchange rate differences | - | 554 | 54 | - | 1 | - | **609** |
| As at 30.06.2011 | - | 11 799 | 2 254 | - | 364 | - | **14 417** |
| **Net book value as at 01.01.2011** | **4 729** | **351 584** | **194 239** | **617** | **28 277** | **52 387** | **631 833** |
| **Net book value as at 30.06.2011** | **7 942** | **450 637** | **231 107** | **1 187** | **54 398** | **70 076** | **815 347** |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| 2010 | Land | Buildings and restaurant development assets | Machinery & Equipment | Vehicles | Other tangible assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | | |
| As at 01.01.2010 | 3 217 | 501 519 | 309 970 | 1 329 | 43 319 | 45 777 | **905 131** |
| Acquisitions | - | 21 234 | 11 837 | 61 | 19 661 | 4 209 | **57 002** |
| Additions | - | (3 581) | (8 573) | (61) | (2 721) | (271) | **(15 207)** |
| Exchange rate differences | 33 | 17 871 | 17 377 | 14 | 497 | 503 | **36 295** |
| As at 30.06.2010 | 3 250 | 537 043 | 330 611 | 1 343 | 60 756 | 50 218 | **983 221** |
| **Accumulated depreciation** | | | | | | | |
| As at 01.01.2010 | - | 186 457 | 145 244 | 671 | 16 227 | - | **348 599** |
| Additions | - | 20 217 | 21 726 | 115 | 4 391 | - | **46 449** |
| Disposals | - | (747) | (7 353) | (58) | (2 469) | - | **(10 627)** |
| Exchange rate differences | - | 2 899 | 6 720 | 4 | 285 | - | **9 908** |
| As at 30.06.2010 | - | 208 826 | 166 337 | 732 | 18 434 | - | **394 329** |
| **Impairment losses** | | | | | | | |
| As at 01.01.2010 | - | 15 462 | 1 362 | - | 1 057 | 1 | **17 882** |
| Additions | - | 1 862 | - | - | - | - | **1 862** |
| Disposals | - | (374) | (531) | - | (377) | (1) | **(1 283)** |
| Exchange rate differences | - | 471 | (15) | - | - | - | **456** |
| As at 30.06.2010 | - | 17 421 | 816 | - | 680 | - | **18 917** |
| **Net book value as at 01.01.2010** | **3 217** | **299 600** | **163 364** | **658** | **26 035** | **45 776** | **538 650** |
| **Net book value as at 30.06.2010** | **3 250** | **310 796** | **163 458** | **611** | **41 642** | **50 218** | **569 975** |

Depreciation expense has been charged in ‘restaurant expenses’ – PLN 58 063 thousand (prior period: PLN 43 748 thousand), franchise expenses and other – PLN 187 thousand (prior period: PLN 53 thousand) and administrative (G&A) expenses PLN 3 057 thousand (prior period: PLN 2 648 thousand).

***(All amounts in Polish Zloty thousands unless otherwise stated)***

## 8 Other intangible assets

Intangible assets movements in 2011 and 2010 can be presented as follows:

| 2011 | Trademarks | Favourable leases and licence agreements | Rights to use Applebee's, Burger King, KFC and Pizza Hut trademarks | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| As at 01.01.2011 | - | 2 634 | 49 278 | 46 705 | **98 617** |
| Acquisition (Note 2) | 257 868 | 4 535 | 1 484 | 190 922 | **454 809** |
| Additions | - | - | 3 587 | 3 112 | **6 699** |
| Disposals | - | (894) | - | (36) | **(930)** |
| Exchange rate differences | 1 261 | (51) | (292) | 218 | **1 136** |
| As at 30.06.2011 | 259 129 | 6 224 | 54 057 | 240 921 | **560 331** |
| **Accumulated amortisation** | | | | | |
| As at 01.01.2011 | - | 930 | 23 973 | 15 171 | **40 074** |
| Additions | - | 254 | 1 744 | 3 039 | **5 037** |
| Disposals | - | (529) | (302) | (4) | **(835)** |
| Exchange rate differences | - | (10) | (187) | (12) | **(209)** |
| As at 30.06.2011 | - | 645 | 25 228 | 18 194 | **44 067** |
| **Impairment losses** | | | | | |
| As at 01.01.2011 | - | - | 282 | 8 | **290** |
| Disposals | - | - | - | - | **-** |
| As at 30.06.2011 | - | - | 282 | 8 | **290** |
| **Net book value as at 01.01.2011** | **-** | **1 704** | **25 023** | **31 526** | **58 253** |
| **Net book value as at 30.06.2011** | **259 129** | **5 579** | **28 547** | **222 719** | **515 974** |

| 2010 | Trademarks | Favourable leases and licence agreements | Rights to use Applebee's, Burger King, KFC and Pizza Hut trademarks | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| As at 01.01.2010 | - | 2 582 | 42 117 | 35 067 | **79 766** |
| Additions | - | 54 | 1 573 | 206 | **1 833** |
| Disposals | - | - | (169) | (24) | **(193)** |
| Exchange rate differences | - | 289 | 2 557 | 2 062 | **4 908** |
| As at 30.06.2010 | - | 2 925 | 46 078 | 37 311 | **86 314** |
| **Accumulated amortisation** | | | | | |
| As at 01.01.2010 | - | 739 | 22 277 | 10 971 | **33 987** |
| Additions | - | 98 | 1 229 | 1 884 | **3 211** |
| Disposals | - | - | - | (403) | **(403)** |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| | | | | | |
|---|---|---|---|---|---|
| Exchange rate differences | - | 93 | 1 332 | 68 | **1 493** |
| As at 30.06.2010 | - | 930 | 24 838 | 12 520 | **38 288** |
| **Impairment losses** | | | | | |
| As at 01.01.2010 | - | - | 9 | 14 | **23** |
| Disposals | - | - | (9) | (1) | **(10)** |
| As at 30.06.2010 | - | - | - | 13 | **13** |
| **Net book value as at 01.01.2010** | **-** | **1 843** | **19 831** | **24 082** | **45 756** |
| **Net book value as at 30.06.2010** | **-** | **1 995** | **21 240** | **24 778** | **48 013** |

Other intangible assets cover mainly computer software. Due to entrance to the Spanish market there were recognised in this category relationships with franchisees (Note 2).

Amortisation expense has been charged in 'restaurant expenses' – PLN 2 377 thousand (prior period: PLN 1 387 thousand), 'franchise expenses and other' – PLN 7 thousand (prior period: PLN 10 thousand) and administrative (G&A) expenses – PLN 2 653 thousand (prior period: PLN 1 814 thousand).

## 9 Goodwill

The table below presents changes in the value of goodwill:

| | **Six months ended June 30, 2011** | **Six months ended June 30, 2010** |
|---|---|---|
| **Gross value** | | |
| As at 01.01.2011 | 293 347 | 285 214 |
| Acquisition (Note 2) | 330 345 | - |
| Decreases | - | (2 700) |
| Foreign exchange differences | (4 063) | 10 833 |
| As at 30.06.2011 | 619 629 | 293 347 |
| **Impairment write-downs** | | |
| As at 01.01.2011 | - | - |
| As at 30.06.2011 | - | - |
| **Net book value as at 01.01.2011** | **293 347** | **285 214** |
| **Net book value as at 30.06.2011** | **619 629** | **293 347** |

Goodwill (as at June 30, 2011) of PLN 331 960 thousand (PLN 330 345 thousand as at April 28, 2011 after being increased by foreign exchange gains of PLN 1 615 thousand) relates to the acquisition of Restauravia Grupo Empresarial S.L.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

## 10 Inventories

As at June 30, 2011, 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. As at December 31, 2010, inventories covered mainly food and packaging used in the restaurants. Inventories are presented in net value including write-downs. Inventory write-downs as at June 30, 2011 and December 31, 2010 amounted to PLN 89 thousand. No new inventory write-downs were recorded in the income statement for the year ended June 30, 2011.

## 11 Trade and other receivables

Trade and other receivables as at June 30, 2011 and December 31, 2010 are presented in the table below:

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Trade receivables from non-related parties | 38 059 | 28 820 |
| Trade receivables from related entities | 2 927 | 3 634 |
| Other tax receivables | 20 862 | 14 324 |
| Other | 3 007 | 2 253 |
| Provisions for receivables | (4 029) | (4 024) |
| | **60 826** | **45 007** |

## 12 Cash and cash equivalents

Cash and cash equivalents as at June 30, 2011 and December 31, 2010 are presented in the table below:

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Cash at bank | 127 694 | 231 354 |
| Cash in hand | 12 920 | 13 764 |
| | **140 614** | **245 118** |

## 13 Equity

*Share capital*

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

As at June 30, 2011, the Company held 21 205 689 issued, fully paid-up shares. The Company's target capital is 3 580 667 shares. Nominal value of one share is 1 eurocent (0.01 euro).

As consequence of Management Board resolution regarding increase of share capital made as at March 25, 2011 on April 8, 2011 WP Holdings VII B.V. obtained 2 271 590 shares of the Company from new emission at emission price of PLN 75 for total value of PLN 169,6 million. In connection to share subscription agreement signed April 22, 2010 with WP Holdings VIII B.V., this entity had an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed

***(All amounts in Polish Zloty thousands unless otherwise stated)***

33% of the post-issuance share capital ("Additional Share Subscription). The issuance price for the additional subscription shares will be PLN 75 per share.

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.

| *Reserves* | Surplus over nominal value of shares (share premium) | Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the GPW | Impact of Put option valuation | Employee Options | Cash flow hedges valuation influence | Transactions with non controlling interests | **Reserves total** |
|---|---|---|---|---|---|---|---|
| **As at January 1, 2010** | **280 548** | **6 191** | **-** | **8 488** | **-** | **(12 746)** | **282 481** |
| TRANSACTIONS WITH SHAREHOLDERS | | | | | | | |
| Share issuance | 306 853 | - | - | - | - | - | **306 853** |
| Employees share option scheme – value of service | - | - | - | 1 498 | - | - | **1 498** |
| Transactions with shareholders total | 306 853 | - | - | 1 498 | - | | **308 351** |
| **As at June 30, 2010** | **587 401** | **6 191** | **-** | **9 986** | **-** | **(12 746)** | **590 832** |
| **As at January 1, 2011** | **586 857** | **6 191** | **-** | **12 641** | **2 508** | **(12 746)** | **595 451** |
| COMPREHENSIVE INCOMES | | | | | | | |
| Impact of cash flow hedging | - | - | - | - | 10 620 | - | **10 620** |
| Impact of Put option valuation | - | - | (756) | - | - | - | **(756)** |
| Deferred income tax concerning cash flow hedges | - | - | - | - | (1 874) | - | **(1 874)** |
| Comprehensive incomes total | - | - | (756) | - | 8 746 | - | **(7 990)** |
| TRANSACTIONS WITH NON CONTROLLING SHAREHOLDERS | | | | | | | |
| Put option | - | - | (154 707) | - | - | - | **(154 707)** |
| Deferred income tax related to put option | - | - | 29 394 | - | - | - | **29 394** |
| Transactions with non controlling shareholders total | - | - | (125 313) | - | - | - | **(125 313)** |
| TRANSACTIONS WITH SHAREHOLDERS | | | | | | | |
| Share issuance | 169 534 | - | - | - | - | - | **169 534** |
| Employees share option scheme –value of service | - | - | - | 1 122 | - | - | **1 122** |
| Transactions with shareholders total | 169 534 | - | - | 1 122 | - | - | **170 656** |
| **As at June 30, 2011** | **756 391** | **6 191** | **(126 069)** | **13 763** | **11 254** | **(12 746)** | **648 784** |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

## 14 Borrowings

Borrowings as at June 30, 2011 and December 31, 2010 are presented in the table below:

| **Long-term** | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Bank loans | 670 509 | 220 896 |
| Bonds | 149 418 | 149 161 |
| | **819 927** | **370 057** |

| **Short-term** | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Bank loans | 10 828 | 13 224 |
| | **10 828** | **13 224** |

| **Bank loans** | | **Effective interest rate** | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|---|---|
| in PLN | RBS Bank (Polska) SA | 6.10% | 163 583 | 26 066 |
| in USD | RBS Bank (Polska) SA | 2.13% | 137 585 | 145 315 |
| in EUR | RBS Bank (Polska) SA | 4.43% | 316 530 | - |
| w CZK | RBS Bank (Polska) SA | 3.28% | 61 785 | 59 441 |
| w USD | Raiffaisen Bank Austria | 5.90% | 1 854 | 3 298 |
| w PLN | RBS Bank (Polska) SA and Bank Pekao SA | 7.48% | 149 418 | 149 161 |
| | | | **830 755** | **383 281** |

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

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

***(All amounts in Polish Zloty thousands unless otherwise stated)***

According to the appendix to the credit agreement, dated April 18, 2011, loan value was increased by PLN 80 million within tranches C1 and C2. Additional funds were assigned for financing the acquisition of majority shares in Restauravia Grupo Empresarial S.L. The final repayment of tranches C1 and C2 falls due on October 11, 2015.

As at August 8, 2011 all parties of credit agreement signed with Rabobank Polska S.A. the appendix according to which Rabobank Polska S.A. joined the consortium as the additional lender and took over part of debt from RBS Bank (Polska) S.A. and The Royal Bank of Scotland N.V. Loan value, interests, repayment date and other crucial terms of the agreement remained unchanged.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at June 30, 2011, the above ratios were not exceeded.

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

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

The maturity of long- and short-term loans as at June 30, 2011 and December 31, 2010 is presented in the table below:

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Less than 1 year | 10 828 | 13 224 |
| Between 1 and 2 years | 119 580 | 71 074 |
| Between 2 and 5 years | 700 347 | 298 983 |
| Over 5 years | - | - |
| | **830 755** | **383 281** |

The Group has the following undrawn borrowing facilities as at June 30, 2011 and December 31, 2010:

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Floating rates | | |
| - expiring within one year | 23 348 | 11 515 |
| - expiring beyond one year | 218 883 | 350 696 |
| | **242 231** | **362 211** |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

Additionally, the Group has an active AmRest corporate bond plan in the total amount of PLN 300 million. As at December 31, 2009, were issued and sold bond for PLN 110 million, PLN 40 million bonds were sold subsequently at March 24, 2010 and the available limit under this plan was PLN 150 million. As at June 30, 2011 the bonds balance is PLN 149 418 thousands.

## 15 Trade and other payables

Trade and other accounts payables as at June 30, 2011and December 31, 2010 are summarized in the table below:

| | As at June 30, 2011 | As at December 31, 2010 |
|---|---|---|
| Payables to non-related parties, including: | **211 755** | **160 338** |
| Trade payables | 133 213 | 89 478 |
| Payables in respect of uninvoiced lease fees and deliveries of food | 15 419 | 13 998 |
| Employee payables | 23 028 | 16 335 |
| Social insurance payable | 9 290 | 6 717 |
| Other tax payable | 15 695 | 11 790 |
| Gift Card liabilities | 4 345 | 9 386 |
| Other payables to non related parties | 10 765 | 12 634 |
| Liabilities to related entities | 2 | 4 |
| Accruals, including: | **41 996** | **55 547** |
| Employee bonuses | 10 222 | 15 107 |
| Marketing services | 3 571 | 4 098 |
| Holiday pay accruals | 9 697 | 7 693 |
| Professional services | 1 183 | 776 |
| Franchise fees | 4 912 | 4 553 |
| Lease costs provisions | 2 522 | 4 152 |
| Investment provision | 3 968 | 13 703 |
| Other | 5 921 | 5 465 |
| Deferred income – short-term portion | 416 | 40 |
| Social fund | 44 | 46 |
| | **254 213** | **215 975** |

## 16 Deferred tax liabilities

| Temporary differences for asset on differed tax | As at January 01, 2011 | Recognised on acquisition (Note 2) | Recognised in income statement | Reference to equity | Other | As at June 30,2011 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1 692 | - | (787) | - | - | 905 |
| Tax losses | 3 474 | - | (380) | - | - | 3 094 |

*(All amounts in Polish Zloty thousands unless otherwise stated)*

| | | | | | | |
|---|---|---|---|---|---|---|
| Put option recognition | - | - | (143) | 29 394 | - | 29 251 |
| Provision | 4 388 | 7 629 | (2 505) | - | (1 813) | 7 699 |
| Other | 1 008 | - | (736) | - | (749) | 477 |
| | **10 562** | **7 629** | **(4 551)** | **29 394** | **(2 562)** | **40 472** |

| **Temporary differences for reserve on differed tax** | **As at January 01, 2011** | **Recognised on acquisition (Note 2)** | **Recognised in income statement** | **Reference to equity** | **Other** | **As at June 30, 2011** |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 8 972 | 5 158 | (132) | - | 1 698 | 15 696 |
| Intangible assets | 236 | - | (6) | - | - | 230 |
| La Tagliatella brand | - | 77 739 | - | - | - | 77 739 |
| Intangible assets – relationships with franchisees | - | 51 428 | (360) | - | - | 51 068 |
| Favorable leases | - | 1 367 | (48) | - | - | 1 319 |
| Other | 239 | - | | - | 1 048 | 1 287 |
| | **9 447** | **135 692** | **(546)** | **-** | **2 746** | **147 339** |

## 17 Other non-current liabilities

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Deposits received | 3 432 | - |
| Put option liability (Note 2) | 155 463 | - |
| Other long-term liabilities | 8 550 | 401 |
| | **167 445** | **401** |

## 18 Finance lease liabilities

Finance lease liabilities - the present value of liabilities:

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| Payable up to 1 year | 226 | 237 |
| Payable from 1 year to 5 years | 1 350 | 1 237 |

***(All amounts in Polish Zloty thousands unless otherwise stated)***

| | | |
|---|---|---|
| Payable over 5 years | 2 067 | 2 170 |
| | **3 643** | **3 644** |

Finance lease liabilities – minimum lease payments:

| | As at June 30, 2011 | As at December 31, 2010 |
|---|---|---|
| Payable up to 1 year | 855 | 859 |
| Payable from 1 year to 5 years | 3 871 | 3 775 |
| Payable over 5 years | 2 852 | 3 112 |
| **Total minimum lease payments** | **7 578** | **7 746** |
| Future costs of finance lease | (3 935) | (4 102) |
| **Present value of finance lease liabilities** | **3 643** | **3 644** |

## 19 Operating lease

The Group has concluded a number of irrevocable operating lease agreements, primarily with regard to restaurants' rental. In the case of restaurants, the lease agreements shall be concluded for an average period of 10 years and are subject to the minimum period of notice for termination of the contract.

Projected minimum lease payments for operating leases with no possibility of early termination as at June 30, 2011 and December 31, 2010 are set out below:

| | As at June 30, 2011 | As at December 31, 2010 |
|---|---|---|
| Payable up to 1 year | 161 405 | 134 771 |
| Payable from 1 year to 5 years | 586 981 | 506 226 |
| Payable over 5 years | 846 479 | 824 964 |
| Total minimum lease payments | **1 594 865** | **1 465 961** |

In the case of many restaurants (especially located in shopping malls) rental charges consist of two components: a fixed flat fee and contingent fee depending on restaurant revenues. Conditional fee is usually between 2.5% and 9% of restaurant revenues.

## 20 Future commitments and contingent liabilities

Under the signed franchise agreements, the Group is obliged to periodically upgrade, modify, renovate or replace all or parts of its restaurants or any of their fittings, fixtures or signage or any of the equipment, systems or inventory used in restaurants in order to maintain compliance with the relevant franchisor's then current standards. During each of the initial term and the renewal term, if any, the franchisor may not require more than two comprehensive refurbishments of all fittings, fixtures, signage, equipment, systems and inventory in the 'front-of-house' area of each restaurant to then current standards and more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the 'back-of-house' area of each restaurant. The Group estimates the cost of upgrades at 1.5 percent of annual restaurant sales in future periods.

***(All amounts in Polish Zloty thousands unless otherwise stated)***

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

## 21 Investments in associates

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

| | **Six months ended June 30, 2011** | **Six months ended June 30, 2010** |
|---|---|---|
| At the beginning of the period | 129 | 172 |
| Share in profits and loses associates | 49 | 47 |
| Dividend | (62) | (90) |
| Balance as at the end of the year | **116** | **129** |

The Group's investments in associates and their main financial data of the entities are as follows:

| Name of associate | Country of registration | Assets | Liabilities | Revenues | Profit/ (Loss) | Shares held (%) |
|---|---|---|---|---|---|---|
| June 30, 2011 | | | | | | |
| SCM s.r.o. | The Czech Republic | 286 | 98 | 477 | 106 | 45.90 |

| Name of associate | Country of registration | Assets | Liabilities | Revenues | Profit/ (Loss) | Shares held (%) |
|---|---|---|---|---|---|---|
| December 31,2010 | | | | | | |
| SCM s.r.o. | The Czech Republic | 413 | 182 | 879 | 100 | 45.90 |

## 22 Transactions with related parties

### Trade and other receivables from related entities

| | **As at June 30, 2011** | **As at December 31, 2010** |
|---|---|---|
| MPI Sp. z o.o. | 2 912 | 3 633 |
| Associates | 15 | 1 |
| | **2 927** | **3 634** |

*(All amounts in Polish Zloty thousands unless otherwise stated)*

**Trade and other payables to related entities**

| | As at June 30, 2011 | As at December 31, 2010 |
|---|---|---|
| MPI Sp. z o.o. | - | - |
| Associates | 2 | 4 |
| | **2** | **4** |

**Sales of goods and services**

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|---|---|---|
| MPI Sp. z o.o. | 37 | 49 |
| Associates | 2 | 650 |
| | **39** | **699** |

**Purchase of goods for resale and services**

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|---|---|---|
| MPI Sp. z o.o. | 587 | 2 347 |
| Associates | 1 | 1 |
| | **588** | **2 348** |

In the 6-month period ended June 30th,2011 total remuneration of Management Board of AmRest Holdings SE amounted to PLN 2 577 thousand (in the same period of the prior year: PLN 2 127 thousand).

## 23 Subsequent events

After June 30, 2011 there were no significant events which weren’t presented in the consolidated financial statement.