Annual Report 2009

Directors' Report

29.04.2010

Annual Report of AmRest for 2009

1. LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Tough 2009 has proven to be a challenging year in terms of economic and financial conditions, AmRest has been able to reach several key milestones. I am pleased to announce that by the end of 2009 we tripled our sales in last three years – our top line surpassed PLN 2.0 billion compared with PLN 0.6 billion in 2006. In fact, during the four years post our 2005 IPO we managed to grow the size of our company fourfold and we have the business model and management capability to continue to grow aggressively.

Our Core Values continue to be the cornerstone of our company. All over the world, whether it is Central Europe, Russia or US, our people draw strength and inspiration from our belief that "Wszystko Jest Możliwe!". Every day our team of over 17 thousand employees bring fun to our customers' lives, delivering craveable taste and exceptional service at affordable prices in over 400 restaurants.

We continue our growth momentum in Europe – in last year we added 50 new restaurants. In 2009 we celebrated our 100th KFC in Poland and we successfully launched Starbucks on the Polish market. By using our scale we strengthened the awareness of our brands among customers – in Poland we were back on TV with Pizza Hut for the first time since 2005. At the corporate level, the year of 2009 was a time to prepare for further development – we accomplished the settlements of our latest big acquisitions in Russia and US at favorable conditions We strengthened our management and our regional structures are leaner than ever.

We have been also successful in raising capital to finance our accelerated future growth. We have finalized the issue of PLN 150 million in bonds and we secured PLN 307 million of equity through the subscription agreement with Warburg Pincus, the leading global private equity firm.

AmRest is a growth company and the availability of additional capital will help us to pursue the opportunities given to us as the leading restaurant company in CEE. We intend to substantially increase our new restaurant build rate and invest in strengthening our current brands with renovations and aggressive development to achieve dominance in our core markets. We have an ambition to be one of the Top 10 builders of restaurants in the world by 2012. In 2010 we plan to open approximately 70 new restaurants, financing all our investments from our internal cash flow and debt financing. The proceeds from the equity issuance will be used to fund the accelerated growth plan beyond 2010, including to open more than 100 restaurants in 2011. We will also continue to explore potential acquisitions which fit our strategy. We are very selective and strict about our key investment criterion of minimum 20% IRR.

With a solid base business – passionate people, powerful brands and economy of scale – I have great confidence in AmRest's future. We are very excited by the many opportunities that lie ahead. I look forward to taking AmRest again to another level as we move towards being the leading global restaurant company.

Thank you for your continued support.

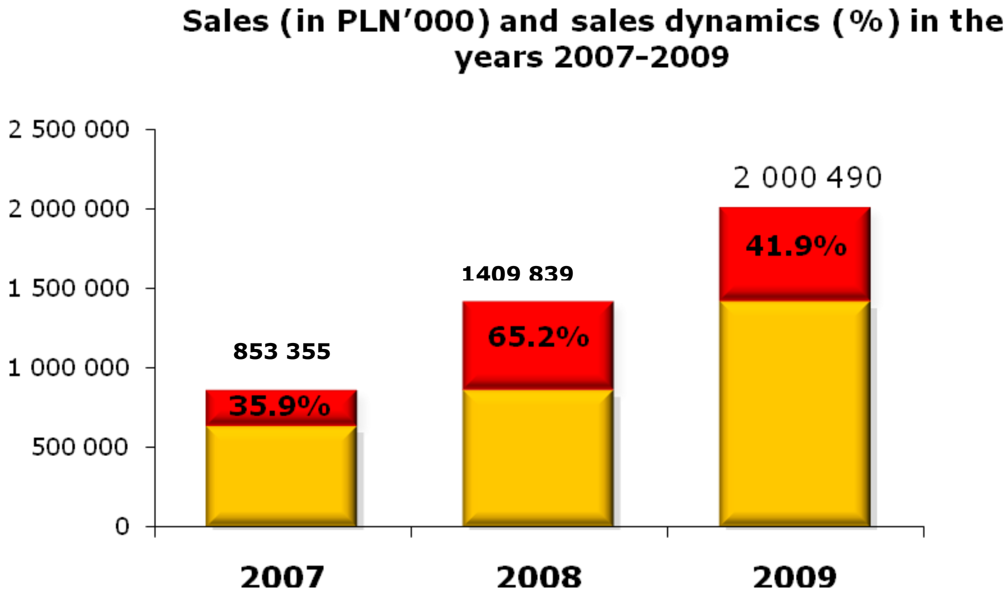
Sincerely,

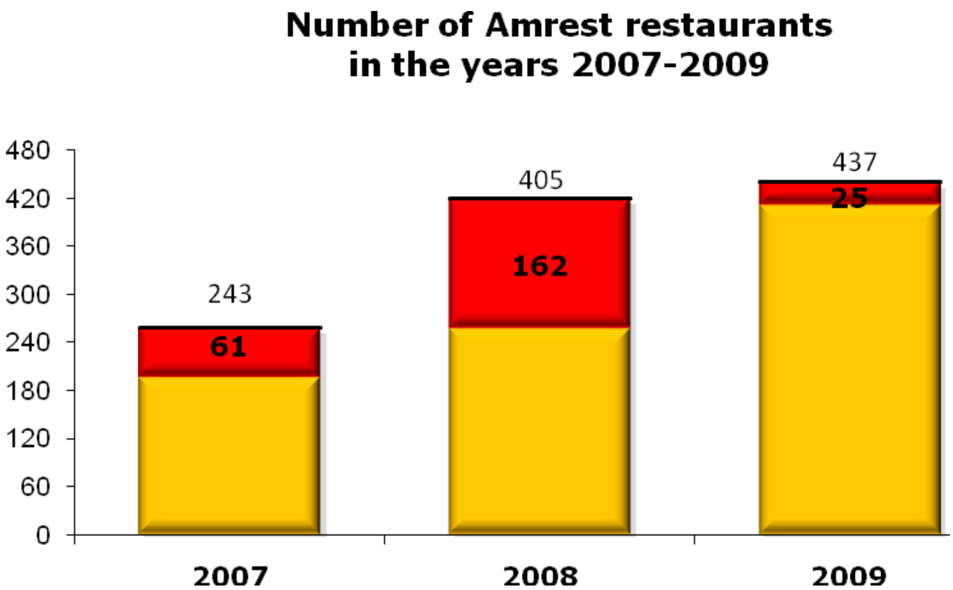
Henry McGovern

Chairman of Supervisory Board

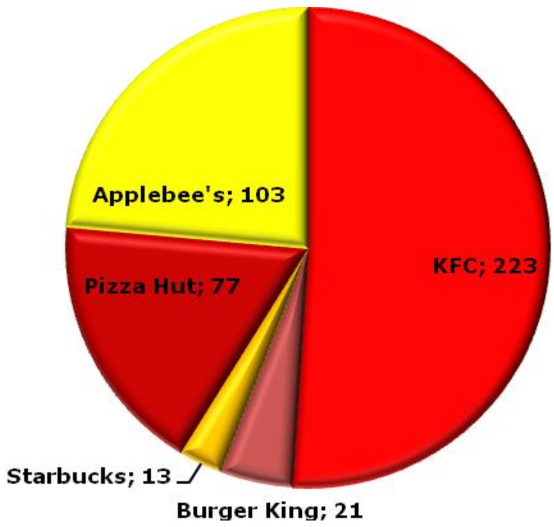
AmRest Holdings SE

Selected financial and operating results - summary

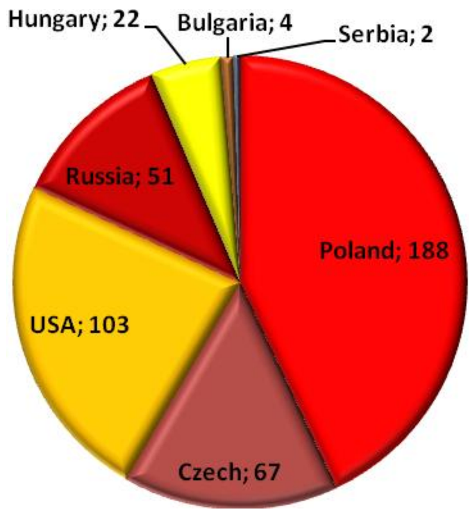




AmRest portfolio - brands



Number of AmRest restaurants by country



2. Description of the Company

2.1. Basic services provided by the Group

AmRest Holdings SE ("AmRest") manages 5 restaurant brands in 7 countries of Central and Eastern Europe, and North America. Every day over 17 thousand AmRest employees deliver craveble taste and exceptional service at affordable prices, in accordance with our culture - "Wszystko Jest Możliwe!".

AmRest manages its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King and Starbucks, and Casual Dining Restaurants (CDR) – Pizza Hut, Applebee's; in Poland, USA, Russia, Czech Republic, Hungary, Serbia Bulgaria.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points, and deliveries for order placed by telephone. The AmRest restaurant menus include brand dishes prepared from fresh products in accordance with original recipes and with KFC, Pizza Hut, Burger King, Starbucks and Applebee's chain standards.

AmRest has business partnership with several of the world's franchisors and, for the KFC and Pizza Hut brands, is the franchisee of Yum! Brands Inc. Burger King restaurants also operate on a franchise basis following from an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licences to develop and manage Starbucks restaurants in Poland, Czech Republic and Hungary. Applebee's restaurants also operate on a franchise basis, in accordance with the agreement with Applebee's International Inc.

a) Restaurants in the Quick Service Restaurants (QSR) segment

2009 was a very good year for KFC. Despite the slowdown, KFC not only increased its revenues but also successfully added many new restaurants to the portfolio. In 2009 KFC opened new restaurants in many small cities where it was not present before.

Among many new projects in 2009 one of the most successful was increasing the number of value positions in KFC's menu (B-smart) and adding a variety of coffee and desserts. It's also worth to mention Mojito – first brand refreshment drink. During the whole 2009 KFC was still focused on its traditional menu as well.

2009 was also the year of introducing new IT system in all KFC restaurants. The system is designed to simplify the processes, tools and improve the control procedures. Using the new system will result in increasing optimization of available resources. Changes in IT system go in-line with re-designing the restaurants to improve work efficiency.

As at the end of 2009, KFC had 213 restaurants. 110 in Poland, 55 in the Czech Republic 17 in Hungary, 37 in Russia 2 in Serbia and 2 in Bulgaria.

The BURGER KING® system operates more than 12,000 restaurants in all 50 states and in 74 countries and U.S. territories worldwide. Approximately 90 percent of BURGER KING® restaurants are owned and operated by independent franchisors. In 2008, *Fortune* magazine ranked Burger King Corp. among America's 1,000 largest corporations, *Ad Week* named it one of the top three industry-changing advertisers within the last three decades and it was recently recognized by Interbrand on its top 100 "Best Global Brands" list.

AmRest continues to be very effective at reaching the target group of purchasers from the quick service restaurant sector (men between 18 and 35) by offering larger and tastier burgers, which are flame grilled. In accordance with the slogan "Have It Your Way", Burger King customers may make up their own burgers according to their fancy and culinary tastes. BURGER KING® offers a rich menu – from the brand's flag product, WHOPPER®, to a wide assortment of salads, chicken sandwiches, and pieces of chicken and high quality desserts.

In 2009, despite the global financial crisis, Burger King restaurants in Poland posted positive sales growth. In Poland, AmRest nearly doubled the number of restaurants in 2009 vs. 2008. At the close of 2009, AmRest introduced a new exciting menu board and pricing structure that resulted in better margins and higher AGC. In addition, AmRest introduced a new value meal concept under the name 'King Deal.' In addition to a value strategy, AmRest introduced several new product promotions that focused on Burger King's core attributes – flame grilling, great tasting burgers, and value for money.

Going forward, AmRest will continue to focus on value while also providing customers a wide range of premium burgers. In addition, AmRest will continue to utilize creative marketing and PR campaigns to drive sales and differentiate Burger King from its competitors. In 2009, AmRest received the Golden Clip award for the best Product PR campaign in Poland.

At the close of 2009, AmRest operated 21 Burger King restaurants, 17 in Poland, 2 in Czech Republic and 2 in Bulgaria.

Starbucks is a global leader in the coffee sector and operates over 14 thousand stores. AmRest Coffee (a Joint Venture between Starbucks Coffee International and AmRest Holdings) currently operates Starbucks stores in Poland and Czech Republic and schedule to open new market in Hungary by July this year. AmRest's experience in Central and Eastern Europe, the high quality of its operations, a developed network of suppliers and the global domination of Starbucks in the fast growing coffee segment constitute a unique synergy which AmRest Coffee uses introducing the Starbucks brand on Central and East European markets. AmRest Coffee companies were established on three markets taken into consideration in the development agreement – Czech, Polish and Hungarian.

The second half of 2009 was highlighted by opening 3rd store in Poland (Gruba Kaska) and continued developing brand and looking for further growth. Mainly focusing on Starbucks Experience – the combination of exceptional coffee, legendary customer service, and relaxing atmosphere.

During the second half of 2009, the primary focus was on strengthen our core (great coffee, proud partners) and elevate the customer experience (rewards and recognitions for our customers – Gift cards and 4+1 offer, price restructure), developing food offer proud of our coffee (food transformation). All above activities represent very solid base for further Starbucks growth. AmRest Coffee relies on the passion and energy of its "Partners" (Starbucks name for its employees) to actively engage with their local community, by supporting local youth education efforts.

In subsequent periods, AmRest Coffee will continue development of Starbucks in both Poland and Czech, and open of new Market in Hungary by July this year, focusing on identification of favorable locations and achieving continually improving economies of scale. Currently AmRest Coffee operates 13 Starbucks stores, 10 in the Czech Republic and 3 in Poland.

b) Restaurants from the Casual Dining Restaurants (CDR) segment

Applebee's Neighborhood Grill & Bar is the largest casual dining chain in the world, featuring neighborhood-themed restaurants that deliver outstanding American fare at an excellent value, in a comfortable, welcoming atmosphere.

Throughout 2009, Applebee's remained focused on value and food quality. Popularity of the "$2 for $20" menu (1 appetizer and 2 entrees for $20) remained extremely strong, while many competitors tried to duplicate it. "2 for $20" has now become part of Applebee's core offering, integrated in the main menu as an "everyday value" and ongoing traffic driver.

In menu development news, 2009 featured the introduction of several new or improved core items, most notably "Realburgers," made with fresh ground beef; Sliders, a new menu category including Cheeseburger, BBQ Pork and French Dip varieties; and Wonton Tacos, available in BBQ or Chicken versions. In December, Applebee's introduced a new line of entrees called "Great Tasting and Under 550 Calories," targeted at the guest segment looking for healthier options without compromising on taste or portion size. This category is showing very strong early results and will continue to be marketed during key windows in the coming year.

Applebee's continued the menu innovation process with a newly designed menu engineered to make it more easily navigated by guests, while maximizing profitability margins through menu mix and check building opportunities. There is also a focus on removing underperforming items from the menu in order to make room for innovative new offerings, while optimizing performance in the kitchen.

Looking ahead in 2010, AmRest plans a bold undertaking of 16 extensive remodels, beginning in the Colorado market. Included in the scope will be significant exterior changes that signal to the guest that there's something new on the inside as well. There will also be a new focus on "Late Night." All restaurants will be open extended hours – typically Midnight during the week and 1:00am on Weekends – and will feature food and drink specials, as well as events and entertainment customized to their local clientele. This new daypart should contribute significantly to Same Store Sales and profitability across the brand.

There are currently more than 2,000 Applebee's in the world, with about 80% franchise-owned. AmRest currently operates 103 Applebee's in eight U.S. states, each designed to connect with their own unique neighborhood.

Currently, AmRest operates 58 Pizza Hut restaurants in Poland, 14 in Russia and 5 in Hungary, and is one of the key franchisees who implement pioneer solutions in renovating the brand position in Europe.

Among the novelties that were successful in 2009 is a third type of pizza dough – Neapolitana. The new Neapolitana pizza is offered in several flavours based on classic Italian additions and is very popular among our guests. Other well-known products include a wide variety of freshly prepared pastas, pasta "Oven Feasts", and lemonade prepared with fresh fruit as well as creamy mini-desserts.

Pizza Hut was the first chain restaurant to promote the idea of lunch at very attractive prices and guaranteed quick service. Hut Lunch is an offer addressed to a larger and larger group of potential customers who wish to eat a quick meal during the day. The Hut Lunch initiative is a project which will be realized in the foreseeable future to build another important business category.


In 2009, the brand returned with a TV spot promoting variety, and then – in another campaign – informing of the Hut Lunch offer. Success is connected to mass advertising, it is a premise for continuing similar actions in 2010.

The past period is a consistent continuation of the "Hospitality" programme which introduces new principles for employee training and recruitment. The effects of the programme which started at the beginning of 2009 lead to a significant improvement in the qualitative assessment of the service (under programmes such as "mystery shopper") and reducing turnover.


In 2009, the Pizza Hut AmRest chain increased by 7 new restaurants in Poznań, Warsaw, Gdańsk, Włocławek, Częstochowa, Kraków and St Petersburg. Several other restaurants underwent general refurbishment. Plans for 2010 encompass consecutive openings and further renovations of existing restaurants.

2.2. Structure of revenues

In 2009, AmRest Group's sales revenues increased by 41.9% (PLN 2 000 490 thousand vs PLN 1 409 893 thousand in 2008). The high sales dynamics was achieved mainly as a result of adding new restaurants in Europe and sales realized by Applebee's restaurants in the United States. In 2009, Applebee's results for the four quarters of the year were consolidated for the first time; in 2008 only two quarters were consolidated.

The full consolidation of Applebee's results led to a significant increase in the share of American market sales in the sales structure of the AmRest Group. The share of other countries dropped despite the increase in sales on every market. Poland remains the largest market generating 37.2% of total sales revenues – a drop from 49.2%. The share of sales in the USA increased from 21.5% in 2008 to 36.3% in 2009.

Structure of AmRest sales by country

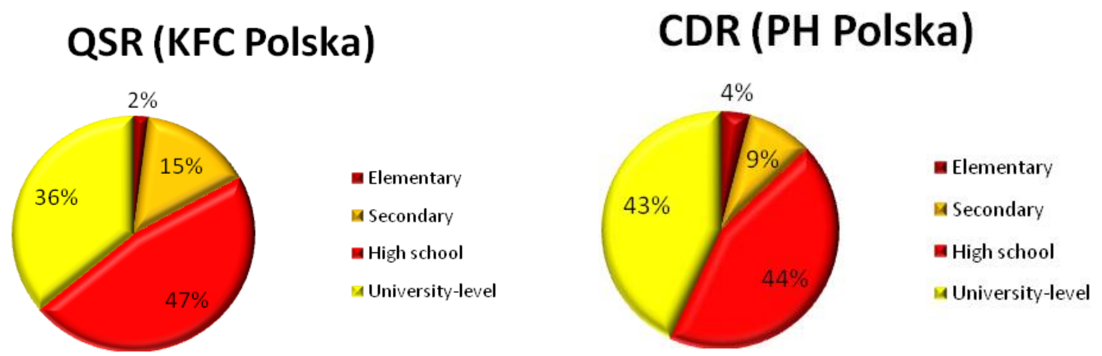
COUNTRY	2009		2008	
	PLN'000	share (%)	PLN'000	share (%)
Poland	744 933	37.2%	693 408	49.2%
USA	725 390	36.3%	302 426	21.5%
Czech Republic	289 310	14.5%	212 603	15.1%
Russia	161 066	8.1%	140 679	9.9%
Other	79 791	4.0%	60 777	4.3%
Total	**2 000 490**	**100.00%**	**1 409 893**	**100.00%**

The seasonality of sales and inventories of the AmRest Group is not significant, which is typical for the whole restaurant industry. On Central and East European markets restaurants have lower sales in the first half of the year which is mainly the result of a smaller number of days of sale in February and less frequent customers' visits in restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight revival related to the Christmas season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and the large number of holidays.

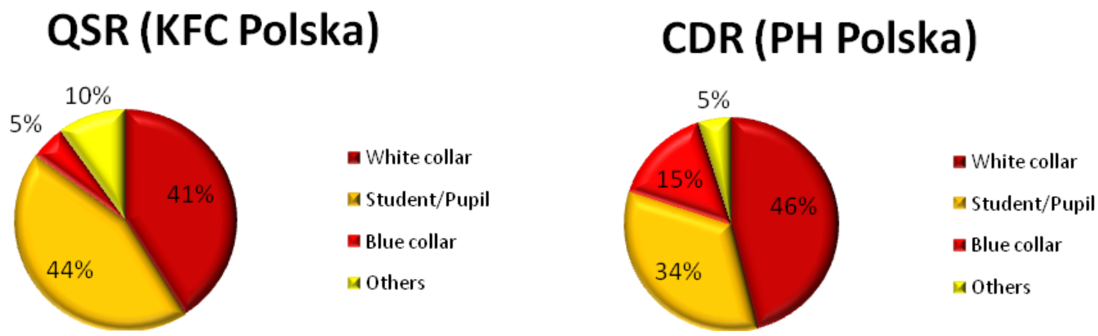
2.3. Clients

AmRest products are directed to a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia, Bulgaria, and the USA, mainly located in cities or in their vicinity. The graphs below show client profiles by education, occupation and gender in the QSR and CDR segment on the basis of KFC AmRest and Pizza Hut AmRest restaurants operating on the Polish market.

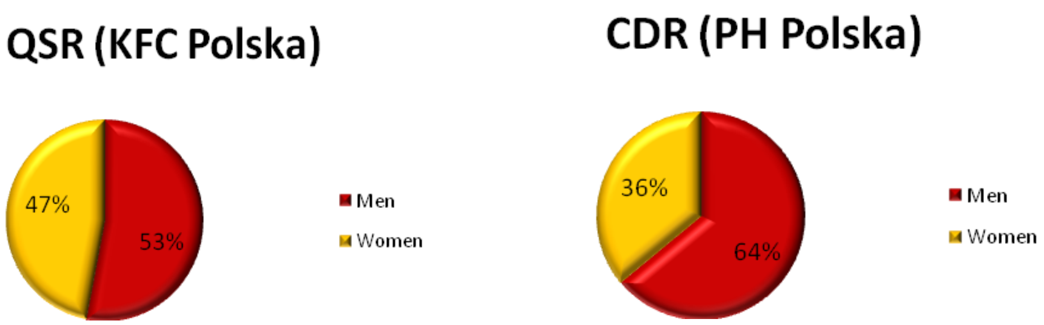
a) **Education**



b) **Occupation**



c) **Gender**



2.4. Supplier network

In 2009, the Consumer Price Index in Central and Eastern Europe was one of the factors of inflation growth. This was caused mainly by the weakening of local currencies which as a result translated into an increase in chicken, vegetable and other imported product prices. Additionally, prices of pork increased in Poland due to the drop in production in the pork sector. Those increases were partly neutralized by a drop in the prices of milk and oils. At the end of 2009, the situation on the market began to stabilize in connection with very good crops in Europe – the strengthening of local currencies was an additional market-stabilizing element.

In the second half of 2009, the prices of food and packaging in AmRest were reduced in Poland, the Czech Republic, Hungary, and in Russia food prices in the AmRest Group were significantly below the CPI index. This was possible thanks to:

- a drop in prices of cheese and edible oils,
- benefits from purchases of food for the Czech, Hungarian, Bulgarian and Russian market in Poland,
- an increase in the effectiveness of chicken production, resulting from close cooperation with suppliers,
- economics of scale, mainly in respect of the distribution and production of packaging (consolidation of purchases within AmRest and SCM),
- hedging the risk of foreign exchange rates in respect of products imported in 2009.

Cooperation with suppliers was based on the following key elements:

- development of new products and wider participation of suppliers in the process of their manufacture, among other things by organizing workshops with key suppliers,
- training in restaurants aimed at improving the quality of products for our clients.

These actions will be continued in the following years, and in 2010 they will concentrate on:

- developing and approving local suppliers in Poland for the Burger King chain,
- securing optimum prices for selected product groups in a longer timeframe,

- introducing new manufacturing technologies for key products, which is possible thanks to consolidating purchases within AmRest and SCM (export outside AmRest),

- developing new products.

The list of largest AmRest suppliers:

1. McLane – distributor in Poland
2. Drobimex – supplier of chicken products in Poland
3. Pepsi – distributor in Poland
4. Quantum Food LLC – supplier of beef foodstuffs in the United States
5. Dachster E.S.T – distributor in the Czech Republic
6. Konspol – supplier of chicken products in Poland
7. Aviko – supplier of fries
8. Bunge – supplier of oil
9. Cargill – supplier of oil in the United States
10. Huhtamaki – supplier of packaging

2.5. Changes in the manner of management

As of July 2009, Jacek Trybuchowski is the new Merger and Acquisition Director (M&A Director). Historical mergers and acquisitions were an important part of AmRest's strategy – and acquisitions will remain an important pillar of growth also in the following years. The key task of Jacek Trybuchowski will be to realize the M&A strategy in AmRest, among other things by recommending development strategies for the growth of the Company's portfolio, managing the due diligence process, negotiating the terms and conditions of the transactions and conducting the integration process.

In September 2009, the Management Board of AmRest decided to resign from the former organizational structure which stipulated a clear distinction between two areas: Quick

Service Restaurants (QSR) and Casual Dining Restaurants (CDR). Therefore, Drew O'Malley, the former Chief of Operations of QSR (QSR COO) took up the post of Chief of Operations (COO). For many year, Drew O'Malley has been related to the area of operations in AmRest – he is, among other things, the creator of the DOS+ operating system which is currently functional in all AmRest brands.

At the same time, Wojciech Mroczyński, who had been Chief Operating Officer of CDR (CDR COO) took up the new Chief People Officer post, joining it with the post of CPO with continuation of responsibility for the American business. The position of CPO in an organization which employs over 17,000 people is critical; therefore, after a long search for a candidate for this position, the Group decided that Wojciech Mroczyński, who had earlier been CFO and COO in AmRest would meet all the requirements and would be ideal for this position.

At the beginning of October 2009, Douglas Noble became Chief Development Officer. Douglas Noble, who is Chartered Surveyor, has several years of experience on the real estate market in Central and Eastern Europe.

Before joining AmRest, Douglas Noble performed the function of Regional Director of ORCO Property Group and was responsible for the operations of the Company in Poland and in Hungary. Previously, Douglas Noble was partner in the Czech Republic and Rumania with Gardiner & Theobald LLP, a consulting company specializing in construction. The new CDO will be responsible for the organic development of AmRest, construction of the restaurant and maintaining the Company's assets.

3. MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

3.1. Composition of the Management Board and the Supervisory Board

On 8 May 2009, a Member of the Management Board of AmRest, Mr Michael Tseytin, resigned from the post with effect as at 8 May 2009, without giving any reason for his resignation.

On 22 May 2009, In accordance with the decision of the General Shareholders' Meeting, Mr Leszek Kasperski took up the post of Member of the Supervisory Board of AmRest Holdings SE.

As of 30 November 2009, Leszek Kasperski resigned as Member of the Supervisory Board of AmRest without giving any reason for his resignation.

With effect on 12 January 2010, Jacek Trybuchowski resigned as Member of the Management Board of AmRest for personal reasons. Jacek Trybuchowski is still performing managerial functions in AmRest Group subsidiaries.

On 13 January 2010, the Supervisory Board of AmRest took the decision to appoint Piotr Boliński Member of the Management Board of AmRest. During the last four years, Piotr Boliński held managerial and supervisory functions in AmRest Group companies – for the last two years, Piotr Boliński has been Finance Director of AmRest. Moreover, in the period from October 2008 to March 2009, Piotr Boliński was Deputy Chairman of the Supervisory Board of Sfinks Polska S.A., a company quoted on the Warsaw Stock Exchange. Before joining AmRest, between 2003 and 2005, Piotr Boliński worked in Mondi Packaging Paper Świecie S.A., a company quoted on the WSE and operating in the paper industry.

There he performed managerial functions, initially as Treasurer, and then Manager of the Controlling Department. The new Member of the Management Board of AmRest graduated from the Mikołaj Kopernik University in Toruń, where studied at the Faculty of Economic Sciences and Management. Piotr Boliński completed the "High Potentials Leadership" programme at the Harvard Business School in Boston, USA.

Management Board

The Management Board of AmRest comprises:

Wojciech Mroczyński

Piotr Boliński

Supervisory Board

The Supervisory Board of AmRest comprises:

Henry McGovern

Donald Macintosh Kendall Sr.

Donald Macintosh Kendall Jr.

Przemysław Aleksander Schmidt

Jan Sykora

4. FINANCIAL POSITION OF THE COMPANY

4.1. Loans, advances and bonds

On 15 December 2008, a credit agreement was signed between Amrest Holdings SE, AmRest Sp. z.o.o. and AmRest s.r.o. ("Borrowers") and ABN Amro Bank (Polska) S.A. (currently RBS Bank (Polska) SA), ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. Under the above-mentioned agreement the Group was granted a loan amounting to PLN 440 million. The loan should be repaid by 31 December 2010. It covers two tranches and is earmarked for repayment of liabilities resulting from the credit agreement with ABN Amro Bank N.V. dated 4 April 2005 and further financing of the development of AmRest. All the Borrowers are jointly and severally responsible for discharging the obligations resulting from the credit agreement. Additionally, two Group companies – OOO AmRest and AppleGrove 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.

As at 4 December 2009, companies of the AmRest Group, LLC, WCM Oregon and Restaurant Concepts (currently merged into one entity, AmRest, LLC) signed a short-term credit agreement with Wells Fargo Bank, National Association. Under the agreement, the repayment of the credit drawn was to be secured with the assets of five selected restaurants. The maximum amount of the credit is USD 1 million, i.e. according to the exchange rate as at 31 December 2009, PLN 2.9 million. As at 31 December 2009, the Company of the AmRest, LLC Group did not avail itself of the granted credit limit.

As at 31 December 2009, the AmRest Group had the following credit lines available:

a) RBS Bank (Polska) SA – PLN 13 818 thousand (an overdraft facility in PLN)

b) RBS Bank (Polska) SA – PLN 6 162 thousand (an overdraft facility in EUR)

c) Wells Fargo Bank – PLN 2 850 thousand (an overdraft facility in USD)

d) WCM Investors – PLN 3 119 thousand (an overdraft facility in USD).

On 30 December 2009, AmRest issued the first tranche of bonds to finance the development of new restaurants in Central and Eastern Europe planned for 2010. AmRest issued 11,000 dematerialized bearer bonds with a nominal value of PLN 10,000 and an issue price equal to 100% of the nominal value – the total issue value amounted to PLN 110 mln. The above transaction is the first tranche of the issue planned for a total amount of PLN 150 million. All bonds bear an interest rate based on a variable rate of 6M WIBOR increased by an appropriate margin and mature on 30 December 2014. Interest is payable semi-annually (30 June and 30 December) as of 30 June 2010. The issue of bonds was not additionally secured. The value of liabilities drawn by AmRest as at the last day of the quarter preceding the offer of acquisition proposals to AmRest Holdings SE amounted to PLN 660,576 thousand. The level of net debt until the full redemption of bonds is assessed at up to 3.5 times the value of EBITDA for the given year. On 24 February 2010, AmRest issued a second tranche of bonds amounting to PLN 40 mln.

4.2. Description of key domestic and foreign investments

The table below presents purchases of non-current assets in 2009 and comparable data for 2008.

Purchases of non-current assets in AmRest SE (2009-2008)

Values in PLN'000	2009	2008
Intangible assets, including:		
Trademarks	-	-
Favourable lease agreements	577	780
Licences for the use of Pizza Hut and KFC trademarks	4 440	11 952
Goodwill	20 904	118 252
Other intangible assets	5 144	14 240
Fixed assets, including:		
Land	2 175	1
Buildings	69 327	120 506
Equipment	53 212	86 254
Vehicles	302	447
Other (in consideration of fixed assets under construction)	22 745	29 893
Total	**178 826**	**382 325**

The investment expenditure incurred by AmRest relates mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in the existing restaurants. The Company's investment expenditure depends mainly on the number and type of restaurants opened.

In 2009, investments were financed mainly with operating cash flows and additional bank loans. In 2009, total capital expenditure of AmRest amounted to PLN 178,826 thousand.

The number of AmRest Holdings SE restaurants (balance as at 31 December, 2009-2008)

a) QSR

Balance at the end of:		2009	2008
KFC	Poland	110	94
	Czech Republic	55	53
	Hungary	17	15
	Russia	37	37
	Bulgaria	2	2
	Serbia	2	1
Burger King	Poland	17	9
	Czech Republic	2	1
	Bulgaria	2	2
Starbucks	Poland	3	0
	Czech Republic	10	8
Total QSR		**257**	**222**

b) CDR

Balance at the end of:		2009	2008
	Poland	58	55
	Hungary	5	7
Pizza Hut	Russia	14	17
Applebee's	USA	103	104
Total CDR		**180**	**183**

c) Total AmRest Group

Balance at the end of:	2009	2008
Openings	50	170
Closings	18	8
Net increase in the number of restaurants	32	162
Total	**437**	**405**

At the end of 2009, AmRest operated a total of 437 restaurants (405 as at the end of 2008). In the reporting period, 50 restaurants were opened and 18 were closed.

The schedule above does not include freshpoint and Rodeo Drive restaurants, in accordance with the elimination of them from the portfolio of AmRest Group brands during the conference for the third quarter of 2009.

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

As at 31 December 2009, capital expenditure projects of AmRest amounted to PLN 172 thousand relate to the shares of SCM s.r.o.

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

On 6 January 2009, in connection with the transformation of AmRest into a European Company on 19 September 2008 (RB 71/2008 dated 22 September 2008) AmRest informed of moving the registered office of the Company to Poland and amending the Company's Memorandum of Association. The content of the Memorandum of Association was enclosed with RB 1/2009 dated 6 January 2009. 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, i.e. increasing its transparency and reducing operating and administrative expenses (RB 1/2009).

On 24 March 2009, the contingent agreement for the sale of all shares in Sfinks Polska S.A. ("Sfinks") owned by AmRest was finalized (a total of 3,061,786 shares at PLN 9.95 per share) was finalized. The Company's preliminary investment intentions in respect of Sfinks could not be realized as a result of the real valuation of the company based on the actual financial condition of Sfinks. The full assessment of the Company's condition was possible after changes in the management bodies of Sfinks; the previous Management Board did not give its consent to a Due Diligence process due to the equal access of all investors to the data of companies quoted on the Warsaw Stock Exchange. The Company's position was so difficult that to protect its assets and the shareholders' interests a motion for bankruptcy was filed with the possibility of a constructive arrangement. Despite the will to render the company more efficient, the implementation of the recovery plan prepared based on the multi-year experience of AmRest proved impossible due to the shareholding structure. The decision to withdraw from the investment in Sfinks took into consideration a partial return on the capital invested and allowing the other shareholders to improve the Company's critical position. In the first quarter of 2009, a final write-down related to the transaction dated 24 March 2009 was completed. The write-down amounted to PLN 2 833 thousand. The Management Board of AmRest informed of the details in current and periodical reports published by the Company in 2008 and 2009.

On 8 April 2009, AmRest informed of opening the first Starbucks cafe in Poland, located in Warsaw. Poland is another market on which AmRest is developing the brand. Currently, AmRest operates a total of 13 Starbucks cafes in Poland and the Czech Republic.

On 22 May 2009, an Ordinary General Shareholders' Meeting of AmRest took place. Shareholders holding at least 5% of the total number of voting rights at the General Shareholders' Meeting were listed in RB 29/2009 dated 22 May 2009. The General Shareholders' Meeting did not cancel any items on the agenda and passed resolutions on approving the Company's and the AmRest Holdings SE Group Directors' Report for 2008, approving the Company's Financial Statements and the Consolidated Financial Statements for 2008, earmarking the profit for the year 2008 for transfer to the Company's supplementary capital, approving the discharge of duties by the Management and Supervisory Boards in 2008, changing the composition of the Supervisory Board, approving the resolution of the Management Board of AmRest Holdings SE dated 11 December 2008 on adopting the International Financial Reporting Standards (IFRS) for 2008. The full content of the resolutions is in the appendix to RB 28/2009.

On 30 June 2009, AmRest informed of signing an Annexe to the Distribution Agreement ("Agreement") dated 2 April 2003 concluded by and between AmRest Polska Sp. z o.o. ("AmRest Polska") and McLane Polska Sp. z o.o. with its registered office in Błonie (the "Distributor"). The Annexe came into force on the date of its signing. In accordance with the Annexe the term of the Agreement was extended by 3 further years, i.e. until 1 August 2013. At the same time, the parties decided that a further extension of the term of the agreement should be concluded in writing by 1 December 2012, otherwise the agreement would automatically expire on 1 August 2013. The subject matter of the Annexe, apart from the extension of the term of the Agreement, are additional enhancements to the flow of invoices between AmRest Polska and the Distributor, changes to the manner of determining the distribution fee and including a new entity, AmRest Coffee Sp. z o.o., in the Agreement. The purpose of the above changes is improvement of the processes of distribution of goods to AmRest Polska restaurants and optimizing the costs of supplies (RB 32/2009).

On 8 July 2009, AmRest was informed by Grove Ownership Holding LLC of the wish to exercise put options of the remaining 20% shares in AppleGrove Holdings LLC. The transaction was settled in the fourth quarter of 2009, income from the options amounted to PLN 16.4 million.

On 31 August 2009, AmRest, with reference to the Current Report RB 20/2007 dated 21 May 2007 and 35/2007 dated 3 July 2007, informed that the acquisition of OOO Pizza Nord (currently OOO AmRest Russia) was finally settled between Michael Tseytin ("the Seller") and AmRest. The settlement covered the transfer of a Promissory Note by the Seller, secured with the Share Pledge Agreement. The financial terms of the Promissory Note do not depart from those commonly used in this type of agreements. Additionally, as part of the settlement, the call option relating to one of the key locations of RostiksKFC in St. Petersburg by Michael Tseytin was cancelled. The transaction was settled in the third quarter of 2009, income from options amounted to PLN 4.9 million.

As mentioned in item 4.2, on 30 December 2009, AmRest issued the first tranche of bonds to finance the development of new restaurants in Central and Eastern Europe planned for 2010. On 24 February 2010, AmRest issued a second tranche of bonds. The total amount of the issue amounted to PLN 150 million.

On 23 April 2010 The Management Board of AmRest Holdings SE informed about the signing of a Share Subscription Agreement between AmRest and WP Holdings VII B.V., registered in Amsterdam, The Netherlands, dated 22 April 2010. The Subscriber, which is an affiliate of Warburg Pincus, intends to subscribe for 4,726,263 new shares of the Company at a price of PLN 65 per share, which equates to 24.99% of the diluted share capital. In addition, within 12 months from the date on which the Subscription Shares are registered by the registry court proper for the Company's registered office, the Subscriber will have an option to subscribe for additional shares in up to two installments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the Additional Subscription Shares will be PLN 75 per share.

4.5. Planned investment activities and assessment of their feasibility

AmRest will continue expansion mainly by organic growth on the Central and East European market. Additionally, the Company reviews the potential of the merger and acquisition market. Currently AmRest is not planning any further acquisitions in 2010, nevertheless, a potential acquisition is not excluded if an appropriate target appears and if there is capability for financing the transaction.

AmRest's strategy is to further develop the key brands in CEE by opening new restaurants, mainly on the core markets in Poland the Czech Republic and Russia.

AmRest goal is to achieve market leadership in core markets. Growth in 2010 (total of 60-70 new openings) will be funded through a combination of internal cash flow and debt financing. However the accelerated growth plan in 2011 (total of more than 100 new openings) will be funded through proceeds raised through the Share Subscription Agreement, dated 22 April 2010. These proceeds are not intended to change the Group's leverage ratios over long-term.

The plan for new openings will be adapted to the market conditions and possibilities for acquiring new attractive locations in particular countries on a current basis. In 2010 which has just begun, AmRest will be very restrictive and selective each time in taking decisions on allocating its cash flows – the aim is to achieve at least a 20% IRR on each investment.

The average cost of opening a new AmRest restaurant in Central and Eastern Europe differs depending on the location and type of restaurant and differs depending on the type of restaurant and location. Moreover, the Company stipulates continuing the constant modernization program of the existing restaurants – in 2010, the AmRest Group plans to spend ca. PLN 50 million on this program. A large portion of the renovation budget will be spent on modernization operations in Poland and Czech.

5. AmRest Holdings SE in 2010

5.1. External and internal factors material for the development of the Company in 2010

In the opinion of Management Board of AmRest, factors which have a significant impact on the future development of the Company and its future results comprise:

a) External factors

- competitiveness – in terms of price, quality of service, location and quality of food;
- demographic changes, trends in respect of the number of people using the restaurants and number, as well as location of competitors' restaurants;
- changes in law and regulations with a direct impact on the operation of restaurants and the people employed there;
- change in costs of rental of the real estate and related costs;
- change in prices of foodstuffs used to prepare meals and change in prices of packaging materials;
- changes in the overall economic condition of Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia and the United States, and consumer confidence, amount of disposable income and individual methods of spending money.
- obtaining sources of finance;
- violent fluctuations on the currency market.

b) Internal factors

- acquiring and preparing human resources necessary to develop the existing and new restaurant networks;
- acquiring attractive locations;
- effective implementation of new restaurant networks and products;
- building an integrated IT system.

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

The Management Board of AmRest is responsible for the risk management system and internal control system as well as for the system of reviewing those systems in terms of operating effectiveness. The systems help in the identification and management of risks which could prevent AmRest from realizing its long-term goals. Nevertheless, the existence of the systems does not allow for the total elimination of the risk of fraud and illicit actions. The Management Board of AmRest reviewed, analyzed and ranked the risks to which the Company is exposed. The current basic risks and threats have been summarized in this section. AmRest reviews and enhances its risk management systems and internal control systems on a current basis.

a) Factors outside the Company's control

The risk is related to the impacts of factors outside the Company's control on AmRest's development strategy which is based on opening new restaurants. The factors include: possibilities of finding and ensuring available and appropriate restaurant locations, possibilities of obtaining the permits required by appropriate authorities on time, possibility of delays in opening new restaurants.

b) Dependence on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Applebee's restaurants as a franchisee, therefore, many factors and decisions in the course of the operations run by AmRest depends on restrictions or specifications enforced by the franchisors or on their consent.

The term of the franchise agreements relating to KFC, Pizza Hut and Burger King is 10 years. AmRest is entitled to an option to extend this period by a further 10 years, on condition that it meets the terms and conditions concluded in the franchise agreements and other requirements, including making an appropriate payment in respect of the extension of the term of the agreement. The term of the franchise agreements relating to the Applebee's brand is 20 years, with an option for extending it by a further 20 years – on similar conditions as in respect of the remaining AmRest brands.

Irrespective of meeting the above terms and conditions, there is no guarantee that after the end of the term the franchise agreement will be extended for a further period. In respect of KFC and Pizza Hut restaurants, the first period began in 2000, in respect of Burger King restaurants, the first period began in 2007 with the opening of the first restaurant of the brand. In respect of some of Applebee's restaurants, the first period began in 2000. In respect of the remaining Applebee's restaurants, the first period began in 2008.

c) Dependency on joint venture partners

AmRest will open Starbucks restaurants by establishing Joint Venture Companies in Poland, the Czech Republic and Hungary on partnership terms, under joint venture agreements. Therefore, some decisions under jointly run operations will depend on the partners' consent.

The JV Agreements with Starbucks were concluded for a period of 15 years, with an option to extend them for a further 5 years after meeting specific terms and conditions. In the event that AmRest does not meet the obligation relating to opening and running a minimum number of cafés, Starbucks Coffee International, Inc. will have a right to increase its share in the Joint Venture Companies by repurchasing shares of AmRest Sp. z.o.o. at a price agreed by the parties on the basis of a valuation of the Joint Venture Companies.

d) Lack of exclusivity

Franchise agreements relating to operating KFC, Pizza Hut, Burger King and Applebee's restaurants do not include provisions on awarding AmRest any exclusivity clauses on a given territory, protection or any other rights on the premises, area, or market surrounding AmRest restaurants. In practice, however, in connection with the scale of operations of AmRest (among other things, an extensive distribution network), the possibility of a competitive operator appearing (in respect of the brands currently operated by the Company), which could effectively compete with AmRest Group restaurants is relatively limited.

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

e) Rental agreements and their extension

Almost all AmRest restaurants operate in rented facilities. Most of the rental agreements are long-term, and usually they are concluded for a period of at least 10 years of the date of inception of the rental (on condition that all extension options are exercised, on specified terms and conditions, and without accounting for agreements which are periodically renewed, if they are not terminated on notice, and agreements for an unspecified period). Many rental agreements grant AmRest the right to extend the term of the agreement on condition that the Company abides by the terms and conditions of the rentals. Irrespective of the need to meet the terms and conditions, there is no guarantee that AmRest will be able to extend the periods of the rental agreements on terms and conditions satisfactory from the point of view of commercial practices. If there is no such possibility, the potential loss of significant restaurant locations may have an unfavourable impact on the operating results of AmRest and on its activities.

Moreover, in some circumstances, AmRest may take the decision to close a given restaurant and the termination of the respective rental agreement on cost-effective terms may prove impossible. Such situation may also have a negative impact on the Company's operations and operating results. The closing of any restaurant depends on the consent of the franchiser, and it is uncertain whether such consent would be obtained.

In respect of Russian restaurants acquired by AmRest in July 2007, the average rental period is relatively shorter compared with AmRest restaurants in other countries. This results from the specific nature of the market.

f) Risk related to consumption of food products

Consumer preferences may change in connection with doubts arising as to the nutritional value of chicken, which are the main component of KFC menu, or as a result of unfavourable information proliferated by mass media relating to the quality of products, diseases caused by them and damage incurred as a result of using AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks and Applebee's, and as a result of disclosing unfavourable data by the government or a given market sector relating to products served in AmRest restaurants and at other KFC, Pizza Hut, Burger King, Starbucks and Applebee's franchisees', health issues and issues relating to the manner of functioning of one or a larger number of restaurants operated by AmRest, and its competitors. The risk referred to above is limited by using the highest quality components in AmRest restaurants – from checked and renowned suppliers, abiding by stringent quality and hygiene standards and applying state of the art equipment and processes enabling total safety of the food.

g) Risk related to refinancing of existing debt

As it is described in "note 21 – Borrowings" financial liabilities resulting from loan agreement signed December 15, 2008 between AmRest Holdings SE, AmRest sp. z o.o. and American Restaurants s.r.o. ("Borrowers") and ABN AMRO Bank (Polska) S.A. (currently named RBS Bank (Polska) S.A.), ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. according to terms of this agreement will be paid in total till the end of 2010 year. Consolidated financial statements for the period of twelve months ending December 31, 2009 were prepared in accordance with going concern assumption by the group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. Application of going concern assumption is dependable on positive realization of financing scenarios. As at the date of this financial statements issuance in assessment made by Group Parent Entity there are no circumstances indicating threats for Group business going concern.

h) Risk related to the development of new brands

Amrest has been operating the Burger King, Starbucks and Applebee's brands only for a short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by consumers.

i) Risk related to opening restaurants in new countries

Openings or acquisitions of restaurants operating on a new geographical and political territory are connected with a risk of different consumer preferences, risk of lack of good knowledge of the market, risk of legal restrictions resulting from local regulations and political country risk.

j) Foreign exchange risk

AmRest results are prone to currency risk related to transactions and translations in currencies other than the currency in which the business operations are measured in particular Group companies.

k) Risk of increased financial costs

In 2008 and 2009, the Company significantly increased its gearing. Changes in the reference interest rate may have an impact on the net profit margin.

l) Risk of slowdown in the economies

The slowdown in the economies of Central and Eastern Europe and the United States of America may have an impact on expenditure on consumption on those markets which, in turn, may impact the results of AmRest restaurants operating on those markets.

m) Risk of seasonality of sales

The seasonality of sales and inventories of the AmRest Group is not significant which is typical for the whole restaurant industry. On Central and East European markets restaurants have lower sales in the first half of the year, which is mainly the result of a smaller number of days of sale in February and less frequent customers' visits in restaurants. The United States market is characterized by higher sales in the first half of the year compared to the second half. After a period of lower sales in the summer months and a slight revival related to the Christmas season, the first half of the year is a period of increased activity in connection with the use of holiday vouchers, promotional coupons and the large number of holidays.

n) Risk related to implementing new IT systems

Disruption of business related to implementing new IT systems may in the short term have a negative impact on the Company's results. However, in the long term, the expected benefits will have a positive impact on the Group's efficiency.

5.3. The Company's development directions and strategy

AmRest's strategy is to achieve market dominance[1] through acquisitions & operating scalable ($50+m in annual sales), highly profitable (20%+IRR) branded QSR & CD restaurants concepts. AmRest, through its "Wszystko Jest Możliwe!" culture delivers craveble taste and exceptional service at affordable prices.

AmRest assesses that in respect of the brands currently operated by the Company in Central and Eastern Europe, the current market potential on the markets on which it operates is many times higher than the currently held restaurant portfolio. Therefore, the Company plans to significantly accelerate its growth. AmRest will realize its strategy in Central and Eastern Europe by continuing development of the existing brands in the countries in which it is present, increasing sales of existing restaurants and further acquisitions in the region.

AmRest goal is to achieve market leadership in core markets. Growth in 2010 (total of 60-70 new openings) will be funded through a combination of internal cash flow and debt financing. However the accelerated growth plan in 2011 (total of more than 100 new openings) will be funded through proceeds raised through the Share Subscription Agreement, dated 22 April 2010. These proceeds are not intended to change the Group's leverage ratios over long-term.

[1] Dominance defined as clear sales leader in the country.

In the following years, in Central and Eastern Europe, AmRest plans to grow at a rate of ca. 20% per annum in terms of sales revenues. The planned increase in the pace of growth and significantly increased number of new restaurants will have a short-term pressure on the net profit margin, related to increased financial costs (costs related to servicing debt) and increased one-off costs of opening new restaurants.

The Company intends to consistently continue actions aimed at increasing their customer value. By further excelling in customer service, offering tasty dishes prepared with fresh components and introducing new products AmRest intends to increase clients' awareness of the excellent value-for-money of the services.

Through its company AmRest USA, which operates 103 Applebee's restaurants in the United States, AmRest is present on the largest global restaurant market. The growth strategy on the American market stipulates acquisitions and consolidations under the Applebee's brand. Our purpose is to further use the abundant experience of the management of AmRest USA in consolidating the Applebee's business and to use the potential of the Applebee's brand – the largest casual dining chain in the world.

6. MANAGEMENT REPRESENTATIONS

6.1. Correctness and fairness of the presented financial statements

The Management Board of AmRest Holdings SE hereby represents that to its best knowledge, the annual financial statements and the comparative figures presented in the annual financial statements of the AmRest Group have been prepared in accordance with the binding accounting policies and that they give a true, fair and clear view of the financial position of the AmRest Group and its results. The annual Directors' Report included in this document reflects the true achievements and development of the AmRest Group, including its basic risks and threats.

6.2. Appointment of the registered audit company

The registered audit company – PricewaterhouseCoopers Sp. z o.o., which performed the review of the annual consolidated financial statements of the AmRest Group, was appointed in accordance with the legal regulations. This company and the independent registered auditors performing the audit met the requirements for issuing an unbiased and independent audit opinion, in accordance with the respective legal regulations.

The contract for the audit of the consolidated financial statements for 2009 was signed on 20 July 2009 with PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, al. Armii Ludowej 14, an entity authorized to audit financial statements entered on the list of registered audit companies with the number 144. The contract related to the audit of the Company's consolidated financial statements for the period from 1 January 2009 to 31 December 2009 and the review of the consolidated financial statements for the period from 1 January 2009 to 30 June 2009.

In 2009 PricewaterhouseCoopers's total fee for the audit and review amounted to PLN 600 thousand. Fees related to other services amounted to PLN 31 thousand. In 2008 the fees were PLN 612 thousand and PLN 35 thousand respectively.

Wrocław, 29 April 2010

Wojciech Mroczyński

AmRest Holdings SE

Board Member

Piotr Boliński

AmRest Holdings SE

Board Member