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Consolidated Annual Financial Statements for the year ended 31 December 2018

AmRest Holdings SE

27 FEBRUARY 2019

AmRest

Contents

(all figures in EUR millions unless stated otherwise)

Consolidated annual income statement for the year ended 31 December 2018

	Note	year ended 31 December 2018	31 December 2017 (*restated**)
Continuing operations			
Restaurant sales		1 460.6	1 162.3
Franchise and other sales		86.3	75.6
Total revenue	5,7	**1 546.9**	**1 237.9**
Restaurant expenses:			
Food and merchandise		(416.8)	(338.5)
Payroll, social security and employee benefits		(375.1)	(282.1)
Royalties		(74.6)	(59.4)
Occupancy and other operating expenses		(433.4)	(353.9)
Franchise and other expenses		(62.3)	(50.3)
General and administrative expenses		(115.1)	(91.1)
Total operating costs and losses	8	**(1 477.3)**	**(1 175.3)**
Net impairment losses on financial assets	8, 20	(1.5)	(1.9)
Net impairment losses on other assets	5, 8,13	(8.0)	(5.9)
Other operating income/expenses	9	11.5	7.9
Profit from operations		**71.6**	**62.7**
Finance income	10	2.7	0.8
Finance costs	11	(16.8)	(14.0)
Profit before tax		**57.5**	**49.5**
Income tax	12	(16.2)	(6.8)
Profit for the period		**41.3**	**42.7**
Attributable to:			
Shareholders of the parent		43.0	42.9
Non-controlling interests		(1.7)	(0.2)
Profit for the period		**41.3**	**42.7**
Basic earnings per ordinary share in EUR	34	0.20	0.20
Diluted earnings per ordinary share in EUR	34	0.20	0.20

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*
Notes 1- 43 are an integral part of these consolidated financial statements.

(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of comprehensive income for the year ended 31 December 2018

	Note	year ended 31 December 2018	31 December 2017 (*restated**)
Profit for the period		**41.3**	**42.7**
Other comprehensive income	23		
Exchange differences on translation of foreign operations		(9.5)	(16.9)
Net investment hedges		(4.2)	12.1
Income tax related to net investment hedges		0.9	(2.3)
Total items that may be reclassified to the income statement		(12.8)	(7.1)
Other comprehensive income/(loss) for the period		**(12.8)**	**(7.1)**
Total comprehensive income for the period		**28.5**	**35.6**
Attributable to:			
Shareholders of the parent		30.4	38.2
Non-controlling interests		(1.9)	(2.6)

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Consolidated annual statement of financial position at 31 December 2018

	Note	31 December 2018	31 December 2017 (*restated**)	1 January 2017 (*restated**)
Assets				
Property, plant and equipment	13	500.9	406.0	304.7
Goodwill	6,15	368.7	215.1	176.1
Intangible assets	14	240.8	148.9	139.6
Investment properties	16	5.2	5.3	5.0
Financial assets measured at fair value	17	26.9	-	-
Other non-current assets	18	26.4	22.9	14.2
Investment in associates		-	-	0.2
Deferred tax assets	12	22.1	16.7	10.2
Total non-current assets		**1 191.0**	**814.9**	**650.0**
Inventories	19	25.7	22.4	18.6
Trade and other receivables	20,37	61.9	38.7	22.5
Corporate income tax receivables		8.0	1.0	2.9
Other current assets	21	36.3	29.1	23.3
Cash and cash equivalents	22	118.4	131.2	66.1
Total current assets		**250.3**	**222.4**	**133.4**
Total assets		**1 441.3**	**1 037.3**	**783.4**
Equity				
Share capital		22.0	0.2	0.2
Reserves		206.1	152.3	162.7
Retained earnings		231.5	190.8	147.9
Translation reserve		(38.9)	(29.6)	(15.1)
Equity attributable to shareholders of the parent		**420.7**	**313.7**	**295.7**
Non-controlling interests	23	9.9	8.9	16.2
Total equity	23	**430.6**	**322.6**	**311.9**
Liabilities				
Interest-bearing loans and borrowings	26,37	655.8	433.8	235.3
Finance lease liabilities	32	1.8	1.7	1.8
Employee benefits liability	28	1.7	3.0	4.5
Provisions	29	14.8	10.3	9.6
Deferred tax liability	12	46.2	27.3	26.7
Other non-current liabilities	30	25.1	5.9	1.9
Total non-current liabilities		**745.4**	**482.0**	**279.8**
Interest-bearing loans and borrowings	26,37	6.0	37.8	50.6
Finance lease liabilities	32	0.6	0.4	0.4
Trade and other accounts payable	31	246.9	188.7	138.9
Corporate income tax liabilities		11.8	5.8	1.8
Total current liabilities		**265.3**	**232.7**	**191.7**
Total liabilities		**1 010.7**	**714.7**	**471.5**
Total equity and liabilities		**1 441.3**	**1 037.3**	**783.4**

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(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of cash flows for the year ended 31 December 2018

	Note	year ended 31 December 2018	year ended 31 December 2017 *(restated)*
Cash flows from operating activities			
Profit before tax from continued operations		57.5	49.5
Adjustments for:			
Amortisation		11.8	9.9
Depreciation		80.3	67.8
Net interest expense		11.7	10.1
Foreign exchange result		0.9	0.8
Result on disposal of property, plant and equipment and intangibles		(2.7)	1.0
Impairment of non-financial assets		8.0	5.9
Share-based payments		6.7	5.1
Other		(1.9)	1.3
Working capital changes:	22		
Change in trade and other receivables		(6.0)	(13.8)
Change in inventories		(1.9)	(2.4)
Change in other assets		(5.0)	(10.2)
Change in payables and other liabilities		19.8	33.9
Change in provisions and employee benefits		0.5	(5.5)
Income tax paid		(15.9)	(3.8)
Net cash from operating activities		**163.8**	**149.6**
Cash flows from investing activities			
Net cash outflows on acquisition	6	(246.5)	(93.3)
Purchase of financial assets measured at fair value		(25.0)	-
Proceeds from the sale of property, plant and equipment, and intangible assets		12.0	0.6
Purchase of property, plant and equipment		(151.0)	(124.0)
Purchase of intangible assets		(10.5)	(13.4)
Net cash used in investing activities		**(421.0)**	**(230.1)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		0.8	1.0
Repurchase of treasury shares	23	(9.5)	(18.7)
Payments on settlement of employee stock options in cash		(0.6)	(1.0)
Proceeds from shares issued net of transaction cost		69.0	-
Proceeds from loans and borrowings	26	282.7	436.3
Repayment of loans and borrowings	26	(90.0)	(256.4)
Interest paid	26	(13.8)	(8.3)
Interest received		0.8	0.8
Dividends paid to non-controlling interest owners		-	(0.9)
Transactions with non-controlling interest		2.1	(13.4)
Proceeds/(repayment) of finance lease payables		0.4	(0.1)
Net cash from financing activities		**241.9**	**139.3**
Net change in cash and cash equivalents		**(15.3)**	**58.8**
Effect of foreign exchange rate movements		2.5	6.3
Balance sheet change of cash and cash equivalents		(12.8)	65.1
Cash and cash equivalents, beginning of period		131.2	66.1
Cash and cash equivalents, end of period	22	**118.4**	**131.2**

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(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of changes in equity for the year ended 31 December 2018

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2018 *(restated*)*		**0.2**	**152.3**	**190.8**	**(29.6)**	**313.7**	**8.9**	**322.6**
Adjustment on initial application of IFRS 15	40	-	-	(2.3)	-	**(2.3)**	-	**(2.3)**
Adjusted balance at 1 January 2018 *(restated*)*		**0.2**	**152.3**	**188.5**	**(29.6)**	**311.4**	**8.9**	**320.3**
Profit for the period		-	-	43.0	-	**43.0**	(1.7)	**41.3**
Other comprehensive income		-	(3.3)	-	(9.3)	**(12.6)**	(0.2)	**(12.8)**
Total comprehensive income		**-**	**(3.3)**	**43.0**	**(9.3)**	**30.4**	**(1.9)**	**28.5**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	0.8	**0.8**
Transaction with non-controlling interests		-	-	-	-	**-**	2.1	**2.1**
Total transactions with non-controlling interests	23	**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Share capital increase from share premium		21.0	(21.0)	-	-	**-**	-	**-**
Issue of share capital		0.8	69.2	-	-	**70.0**	-	**70.0**
Transaction costs on issue of share capital		-	(1.0)	-	-	**(1.0)**	-	**(1.0)**
Deferred payment in shares	23	-	13.0	-	-	**13.0**	-	**13.0**
Purchases of treasury shares		-	(9.5)	-	-	**(9.5)**	-	**(9.5)**
Share based payments	23	-	6.4	-	-	**6.4**	-	**6.4**
Total distributions and contributions		**21.8**	**57.1**	**-**	**-**	**78.9**	**-**	**78.9**
As at 31 December 2018		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2017 *(restated*)*		**0.2**	**162.7**	**147.9**	**(15.1)**	**295.7**	**16.2**	**311.9**
Net profit for the period		-	-	42.9		**42.9**	(0.2)	**42.7**
Other comprehensive income		-	9.8	-	(14.5)	**(4.7)**	(2.4)	**(7.1)**
Total comprehensive Income		**-**	**9.8**	**42.9**	**(14.5)**	**38.2**	**(2.6)**	**35.6**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	2.5	**2.5**
Transaction with non-controlling interests		-	(7.0)	-	-	**(7.0)**	(7.2)	**(14.2)**
Total transactions with non-controlling interests	23	**-**	**(7.0)**	**-**	**-**	**(7.0)**	**(4.7)**	**(11.7)**
Purchases of treasury shares		-	(18.7)	-	-	**(18.7)**	-	**(18.7)**
Share based payments	23	-	5.5	-	-	**5.5**	-	**5.5**
Total distributions and contributions		**-**	**(13.2)**	**-**	**-**	**(13.2)**	**-**	**(13.2)**
As at 31 December 2017		**0.2**	**152.3**	**190.8**	**(29.6)**	**313.7**	**8.9**	**322.6**

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Notes to the Consolidated Annual Financial Statements

1. General information on the Group

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000. On 19 September 2008 the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea, SE) and of its name to AmRest Holdings SE. Since March 2018 the Company's registered office has been Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. Previously, the Company had a registered office in Wroclaw, Poland.

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

On 27 April 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE") and on 21 November 2018 were quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE). Since 21 November 2018 AmRest's shares have been quoted simultaneously on both the above stock exchanges (dual listing).

The Group operates Kentucky Fried Chicken ("KFC"), Pizza Hut ("PH"), Burger King ("BK") and Starbucks ("SBX") restaurants through its subsidiaries in Poland, the Czech Republic (hereinafter Czechia), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchises granted. Starting from 1 October 2016 the Group as a master-franchisee has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees based on master-franchise agreements.

In Spain, France, Germany and Portugal the Group operates its own brands La Tagliatella, Trastevere and Pastificio. This business is based on own restaurants and the franchise agreements signed with non-related companies. It is supported by the central kitchen located in Spain which produces and delivers products to the whole network of the mentioned own brands. Also, the Group operates its own brands Blue Frog (in China, Spain and Poland) and KABB (in China).

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants in France, Germany, Spain, Belgium, Italy, Switzerland, Luxemburg, UK, UAE, Saudi Arabia and Iran (Sushi Shop). Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising of 171 shops of which about one third are run by franchisees.

As at 31 December 2018 the Group operates 2 126 restaurants (own and franchise).

(all figures in EUR millions unless stated otherwise)

The Group operates its restaurants mainly on a franchise basis. However being master-franchisee and performing business through own brands has become more important. The table below shows the terms and conditions of cooperation with franchisors and franchisees of particular brands operated by AmRest.

Activity where AmRest is a franchisee					
Brand	**KFC**	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**Burger King**	**Starbucks 1)**
Franchisor/ Partner	KFC Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czechia, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Poland, Czechia, Hungary, France, Russia, Germany, Slovakia. Possibility of opening in: Bulgaria, Serbia, Croatia, Slovenia	Poland, Czechia, Bulgaria, Slovakia. Possibility of opening in Romania	Poland, Czechia, Hungary, Romania, Bulgaria, Germany, Slovakia. Possibility of opening in Serbia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czechia, Bulgaria – 20 years or 10 years 4) Since 20 November 2018: 10 years for restaurants opened during the agreed development period.	15 years, possibility of extension for a further 5 years; in Romania till 10 October 2023 16 years, in Bulgaria till 1 October 2027 20 years
Preliminary fee	up to USD 51.2 thousand 2)	up to USD 51.2 thousand 2)	USD 25.6 thousand 2)	USD 50 thousand or USD 25 thousand, in Czechia USD 60 thousand 4) Since 20 November 2018: USD 30 thousand for restaurants opened during the agreed development period.	USD 25 thousand
Franchise fee	6% of sales revenues 3)	6% of sales revenues 3)	6% of sales revenues 3)	5% of sales revenues, in Czechia (for 5 restaurants) 3% of sales revenues for first 5 years, then 5% Since 20 November 2018 for restaurants opened during the agreed development period: 3,5% of revenues in first 2 years growing to 4%, 4,5% and 5% in next years.	6% of sales revenues
Marketing costs	5% of sales revenues	5% of sales revenues	6% of sales revenues to 31 December 2021; 5% of sales revenues from 1 January 2022 to 31 December 2026 3)	5% of sales revenues, in Czechia 3% of sales revenues for first 3 years, then 5%. Since 20 November 2018 for restaurants opened during the agreed development period 4% or 5% of sales revenues (depending on the country) and 3% for flagships.	amount agreed each year

(all figures in EUR millions unless stated otherwise)

Activity performed through own brands					
Brand	**La Tagliatella**	**Blue Frog**	**KABB**	**Bacoa**	**Sushi Shop**
Area of the activity	Spain, France, Germany, Portugal	China, Spain, Poland	China	Spain	France, Spain, Belgium, Italy, Switzerland, Luxemburg, UK

Activity where AmRest is a franchisor (own brand or based on master-franchise agreements)						
Brand	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**La Tagliatella**	**Blue Frog**	**BACOA**	**Sushi Shop**
Partner	Yum Restaurants International Holdings LLC	PH Europe S.à.r.l., (US Branch), Yum Restaurants International Holdings LLC	Own brand	Own brand	Own brand	Own brand
Area covered by the agreement	Germany, Russia, Armenia and Azerbaijan	Germany, France, CEE (Bulgaria, Hungary, Czechia, Poland, Slovakia, Slovenia, Serbia, Croatia), Russia, Armenia and Azerbaijan	Spain, France	Spain	Spain	France, Spain, Germany, Portugal, Belgium, Italy, UAE, Saudi Arabia, Iran 5)
Term of agreement	10 years with possibility of extension	10 years with possibility of extension	10 years with possibility of extension	10 years with possibility of extension	10 years with possibility of extension	Franchise agreements: 5 years with a limited territorial exclusivity and EADA i.e. "master franchise": exclusivity for specific territories granted to from 2 up to 14 years.

1) AmRest Group took up 82% and Starbucks 18% of the share capital of the newly-established companies in Poland, Czechia and Hungary. Starting from the ninth year Starbucks has an unconditional option of increasing its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Group assessment as at the day of this report issuance, there are no indicators making the mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities, being the sole operators in these markets. In Germany the Group acquired 100% of shares in a key operator in this market.

2) The fee is updated at the beginning of each calendar year for inflation.

3) Preliminary franchise fees and marketing costs might be changed if certain conditions set in the agreement are met.

4) Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in the period from 1 March 2009 till 30 June 2010, and also for newly-opened restaurants in Poland was extended from 10 to 20 years since the date of restaurant opening, however, without the option of prolongation for the next 10 years, which was provided in the original development agreement with AmRest Sp. z o.o. In relation to restaurants opened in Poland in the period from 1 March 2009 to 30 June 2010 and in relation to restaurants opened after this period (for franchise agreements for 20 years) the initial franchise payment was increased from USD 25,000 to USD 50,000. On 20 November 2018 a new Development Agreement was signed.

5) The Board of Directors resolved not to be present in Iran and stopped collecting royalties from that franchisee while AmRest's exit of Iran is executed.

(all figures in EUR millions unless stated otherwise)

2. Group Structure

As at 31 December 2018, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U.	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants	Road Town, British Virgin Islands	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft AmRest Capital Zrt	99.00% 1.00%	August 2018
GM Invest SRL	Uccle, Belgium	AmRest Capital Zrt	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL AmRest Capital Zrt	9.47% 90.53%	October 2018
AmRest France SAS	Paris, France	AmRest Holding SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft***	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	44.72% 55.28%	July 2007
AmRest Coffee s.r.o.	Prague, Czechia	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.****	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.*	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Group Consultants	100.00%	December 2012
AmRest Skyline GMBH	Cologne, Germany	AmRestavia S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	December 2015
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest Capital Zrt	77.00% 23.00%	May 2016

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Restaurant Management (Shanghai) Co., Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U. AmRestavia S.L.U.	74.00% 26.00%	February 2017
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO Pizza Company	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd. OOO AmRest	99.9% 0.1%	November 2017
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	April 2018
AmRest Pizza GmbH	Berlin, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Versaillies Resto SAS*****	Paris, France	AmRest Opco SAS	100,00%	November 2018
Sushi Shop Restauration SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL	Paris, France	Sushi Shop Management SAS Eloise CAZAL	85.00% 15.00%	October 2018
Sushiga SARL	Paris France	Sushi Shop Management SAS Emmanuel GARFIN	50.00% 50.00%	October 2018
Altana SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Tomemma SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Antibes Developpement SAS	Paris, France	Sushi Shop Group SAS Sushi Shop Management SAS	60.00% 40.00%	October 2018
Sushi Courbevoie Developpement SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Nice Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lepic SARL	Paris, France	Sushi Shop Martyrs SARL	100.00%	October 2018
Sushi Shop Levallois SARL	Paris, France	Sushi Shop Courcelles SARL	100.00%	October 2018
Sushi Shop Martyrs SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Secretan SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop ST Dominique SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Villers SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Vincennes SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Corner SAS	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Shop Corner M SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Art Sushi Marseille SAS	Marseille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Vieux Lille SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lille Centre SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Toulouse Developpement SARL	Paris France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Amiens SARL	Amiens, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Traiteur SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSC – Sushi Shop Cauderan SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSBC – Sushi Shop Bordeaux Chartrons SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSB Sushi Shop Bordeaux SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSM – Sushi Shop Merignac SAS	Bordeaux France	Sushi Shop Management SAS	100.00%	October 2018
AIX Sushi House SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
ART Sushi ST Barnabe SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
ART Sushi Delibes SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Sushi Marseille Developpement SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Zen'itude SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Courcelles SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Sushi Nantes SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Gelau SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bottega Romana Courcelles SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Bottega Romana Boetie SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Grand Ouest SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rouen SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Toulouse 3 SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Angers SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop La Rochelle SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Le Mans SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Tours SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Caen SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Black Box SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bontor SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
RCP SARL	Paris, France	Black Box SAS	100.00%	October 2018
Sauboget SARL	Paris, France	Black Box SAS	100.00%	October 2018
HP2L SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Nice 2 SARL	Paris, France	Sushi Nice Developpement SAS	100.00%	October 2018
CR Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 54 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 21 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rennes Nemours SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Corner Saint Gregoire SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Lyon 64 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital Sushi Shop Luxembourg SARL	14.00% 86.00%	October 2018
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA Midicapital	54,80% 45,20%	October 2018
Sushi Shop UK LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L.	Madrid, Spain	Sushi Shop Management SAS Carlos Santin	63.00% 37.00%	October 2018
Sushi Shop Milan SRL	Milan, Italy	Sushi Shop Management SAS Vanray SRL	70.00% 30.00%	October 2018
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC Sushi Shop NE USA LLC	64.00% 36.00%	October 2018
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Belgique SA Sushi Shop Group SAS	99.90% 0.10%	October 2018
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018
Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft**	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
Restaurant Partner Polska Sp. z o.o.	Łódź, Poland	AmRest Holdings SE	51.00%	August 2017
		Delivery Hero SE	49.00%	
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o.	Wrocław, Poland	AmRest Sp. z o.o.	99,00%	December 2018
		Michał Lewandowski	1.00%	
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	43.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	0.20%	
SCM Due Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

** On 25 November 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
*** On 5 September 2017 Amrestavia, S.L.U., the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
**** On 11 September 2018 the Company Registry Court registered the merger between AmRest Kft and AmRest Finance Zrt. The effective merger date is 31 October 2018, whereupon AmRest Finance Zrt ceased to exist, the Company Registry Court deleted it from the companies register and its rights and obligations were transferred transfer to AmRest Kft as successor company.*
*****On 1 October 2018, Pastificio S.L.U. and Pastificio Restaurantes S.L.U. were merged into Pastificio Service S.L.U.*
******On 27 November 2018, AmRest Opco SAS the sole shareholder of Versaillies Resto SAS, has decided to merger this company. The effective merger date is 1 January 2019.*

3. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 27 February 2019.

The consolidated financial statements are presented in euro (EUR), rounded off to full millions with one decimal place.

Details of the Group's accounting policies are included in note 40.

The consolidated financial statements provide comparative information in respect of the previous period. Explanations regarding restatements of comparative information are disclosed in note 41 and results from:

- Application of new standards, amendments to standards and interpretations,
- Changes in accounting policies and disclosures,
- Finalization of accounting for prior years business combinations.

In 2018 Group's presentation currency has changed from PLN to EUR. An additional statement of financial position as at 1 January 2017 is presented in these consolidated financial statements due to the retrospective application of the above accounting policy.

Application of IFRS 16 is expected to have a material impact on the Group. Disclosures on the estimated impact of IFRS 16 on the Group's financial statements as at 1 January 2019 are disclosed in note 42.

4. Use of judgements and estimates

The preparation of the IFRS financial statements requires the Board of Directors of the Company to make certain assumptions and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually verified, and are based on professional experience and various factors, including expectations of future events, that are deemed to be justified in given circumstances. The results of the estimates and the respective assumptions are the basis for assessing the values of assets or liabilities which do not result directly from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Actual results may differ from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made mainly the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Leases- determination whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. All facts and circumstances are taken into consideration, including substance of the transactions, lease term, extension option, discount rate to be applied, fair value of leased item and useful life of asset. Leases of premises where the restaurants are being operated are classified as operating leases, consequently, costs of rental are recognised in the income statement.

IFRS 16, applied since 1 January 2019, changes the accounting for leases. Disclosures on the estimated impact of IFRS 16 on the Group's financial statements as at 1 January 2019 are disclosed in note 42.

Revenue from contracts with customers

The Group applies judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers that relates to identification of the performance obligations and principal versus agent considerations, as well as allocation of the transaction price to the performance obligations in franchise activities (own brands and master-franchise agreements). Details are described in note 40.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on available parameters when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets including goodwill

Impairment losses are recognised whenever the carrying value of an asset or group of assets that are part of one cash generating unit or a group of cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budgets and forecasts. The recoverable amount is sensitive to the discount rates used for the DCF model as well as the expected future growth margins, and the growth rate used for extrapolation purposes.

Accounting policies for impairment testing of non-financial assets are disclosed in note 40k.

The key assumptions used to determine the recoverable amount of the different CGUs, including a sensitivity analysis, are disclosed and further explained in notes 13, 14 and note 15.

Assessment of useful lives

Determination and periodic verification of depreciation rates is made on the basis of the technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset. Sensitivity on changes in average useful lives is disclosed in note 13.

Provision for expected credit losses (ECLs) of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 37.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 28.

Recognition of provisions for potential tax obligations

Recognition of provision required estimates of the probable outflows of resources embodying economic benefits and defining the best estimates of the expenditures required to settle the present obligation at the end of the reporting period.

The Group operates in various tax jurisdictions. Regulations concerning VAT, corporate income tax and social insurance charges are frequently amended. The applicable regulations may also contain ambiguous issues, which lead to differences in opinions concerning the legal interpretation of tax legislation both among the tax authorities and between such authorities and enterprises.

Tax reports and other matters (e.g. customs or foreign currency transactions) may be audited by authorities competent to impose substantial penalties and fines, whereas any additional tax liabilities assessed during such audits have to be paid together with interest.

Consequently, the figures presented and disclosed in these consolidated financial statements may change in the future if a final decision is issued by tax inspection authorities.

Details of current tax inspections open in Group entities are presented in note 12.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Details of deferred tax assets are disclosed in note 12.

Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). To measure assets and liabilities at fair value AmRest Group uses valuation techniques appropriate to the circumstances and for which sufficient information is available to calculate the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values measurements for the purpose of purchase price allocation in business combination transactions, as well as for the purpose of regular or ad-hoc remeasurements are performed by internal Group specialists, whose expertise may be supported by external valuation experts.

Further information key assumptions made in measuring fair values is included in the following notes:

- Note 6 – Business combinations,
- Note 17 – Financial assets measured at fair value.

5. Segment reporting

AmRest as a group of dynamic developing entities running operations in many markets and various restaurant business segments is under constant analysis of the Board of Directors. The Board is also constantly reviewing the way business is analysed and adjusts it accordingly to changes in the Group's structure as a consequence of strategic decisions.

Group produces various reports, in which its business activities are presented in a variety of ways. Operating segments are set on the basis of management reports used by the Board when making strategic decisions. The Board of Directors analyses the Group's performance by geographical breakdown in divisions described in the table below.

Own restaurant and franchise business is analyzed for four operating segments presenting Group's performance in geographic breakdown. Geographical areas are identified based on the similarity of products and services, similar characteristics of the production process and of the customer base and economic similarities (i.e. exposure to the same market risks). Fifth segment includes in general non-restaurant business. Details of the operations presented in each segment are presented below:

(all figures in EUR millions unless stated otherwise)

Segment	Description
Central and Eastern Europe (CEE)	Restaurant operations and franchise activity in: ■ Poland - KFC, Pizza Hut, Starbucks, Burger King, Blue Frog, ■ Czechia - KFC, Pizza Hut, Starbucks, Burger King, ■ Hungary - KFC, Pizza Hut, Starbucks, ■ Bulgaria - KFC, Starbucks, Burger King, ■ Croatia, Austria, Slovenia and Serbia - KFC, ■ Slovakia – Starbucks, Pizza Hut, Burger King, ■ Romania – Starbucks.
Western Europe	Restaurant operations together with supply chain and franchise activity in: ■ Spain - KFC, La Tagliatella, Blue Frog, Bacoa, Sushi Shop, ■ France - KFC, Pizza Hut, La Tagliatella, Sushi Shop*, ■ Germany - Starbucks, KFC, Pizza Hut, La Tagliatella ■ Portugal - La Tagliatella, ■ Belgium, Italy, Switzerland, Luxemburg, United Kingdom and other countries with activities of Sushi Shop.
China	Blue Frog and KABB restaurant operations in China.
Russia	KFC and Pizza Hut restaurant operations and franchise activity in Russia, Armenia and Azerbaijan.
Other	Other support functions rendered by the subsidiaries for the Group such as e.g. Executive Team, Controlling, Treasury, Investors Relations, Mergers & Acquisitions. Other also includes expenses related to M&A transactions not finalized during the period, whereas expenses related to finalized merger and acquisition are allocated to applicable segments. Additionally, Other includes non-restaurant businesses performed by AmRest Holdings SE, SCM sp. z o.o. and its subsidiaries, Restaurant Partner Polska Sp. z o.o. (restaurant aggregator) and other minor entities performing holding and/or financing services.

** own and franchise restaurants based in France*

When analyzing the results of particular business segments the Board of Directors draws attention primarily to EBITDA reached, which is not a standardised IFRS measure.

Segment measures and the reconciliation to profit/loss from operations for the year ended 31 December 2018 and for the comparative year ended 31 December 2017 is presented below:

2018	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Revenue from external customers	717.6	569.8	168.6	73.6	17.3	1 546.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**717.6**	**569.8**	**168.6**	**73.6**	**17.3**	**1 546.9**
EBITDA	**104.5**	**57.6**	**21.7**	**7.1**	**(17.7)**	**173.2**
Depreciation (note 13)	41.7	23.8	9.8	4.7	0.3	80.3
Amortisation (note 14)	5.4	5.0	0.7	0.3	0.4	11.8
Net impairment losses on financial assets	-	1.5	-	-	-	1.5
Net impairment losses on other assets	2.3	4.5	0.8	0.4	-	8.0
Profit/loss from operations	**55.1**	**22.8**	**10.4**	**1.7**	**(18.4)**	**71.6**
Capital investment*	**87.7**	**191.4**	**22.2**	**9.0**	**0.5**	**310.8**

(all figures in EUR millions unless stated otherwise)

2017 (*restated*)	CEE	Western Europe	Russia	China	Other	Total
Revenue from external customers	619.2	400.4	142.4	62.3	13.6	1 237.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**619.2**	**400.4**	**142.4**	**62.3**	**13.6**	**1 237.9**
EBITDA	**92.6**	**46.5**	**16.8**	**5.9**	**(13.6)**	**148.2**
Depreciation (note 13)	36.4	18.4	8.3	4.5	0.2	67.8
Amortisation (note 14)	4.8	4.1	0.5	0.3	0.2	9.9
Net impairment losses on financial assets	0.1	1.8	-	-	-	1.9
Net impairment losses on other assets	0.0	3.3	1.3	1.3	-	5.9
Profit/loss from operations	**51.3**	**18.9**	**6.7**	**(0.2)**	**(14.0)**	**62.7**
Capital investment*	**76.6**	**92.8**	**21.4**	**6.3**	**2.1**	**199.2**

**Capital investment comprises additions and acquisition in property, plant and equipment and intangible assets.*

Information on geographical areas:

Within the "CEE" segment, for Poland and Czechia as significant geographical regions the key characteristics are disclosed below. Among the countries allocated to the Western Europe segment, Spain, France and Germany are significant geographical regions with the key characteristics disclosed below.

		2018	2017
Revenue from external customers	Poland	409.4	370.2
	Czechia	169.6	139.0
	Spain	244.8	217.3
	France	147.7	25.7
	Germany	170.4	157.0
		31 December 2018	**31 December 2017**
Total of non-current assets other than financial instruments and deferred tax assets	Poland	165.19	155.77
	Czechia	47.15	39.66
	Spain	268.63	257.11
	France	350.58	62.23
	Germany	89.68	80.91

The segment information has been prepared in accordance with the accounting policies applied in these Consolidated financial statements.

Taking into account that the Group operates chains of own restaurants and additionally operates as franchisor (for own brands) and master-franchisee (for some franchised brands), the Group does not have any single external customer accounting for 10% or more of total revenue earned by the Group.

6. Business combinations

Acquisition of Sushi Shop Group

Description of the acquisition

On 24 July 2018 AmRest signed an agreement with Mr. Grégory Marciano, Naxicap Partners SA and remaining sellers (jointly "Sellers") setting forth AmRest's commitment to purchase 100% of the shares in Sushi Shop Group SAS. On 27 July 2018 the Share Purchase Agreement (the "SPA") with the Sellers aimed at the acquisition by AmRest of 100% of the shares in Sushi Shop Group SAS was signed.

On 31 October 2018 AmRest announced the completion of the SPA after fulfillment of all obligations and obtaining all required approvals (including relevant clearance from antitrust authorities). Control over Sushi Shop Group was obtained on that date (closing date), and since 1 November 2018 the results of Sushi Shop Group operations have been included in these Consolidated Financial Statements.

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising 165 shops of which about one third are run by franchisees. Upscale Sushi Shop shops are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

(all figures in EUR millions unless stated otherwise)

The acquisition was meant to strengthen AmRest's portfolio with a well-established proprietary brand in the sushi segment.

The Group acquired 100% of the shares in GM Invest, which was one of the direct shareholders of Sushi Shop Group SAS, together with the remaining shares in Shushi Shop Group SAS from Sellers. As a result, AmRest Group holds 100% of the shares in Sushi Shop Group SAS. Sushi Shop Group SAS is the parent company of over 81 subsidiaries, with minor non-controlling interests in certain entities. GM Invest and Sushi Shop Group SAS capital group are referred to jointly as Sushi Shop Group (SSG).

Provisional acquisition price determination

The acquisition price includes amounts paid and payable to the Sellers for shares in Sushi Shop Group SAS and GM Invest as well as amounts paid on the closing date as repayment of the external debts of SSG, as agreed in the SPA.

On the closing date AmRest paid approx. EUR 133.5 million for shares and EUR 78.1 million in the form of repayment of external SSG debts. As a result of the verification of the balances of assets and liabilities on the closing date, as agreed in the SPA on 10 January 2019, AmRest submitted a calculation of purchase price adjustment to the Sellers.

Based on the submitted calculation, the purchase price should be reduced by EUR 10.3 million.

In February 2019, the Group received notice from the Sellers' Agents with objections to the proposed price. AmRest sent it response on 20 February 2019 proposing to decrease the initially proposed price adjustment by EUR 0.7 million. If parties will not agree, then as agreed in the SPA, an external expert will be appointed to determine the purchase price adjustment.

The provisional acquisition price used for the purpose of the acquisition accounting in these consolidated financial statements takes into account the initially proposed adjustment as submitted by AmRest Group. Should the final purchase price adjustment be determined differently by an external expert, the final purchase price accounting will be adjusted and restated before the one year window period.

Acquisition price includes also the fair value of deferred payments. It was agreed in the SPA that EUR 18.0 million is deferred for transfer to the Seller for two years after closing. Consequently, the discounted value of EUR 17.0 million was accounted for as the deferred payment element of the acquisition price in these consolidated financial statements.

In the SPA parties also agreed that part of the acquisition price, an equivalent of EUR 13.0 million is to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares in July 2019. The consideration is to be settled in fixed number of shares (approx. 1.4 million shares). The number of shares was determined as at 31 October 2018 and is fixed. This is an equity instrument and consequently was recognised as an equity item.

The acquisition price as agreed in the SPA also included a contingent consideration element in the form of an earn-out. The parties agreed that if 2018 EBITDA exceeded a certain level, the Sellers would receive an additional payment, up to EUR 10.0 million to the acquisition price. As the agreed threshold was not met, the contingent consideration element is deemed to be zero for the acquisition price determination.

Summary of acquisition price determination:

Amount paid in cash on closing	211.6
Reimbursement claimed on purchase price	(10.3)
Deferred payment in cash accounted as liability	17.0
Deferred payment in shares accounted as equity (note 23)	13.0
Total acquisition price	**231.3**

Provisional allocation of acquisition price

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of the risks and balances of assets and liabilities acquired. The purchase price allocation result below is provisional.

In particular, the Group has not finalised the process of assessing the fair value of acquired items of property, plant and equipment, and the values presented in these consolidated financial statements are based on the net book values from the local financial statements.

Within the provision allocation of the acquisition price process, the Group has recognised the "Sushi Shop" brand at EUR 92 million. This valuation is internal and provisional and will be subject to further verification.

Sushi Shop brand's value has been determined using the income approach (relief from royalty). The Group believes that prospective financial information used as a valuation input reflects the income that could hypothetically be achieved by a typical market participant by owning the brand. Key assumptions for the applied relief-from-royalty method include royalty income of 5.4% of all restaurants' sales reduced by the costs required to maintain the brand and support the royalty stream. The useful life of the brand had been preliminarily assessed to be indefinite – respective terminal value has been estimated using a 1.65% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 3p.p. premium reflecting the intangible assets' liquidity risk.

No other intangible assets have been recognised yet, however, the Group has not closed the process of identifying and valuing other intangible assets potentially acquired.

The fair value of acquired trade and other receivables is EUR 17.9 million. The gross contractual amount for receivables due is EUR 21.0 million, of which EUR 3.1 is expected to be uncollectible.

Deferred taxes were recognised on major adjustments to the fair values and are subject to further verification. The Group is also verifying the values of provisions, accruals and contingent liabilities.

Non-controlling interest at SSG level of EUR 0.8 million was determined at the proportionate share in recognised net assets.

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

There were no pre-existing relationships between SSG and AmRest Group.

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

Sushi Shop Group	**Fair value EUR million**
Property, plant and equipment	16.0
Trademark	92.0
Other non-current assets	1.5
Inventories	1.3
Trade and other receivables	17.9
Cash and cash equivalents	8.1
Other current assets	1.4
Total assets	138.2
Provisions	3.0
Deferred tax liabilities	19.5
Trade payables	10.4
Other current liabilities	22.1
Total liabilities	55.0
Net assets acquired	**83.2**
Acquisition price	231.3
Non-controlling interest within SSG	0.8
Less net assets acquired and liabilities assumed	(83.2)
Goodwill	**148.9**

(all figures in EUR millions unless stated otherwise)

Cash flows related to acquisition are as follows:

Amount paid in cash on closing	211.6
Acquired cash and cash equivalents	8.1
Cash outflows on acquisition	**203.5**

Provisional goodwill recognised on this acquisition comprises the value of expected synergies arising from the acquisition unidentified separately, unexploited market potential and expected economies of scale from combining the current activities of the AmRest Group and the acquired business. Goodwill recognised is not-deductible for income tax purposes.

Allocation of provisional goodwill to groups of cash generating units where goodwill-related synergies will be realised, has been not yet finalized. The Group considers that there were no indicators of impairment.

Impact on the consolidated income statements

The acquisition costs of EUR 0.6 million have been recognised as general and administrative expense, and in operating cash flows in the statement of cash flows.

If the acquisition had taken place at the beginning of the year, estimated consolidated revenues would have been higher by EUR 126.5 million and net profit of the Group would have been lower by EUR 0.3 million. These estimates are based on historical consolidated financial data of SSG prepared according to local accounting standards, normalized for finance costs charge, as interest paid and accounted for by SSG was significantly higher than average in AmRest Group. Finance costs for the purpose of the above disclosure were decreased to reflect the average costs of interest as in AmRest Group.

Entrance into KFC French restaurant market

Description of the acquisition

In October 2017 the Group started a process of acquisition of 42 KFC restaurants operating in the French market from KFC France SAS. The total agreed price for the acquired restaurant business was set at EUR 40 million. The initial price included the purchase price of EUR 2.2 million for land and leasehold improvements of EUR 0.7 million, which were finally not acquired, and also due to legal reasons (pre-emptive rights) two restaurants (purchase price of EUR 2 million) were excluded from final acquisition. As a result of the above, the total purchase price dropped to EUR 35.1 million.

Moreover, during the fourth quarter of 2017 and the first quarter of 2018, the Group acquired from Yum 5 more KFC restaurants in the French market for a total of EUR 10.5 million.

Control over particular restaurants was obtained on various dates between October 2017 and July 2018. The full process in the vast majority was conducted in the last quarter of 2017, with a total of 4 restaurants taken over in the first half of 2018. For each restaurant, the Group started to consolidate its results since the date of control. For the purpose of accounting and disclosure, the financial data for all 45 stores were aggregated, and this note presents the impact of the KFC acquisition in the French market on the Group's balance sheet and reported results. Through the transaction, AmRest has become the largest franchise partner of KFC in France.

KFC restaurants in France are operated within AmRest Opco SAS and two of its subsidiaries: AmRest Leasing SAS and AmRest Estate SAS. One restaurant has been acquired by the purchase of the shares of AmRest Chamnord SAS, a company which has also become a subsidiary of AmRest Opco SAS.

Allocation of the acquisition price

In the fourth quarter of 2018, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired KFC France restaurants.

The final purchase price allocation settlement includes the acquisition of 39 restaurants structured legally as an asset deal, the acquisition of Chamnord restaurant structured legally as a share deal, and the acquisition of 5 additional KFC restaurants performed at the same time and from the same seller (Yum).

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

AmRest Opco SAS group	Fair value EUR million
Cash and cash equivalents	0.3
Property, plant and equipment	35.9
Intangible assets	1.9
Inventories	0.7
Deferred tax asset	2.5
Asset related to right to compensation resulting from the acquisition agreement	3.5
Employee related accruals	(3.5)
Payables	(0.3)
Provisions	(1.0)
Net assets acquired	**40.0**
Acquisition price	47.5
Less net assets acquired and liabilities assumed	(40.0)
Goodwill	**7.5**

Cash flows related to the acquisition are as follows:

Amount paid in cash	47.5
Acquired cash and cash equivalents	0.3
Cash outflows on acquisition	**47.2**
Including cash outflows in 2018	5.0

The acquisition process was prolonged over time and caused restatement of the financial data presented in the consolidated annual financial statements for the year ended 31 December 2017, for stores that were acquired up until the end of 2017. Details of the restatement have been described in note 41 of these Consolidated Annual Financial Statements.

A qualified and well-known French external expert was appointed to carry out the fair valuation of restaurants assets taken over in the context of an acquisition process. As a result of the acquisition, based on the valuation performed, the Group has acquired land amounting to EUR 11.2 million, leasehold improvements amounting to EUR 12.3 million, and machinery and other tangible assets amounting to EUR 12.4 million.

Within the transaction, a transfer of employees also took place. Employee-related accruals, such as holiday pay accrual and any potential bonuses were accounted for with the corresponding recognition of receivables from the seller (YUM receivable), as transfer of those accruals is subject to reimbursement from the seller. Employee-related accrual recognised in an amount of EUR 3.5 million, equal to the asset related to the right to compensation, was repaid by Yum as at the date of these Consolidated Financial Statements. In addition, provision for the estimated costs of bringing the location to the condition it was in before the lease agreement was signed was recognised, amounting to EUR 1 million.

A deferred tax asset amounting to EUR 2.5 million was also recognised for temporary differences between tax and accounting values.

Apart from the purchase price paid as stated above, the Group covered initial fees for all new stores, which were added to the purchase price. Initial fee payments for the granting of franchise rights and use of the KFC trademark amounted to EUR 1.9 million and have been recognised on the balance sheet as an intangible asset on the acquisition date.

The Group also considered potential recognition of other intangible assists such as favorable rental agreements, customer loyalty database and other items, and did not identify any other material assets to be recognised.

Due to the fact that from a legal perspective the purchase of 44 restaurants was structured as an asset deal, and the purchase of one restaurant as a share deal, no material payables have been acquired.

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

Impact on the consolidated income statements

The acquisition cost of EUR 1.8 million has been recognised as other operating expenses. The high level of acquisition-related costs results from the obligatory registration and notary fees paid.

For all stores taken over in 2017: If the above described acquisition of KFC French restaurants had happened at 1 January 2017, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 86.6 million and net profit would have decreased by EUR 0.4 million. These estimates are based on historical data of KFC France restaurants according to US GAAP.

For all stores taken over in 2018: If the above described acquisition of KFC French restaurants had happened at 1 January 2018, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 2.2 million with no impact on net profit. These estimates are based on actual post-acquisition results of restaurants, adjusted by KFC France brand expected seasonality indicators to show the estimated impact on results in 2018, before acquisition.

Further expansion to the KFC French restaurant market

Description of the acquisition

In September 2018, the Group started a process to acquire an additional 15 restaurants operating in the French market from KFC France SAS. The total agreed price for the acquired restaurant business was set at EUR 33.3 million. At the end of December 2018, all 15 restaurants were acquired for a total purchase price of EUR 34.4 million. The agreed purchase price was increased by the initial fees paid, amounting to EUR 0.6 million (recognised as intangible assets in the balance sheet) and reimbursement of prepaid rents and rent deposit paid, amounting to EUR 0.5 million (recognised as other non-current assets in the balance sheet).

The acquisition of KFC French restaurants will contribute to strengthening the partnership with Yum! brands and AmRest's leading position as KFC restaurant operator in France.

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

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

Provisional allocation of the acquisition price

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

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

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

From a legal perspective, the purchase of 14 restaurants was structured as an asset deal and the purchase of one restaurant as a share deal, therefore no material payables have been acquired.

The Group has acquired property, plant and equipment totaling EUR 22.2 million, intangible assets totaling EUR 0.6 million, inventories and cash totaling EUR 0.3 million, other assets totaling EUR 0.6 million and other payables totaling EUR 0.5 million.

A deferred tax asset amounting to EUR 2.8 million was also recognised for temporary differences between tax and accounting values.

As a result, goodwill of EUR 8.4 million was recognised.

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

AmRest Opco SAS group	**Fair value EUR million**
Cash and cash equivalents	0.1
Property, plant and equipment	22.2
Intangible assets	0.6
Inventories	0.2
Deferred tax asset	2.8
Asset related to right to compensation resulting from the acquisition agreement	0.8
Employee related accruals	(0.8)
Deposit and prepaid rent and other assets	0.6
Payables	(0.5)
Net assets acquired	**26**
Acquisition price	34.4
Less net assets acquired and liabilities assumed	(26)
Goodwill	**8.4**

Cash flows related to acquisition are as follows:

Amount paid in cash	34.5
Acquired cash and cash equivalents	0.1
Cash outflows on acquisition	**34.4**

Impact on the consolidated income statements

If the above described acquisition of KFC French restaurants had happened at 1 January 2018, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 30.2 million and net profit would have increased by EUR 0.6 million. These estimates are based on the actual results of restaurants, adjusted by KFC France brand expected seasonality indicators to show the estimated impact on results in 2018, before acquisition.

The Group incurred a total of EUR 1.8 million in transaction-related costs, including registration fees, that were recognised in the income statement on this transaction. The high level of acquisition-related costs results from the obligatory registration and notary fees paid.

Acquisition of Pizza Hut restaurants in Russia

Description of the acquisition

On 30 April 2018 AmRest signed assets sale and purchase agreement between AmRest and Pizza Hut Europe S.à.r.l. Under the terms of the APA, AmRest acquires the operating assets of 16 PH restaurants in the Russian market. On 1 June 2018 the transaction was completed. Additionally, operating processes were taken over as agreed with the seller: AmRest Group re-signed employee contracts and re-signed all important operating contracts (supply chain, lease agreements and others). Consequently, the Group obtained control over the respective PH businesses, and OOO Pizza Company became the operator of 16 PH restaurants.

Within the transaction, the master franchise agreement was also signed, under which AmRest becomes the exclusive master-franchisee and has the right of granting the license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in Russia, Azerbaijan and Armenia. Furthermore, the Group became the franchisor for 29 restaurants operated by multiple independent sub-franchisees in the abovementioned countries.

The acquisition price amounted to EUR 0.3 million (RUB 18.7 million).

Allocation of the acquisition price

Details of the established fair values of the acquired net assets and liabilities assumed, and acquisition price as at the acquisition date are presented below:

OOO Pizza Company	Fair value RUB million	Fair value EUR million
Property, plant and equipment	76.9	1.1
Intangible assets	27.2	0.4
Other non-current assets	110.9	1.5
Other current assets and inventories	47.3	0.7
Deferred tax liabilities	(19.3)	(0.3)
Payables towards seller	(142.6)	(2.0)
Loyalty program deferred revenues	(5.0)	(0.1)
Net assets acquired	**95.4**	**1.3**
Acquisition price	18.7	0.3
Less net assets acquired and liabilities assumed	(95.4)	(1.3)
Gain on a bargain purchase	**(76.7)**	**(1.0)**

Cash flows related to the acquisition are as follows:

Amount paid in cash	18.7	0.3
Acquired cash and cash equivalents	-	-
Cash outflows on acquisition	**18.7**	**0.3**

The purchase price of EUR 0.3 million represents the total amounts paid and payable to seller with regards to the purchase of tangible assets, intangible assets, inventories, reimbursements for deposits and others, less the value of royalty rebates agreed.

Preliminary purchase price accounting as presented in the interim Consolidated Financial Statements for the 6 months ended 30 June 2018 was adjusted for deferred tax liabilities (increase of EUR 0.2 million) and verification of loyalty program deferred revenues (decrease of EUR 0.7 million)

The Group has reassessed components of the computation to ensure that the measurements are based on all available information as of the acquisition date to ensure that it has correctly identified all of the assets acquired and all of the liabilities assumed.

The final gain on a bargain purchase of EUR 1.0 million is recognised in other operating income.

Recognition of gain on a bargain purchase is connected with the withdrawal of Yum from operating own PH stores in the Russian market. As a result of the transaction, Yum transferred all its owned stores to AmRest, and AmRest became a Master Franchisee for the PH brand in Russia.

Impact on the consolidated income statements

As the acquisition of PH Russia business occurred on 1 June 2018, the results of acquired assets for the first five months of 2018 have not been reported in these Consolidated Financial Statements. If the acquisition described above had happened at 1 January 2018, estimated consolidated revenues for the 12 months ended 31 December 2018 would be higher by EUR 2.7 million and net profit would be lower by EUR 0.7 million. The above data are based on non-audited internal reporting packages prepared based on Russian accounting standards by the previous owner.

Acquisition costs of EUR 0.1 million related to the transaction have been recognised as general and administrative expenses.

Acquisition of a Spanish premium burger chain (BACOA)

Description of the acquisition

On 16 July 2018 AmRest signed the Binding Offer aimed at acquiring the Spanish premium burger chain BACOA.

On 31 July 2018 the definitive Share Purchase Agreement (SPA) between AmRest Tag and Bloom Motion, S.L and Mr. Johann Spielthenner as Seller was signed and AmRest Tag acquired 100% of the share capital of the company BACOA Holding and Black Rice, S.L. As a result, AmRest acquired a restaurant chain consisting of 6 burger restaurants under the BACOA brand in Spain (2 equity and 4 franchised located in Barcelona and Madrid).

Control was obtained on 31 July 2018. The purchase price amounted to approximately EUR 3.9 million, of which EUR 0.4 million is payment of the pending portion of the Purchase Price, provided that if at that moment there is any claim outstanding, the amount of the claim will be held back until the claim is determined. This holdback amount will be paid 50% on the first anniversary and the remaining 50% on the second anniversary of the date of the agreement.

Provisional allocation of the acquisition price

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of risks and balances of assets and liabilities acquired. The purchase price allocation results below are provisional.

In particular, the Group has not finalised the process of assessing the fair value of acquired property plant and equipment, intangible assets inventories, trade and other receivables and payables.

Within the provision allocation of the acquisition price process, the Group has recognised the "Bacoa" brand at EUR 2.5 million. This valuation is internal and provisional and will be subject to further verification.

Bacoa brand's value has been determined using the income approach. The Group believes that prospective financial information used as a valuation input reflects the income that could hypothetically be achieved by a typical market participant by owning the brand. Key assumptions for the applied relief-from-royalty method include royalty income of 5% of all restaurants' sales, reduced by the costs required to maintain the brand and support the royalty stream. The useful life of the brand had been preliminarily assessed to be indefinite – the respective terminal value has been estimated using a 1.6% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 5 p.p. premium reflecting the intangible assets liquidity risk.

Deferred taxes were recognised on major adjustments to the fair values and are subject to further verification. The Group is also verifying the values of provisions, accruals and contingent liabilities.

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

Bacoa Holdings S.L. and Bacoa Black Rice S.L.	**Fair value EUR million**
Cash and cash equivalents	0.2
Property, plant and equipment	0.5
Intangible assets	2.6
Other non-current assets	0.3
Trade and other receivables	0.1
Inventories	0.1
Other current assets	0.3
Deferred tax liabilities	(0.6)
Payables	(0.2)
Corporate income tax liabilities	(0.1)
Other liabilities	(0.5)
Net assets acquired	**2.7**
Acquisition price	3.9
Less net assets acquired and liabilities assumed	(2.7)
Goodwill	**1.2**

Cash flows related to acquisition are as follows:

Amount paid in cash	3.5
Acquired cash and cash equivalents	0.2
Cash outflows on acquisition	**3.3**

Provisional goodwill recognised on this acquisition comprises the value of expected synergies arising from the acquisition unidentified separately, unexploited market potential and expected economies of scale from combining the current activities of the AmRest Group and the acquired business. Goodwill recognised is not-deductible for income tax purposes.

(all figures in EUR millions unless stated otherwise)

Allocation of provisional goodwill to groups of cash generating units where goodwill related synergies will be realised, has been not yet finalized. The Group believes that there were no indicators of impairment.

Impact on the consolidated income statements

Acquisition costs of EUR 0.1 million have been recognised as general and administrative expense, and in operating cash flows in the statement of cash flows.

If the combination had taken place at the beginning of the year, estimated consolidated revenues would have been higher by EUR 1.8 million and net profit of the Group would have been higher by EUR 0.1 million. These estimates are based on non-audited internal reporting packages prepared based on Spanish-GAAP by the previous owner.

7. Revenues

The Group analyzes revenues disaggregated by type of customer. The Group operates chains of own restaurants under own brands as well as under franchise license agreements. Additionally, the Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand) and develops chains of franchisee businesses, organizing marketing activities for the brands and supply chain. Consequently, the Group analyses two streams of revenue:

- Restaurant sales,
- Franchise and other sales.

This is reflected in the format of Group's consolidated income statement. Additional disaggregation by geographical market is included in the note 5.

Restaurant sales

Restaurant revenues are the most significant source of revenues representing over 90% of total revenues.

Revenues from the sale of food items by Group - owned restaurants are recognised as Restaurant revenues when a customer purchases the food, which is when our obligation to perform is satisfied. Groups' customer base is widely spread and Group does not have any risk related to dependency to any group of customers.

Diversified individuals are Group's customers. Payments for the restaurant sales are settled immediately in cash or by credit, debit and other cards. There are no material credit risks related to this type of operations.

Franchise and other sales

Franchisees and sub-franchisees are our main customers with regards to Revenues from franchise and other sales. Franchise rights may be granted through a store-level franchise agreement. Franchisee of Group's own brands pay royalty fees as a percentage of the applicable restaurant's sales. Group may also receive revenues from the re-sale of franchise rights under Master-Franchise Agreements signed for certain brands, as well as remuneration for services performed for development of the market.

Other sales include mainly sales of foods within supply-chain services organized by Group or sales of foods from central kitchens operated by Group.

The number of Group customers under franchise and other revenues is limited and characterized by higher level of credit risk then in restaurant sales.

8. Operating costs and losses

Analysis of operating expenses by nature:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Depreciation (note 13)	80.3	67.8
Amortisation (note 14)	11.8	9.9
Food, merchandise and other materials	476.8	393.0
Utilities	60.8	47.9
External services - marketing	68.2	49.6
External services – other	65.3	53.5

(all figures in EUR millions unless stated otherwise)

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Payroll	375.9	281.7
Social security and employee benefits	92.0	69.7
Operating leases (occupancy cost) (note 33)	143.4	120.9
Royalties	77.0	59.4
Insurance	1.1	0.9
Business travel	10.7	7.5
Other	16.7	12.5
Total cost by nature	**1 480.0**	**1 174.3**
Loss/(gain) from fixed assets disposal (note 13)	(2.7)	1.0
Total operating costs and losses	**1 477.3**	**1 175.3**

Summary of operating expenses by functions:

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Restaurant expenses	1 299.9	1 033.9
Franchise and other expenses	62.3	50.3
Total cost of sales	**1 362.2**	**1 084.2**
General and administrative expenses	115.1	91.1
Total operating costs and losses	**1 477.3**	**1 175.3**

Details of impairments losses recognised:

		year ended	
	Note	**31 December 2018**	**31 December 2017** *(restated)*
Impairment on trade receivables		1.5	1.9
Net impairment losses on financial assets		**1.5**	**1.9**
Impairment of property, plant and equipment	13	7.1	4.6
Impairment of intangible assets	14	0.9	1.3
Net impairment losses of other assets		**8.0**	**5.9**
Total net impairment losses of assets		**9.5**	**7.8**

9. Other operating income/expenses

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Proceed received on prior years tax claims	2.5	-
Insurance gains	1.7	-
Supply chain services	4.6	2.2
Gain on bargain purchase	1.0	-
Compensation received for the early termination of rental contracts	-	1.6
PFRON (State Fund for the Rehabilitation of the Disabled) Income	-	0.9
Income from recycling	0.1	0.8
Income on terminated pre-paid cards	-	0.7
Sublease income	0.4	0.5
Reversal of cost accruals	1.4	1.8
Compensations received	-	0.1
Other income	1.6	1.0
Registration and notary costs related to the acquisition in France	(1.8)	(1.7)
	11.5	**7.9**

(all figures in EUR millions unless stated otherwise)

10. Finance income

	year ended	
	31 December 2018	31 December 2017
		(*restated*)
Income from bank interest	0.8	0.8
Fair value measurement of FVTPL (note 17)	1.9	-
	2.7	**0.8**

11. Finance costs

	year ended	
	31 December 2018	31 December 2017
		(*restated*)
Interest expense	(12.6)	(10.9)
Arrangement fee	(1.8)	(0.9)
Net cost from foreign exchange differences	(0.9)	(0.8)
Other	(1.5)	(1.4)
	(16.8)	**(14.0)**

12. Taxes

Income taxes

	year ended	
	31 December 2018	31 December 2017
		(*restated*)
Current tax	(17.9)	(12.0)
Deferred income tax recognised in the income statement	1.7	5.2
Income tax recognised in the income statement	**(16.2)**	**(6.8)**
Deferred tax asset		
Opening balance	16.7	10.2
Closing balance	22.1	16.7
Deferred tax liability		
Opening balance	27.3	26.7
Closing balance	46.2	27.3
Change in deferred tax assets/liabilities	**(13.5)**	**5.9**
of which:		
Deferred taxes recognised in the income statement	1.7	5.2
Deferred taxes recognised in goodwill (note 6)	(17.4)	(2.7)
Deferred taxes recognised in other comprehensive income – net investment hedges	(0.9)	2.3
Deferred taxes recognised in equity -valuation of employee options	1.4	(0.6)
Foreign exchange differences	1.7	1.7

The Group operates in various tax jurisdictions. Income taxes and deferred income taxes are measured using tax rates enacted or substantively enacted at the reporting date in particular countries. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes in Germany were calculated using a tax rate of 30% which is the basic income tax rate in Germany of 15% and an additional average trade tax of 15%.

(all figures in EUR millions unless stated otherwise)

Deferred taxes in France were calculated taking into account an approved plan of the progressive reduction of the income tax rate from 33.3% in 2018 to 25.0% in 2022.

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

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Profit before tax	**57.5**	**49.5**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	9.0	7.7
Effect of permanent non-tax-deductible differences	2.6	(1.1)
Utilization of tax losses not recognised in prior periods	(0.3)	(0.3)
Tax loss for the current period for which no deferred tax asset was recognised	3.6	0.6
Effect of the remaining differences	1.3	(0.1)
Corporate income tax in the income statement	**16.2**	**6.8**

**The applicable weighted average tax rate amounted to 15.7% (for the period ended 31 December 2017: 15.6%).*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The current financial situation and strategic plans allow to consider the level of recognised assets and deferred tax assets to be reasonable.

Temporary differences in the calculation of deferred tax relate to the following items:

	Asset		Liability	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Property, plant and equipment and intangible assets	10.6	6.5	50.7	31.7
Provisions, liability and impairments	5.0	8.0	-	0.3
Tax losses carried forward	10.3	7.5	-	-
Other differences	2.6	2.6	1.9	3.2
	28.5	**24.6**	**52.6**	**35.2**
The offset of tax	**(6.4)**	**(7.9)**	**(6.4)**	**(7.9)**
	22.1	**16.7**	**46.2**	**27.3**

As at 31 December 2018 Group has the following tax losses:

Year of expiry of tax loss carryforwards	**Value of tax losses**	**Tax losses in respect of which deferred tax assets were recognised**	**Tax losses in respect of which no deferred tax assets were recognised**
2019	1.9	0.2	1.7
2020	0.8	0.3	0.5
2021	0.6	-	0.6
2022	2.1	-	2.1
2023	5.6	-	5.6
2024	0.7	-	0.7
2025	0.3	-	0.3
2027	0.4	-	0.4
No time limit	78.0	33.2	44.8
	90.4	**33.7**	**56.7**

(all figures in EUR millions unless stated otherwise)

Deferred taxes were not recognised for the following tax losses:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Poland	6.5	11.4
Hungary	5.7	5.9
France	18.7	10.7
Germany	20.5	17.3
Croatia	0.6	0.6
China	0.2	-
Bulgaria	1.3	1.8
Serbia	0.1	-
Slovenia	0.1	0.1
Romania	0.3	0.1
Austria	0.6	-
Russia	1.1	0.7
Portugal	1.0	-
	56.7	**48.6**

As at 31 December 2018 the Group recognised a deferred tax asset from tax losses in an amount of EUR 10.3 million. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses or no activity of some companies.

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

Tax related risks description

Tax inspections in AmRest Sp. z o.o.

a. On 28 July 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for 2014. On 11 September 2017 the Company received the decision issued by the Head of the Lower Silesia Tax Office ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed the tax liability amounting to PLN 4.3 million (EUR 1.0 million) and the amount of the return unduly received of PLN 10.2 million (EUR 2.3 million). On 22 September 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above decision.

   On 7 August 2018 the Company received the final decision issued by the Tax Administration Chamber which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise.

   Additionally, in August 2018 the Company received cash resulting from a corrective VAT return submitted in 2016 (with respective interest).

   On 18 February 2019 the Company received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision.

   At the moment of publication of this Report the decision related to the annulment of the final decision has not been issued.

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

   On 2 October 2017 the Company received the decision issued by the Lesser Poland Customs and Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed in its decision the tax liability amounting to PLN 3.1 million (EUR 0.7 million) and the amount of the return unduly received of PLN 11.2 million (EUR 2.6 million).

   On 16 October 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above described decision. As a result of the decision issued on 17 January

2018 by the Tax Administration Chamber which revoked the decision of first instance and submitted it for further examination, another decision was issued by the Head, which the Company appealed on 15 June 2018.

On 8 February 2019 the Company received the final decision issued by Tax Administration Chamber which confirmed the decision of the first instance. Due to the fact that the decision is enforceable the Company has calculated and paid the value of approx. PLN 15.2 million (approx. EUR 3.5 million) as a tax liability and value of approx. PLN 6.1 million (approx.1.4 million) as interest. Total payment of EUR 4.9 (PLN 21.3 million) million was recognised as asset (receivables from tax authorities) in February 2019. The Company does not agree with the decision received and it is planned to file the complaint within the time limit.

c. On 28 September 2016 a tax inspection began in AmRest Sp. z o.o. on VAT returns for 2012. On 11 September 2017 the Company received a decision issued by the Head of the Lesser Poland Customs and the Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in his decision underestimated output VAT amounting to PLN 18.5 million (EUR 4.2 million).

   On 7 November 2017 the Company received the decision of the Head of the Lower Silesia Tax Office on the basis of which the above decision of the Head of the Lesser Poland Customs and Tax Office became immediately enforceable. As a result, on 7 November 2017 the Company's bank account was seized in order to cover tax liabilities consisting of a VAT liability for July, August and September 2012 amounting to PLN 1.3 million (EUR 0.3 million), unduly received in the December 2012 VAT return (for July 2012) in the amount of PLN 0.5 million (EUR 0.1 million), interest accrued in the amount of PLN 0.8 million (EUR 0.2 million) and enforcement costs in the amount of PLN 0.2 million (EUR 0.04 million).

   On 14 November 2017 the Company appealed said decision and the administrative action taken. On 12 February 2018 the Tax Administration Chamber issued a decision upholding the decision of the first instance concerning the execution. On 19 March 2018 the Company appealed to the Local Administrative Court in this respect and on 16 August 2018 the Company received the decision of the Court stating that the complaint had been dismissed.

   On 12 December 2017 the Tax Administration Chamber (second instance) issued the decision which revoked the decision of first instance and submitted it for further examination. This also resulted in revocation of execution proceedings. On 29 May 2018 another decision has been issued by the Head (first instance) which the Company appealed on 15 June 2018.

   On 8 February 2019 the Company received the final decision issued by Tax Administration Chamber which confirmed the decision of the first instance. However due to the fact that the decision is enforceable the Company has calculated and paid the value of approx. PLN 16.8 million (approx. EUR 3.9 million) as a tax liability and value of approx. PLN 8.7 million (approx. EUR 2.0 million) as interest. Total payment of EUR 5.9 million (PLN 25.5 million) was recognised as asset (receivables from tax authorities) in February 2019. The Company does not agree with the decision received and it is planned to file/has filed the complaint within the time limit.

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

   On 14 September 2017 the Company received the decision issued by the Head of the Lower Silesia Tax Office ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed in his decision that the amount of tax difference to be refunded was exceeded by PLN 3.9 million (EUR 0.9 million) and the amount to be carried over for August was exceeded by PLN 0.6 million (EUR 0.1 million) and for September by PLN 1.1 million (EUR 0.3 million).

   On 7 August 2018 the Company received the final decision issued by the Tax Administration Chamber which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

   Additionally, in August 2018 the Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

e. On 24 March 2017 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for December 2016.

On 17 October 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

Additionally, in August 2018 the Company received cash payments for VAT receivables related to the described VAT settlements (with respective interest).

f. On 24 May 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for March 2016.

On 20 August 2018 the Company received the decision issued by the Head of the Lower Silesia Tax and Customs Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

g. On 11 October 2016 a tax inspection at AmRest Sp. z o.o. began regarding VAT returns for the period January – July 2017.

On 14 November 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise in this respect. Consequently, the tax proceedings are concluded.

h. On 1 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period August – November 2017.

On 16 November 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise in this respect. Consequently, the tax proceedings are concluded.

i. On 30 July 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period December 2017 – March 2018.

On 29 August 2018 the Company received the tax protocol and on 12 September 2018 the Company submitted its reservations.

Despite the lack of a final decision from the tax office, in August 2018 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest). At the moment of publication of this Report the decision has not been issued and the inspection has not been concluded.

j. On 12 December 2018 a tax inspection started at AmRest sp. z o.o. regarding VAT returns for the period April – September 2018. As at the date of publication of this Report, the inspection has not concluded.

There is an inconsistency between the decisions issued to the Company – in the same circumstances tax authorities are stating that either: (1) that the Company applied an incorrect classification of the operations with regards to the Value-Added Tax Act (sales of goods vs. sales of gastronomic services) and has no right to refer to individual binding tax rulings, or (2) that the Company has a right to refer to individual tax ruling issued by the Minister of Finance.

The circumstances of each case and the allegations of the tax authorities have been thoroughly analyzed by the Company and its tax advisors, who found the tax authorities' standpoint challenging the VAT classification and denying the right to apply the individual tax rulings to be completely unjustified and unlawful. In the opinion of the Company, the individual binding tax rulings issued by the Minister of Finance present a reliable and true actual state and consequently have protective power according to Article 14k and Article 14m of the Tax Ordinance Act.

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

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

Furthermore, the Company insists that the case should be determined by application of Article 2a of the Tax Ordinance Act of 29 August 1997 (which states that when the provisions of the law are not clear, the case should be resolved in favor of the taxpayer).

It should be noted that in the first two decisions issued by the Tax Administration Chamber (described in points (a) and (d) above) and in the decisions issued by the Head of the Lower Silesia Tax and Customs Office (described in points (e), (f) and (g) above) - it was confirmed that the individual tax ruling issued by the Minister of Finance to the Company should have protective power and there is no basis for raising any additional tax assessments. However the recent decisions of Tax Administration Chamber in respect to VAT settlements for the periods January-December 2012 and January-September 2013 (described in points (b) and (c) respectively) are stating otherwise.

As described above, in August 2018 the Company received from the tax office cash payments relating to VAT tax receivables. In total, the Company received over EUR 10 million in cash in settlement of the VAT tax receivables presented in the consolidated financial statements in prior periods.

The Group analyzed the risk as regards ongoing tax inspections related to VAT and assessed the risk as less than 50% some conclusions have been taken considering external tax advisors. In reference to IAS 37, point 14 of the Board of Directors' opinion states there is no legal obligation and any cash outflows require a higher probability of the risk materializing. Therefore, the Group decided that as at 31 December 2018 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

k. On 23 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2016. On 6 November 2018 the Company received the result of the tax audit which concluded the inspection. Tax proceedings has not been initiated yet, therefore no decision has been issued.

l. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2013. As at the date of publication of this Report the inspection has not concluded.

m. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2014. As at the date of publication of this Report the inspection has not concluded.

Tax inspections in other Group companies

a. On 17 January 2018 a tax inspection began at AmRest Coffee Sp. z o.o. regarding VAT returns for the period December 2012 – March 2013. On 18 July 2018 a tax protocol was issued and the Company submitted its reservation by the due deadline. On 13 September 2018 the Company received a decision issued by the Head of the Lesser Poland Customs and Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in his decision underestimated output VAT amounting to PLN 0.2 million (EUR 0.1 million). On 27 September 2018 the Company appealed the decision and on 25 February 2019 the Company obtained another decision issued by the Head which revoked the first decision from 13 September 2018 and resulted in discontinuance of the proceedings. The decision is final and the Company is not obliged to correct its VAT settlements.

b. In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG identified the products that were sold with an incorrectly applied VAT rate. This fact was presented to the tax officer who was responsible for the inspection of periods prior to the acquisition of the business by AmRest. The Company undertook to correct the VAT calculation for the periods not lapsed.

   The corrective tax declarations were submitted and the outstanding tax liability was paid in July 2018. The Company has filed amended VAT tax returns – based on the approach confirmed with the tax office - for the period 2009 to 2015.

   On 18 October 2018 the Company received a letter from the tax office extending the tax audit by including the financial year 2016, during the course of which the acquisition of the Company by AmRest was completed. According to said letter, the tax audit shall cover the following tax settlements: (1) separate and uniform determination of the income tax base including trade tax base and tax losses, (2) VAT, (3) trade taxes, (3) separate determination of the trade tax loss carryforwards, (4) separate and uniform determination of the withholding taxes and corporate income taxes. As at the date of publication of this Report, the inspection has not concluded.

c. On 26 June 2017 AmRest Topco France SAS received a letter from the tax office notifying a tax inspection regarding tax settlements for 2014 and 2015 and in respect of VAT returns submitted until 30 December 2016. On 21 September 2017 the Company was informed about the extension of the inspection by including the verification of the books for the period ended 30 November 2016. On 11 July 2018 the Company received a tax notification letter for which the relevant response was submitted within the deadline in September 2018. The tax auditor sent his answer on 24 September 2018. On 19 October 2018 the Company replied to the tax auditor requesting a hierarchical administrative appeal. The Company has received confirmation that the matter will be subject to the proceedings before the regional audit commission (second instance), but as at the date of publication of this Report, the date of the commission has not been determined yet.

d. On 18 October 2017 AmRest Delco France SASU received a letter from the tax office notifying a tax inspection regarding the settlements for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and VAT returns submitted for the period 1 January 2017 to 31 August 2017. On 11 July 2018, the Company received a tax notification letter for which the relevant response was submitted within the deadline in September 2018. The tax auditor sent his answer on 24 September 2018. On 19 October 2018, the Company replied to the tax auditor requesting a hierarchical administrative appeal. AmRest Delco France SAS met the tax audit director on 27 November 2018 to defend its position on the tax adjustment proposal and, as a result, the tax auditor accepted part of the tax adjustment proposed by the Company. On 11 February 2019 AmRest Topco France received on behalf of AmRest Delco France a notification regarding the penalties and interests due. According to the final adjustment of the tax, the value of the tax losses to be carried forward decreased by immaterial amount.

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

f. On 11 January 2018 a tax inspection began at AmRest Holdings SE regarding CIT for 2013. On 21 January 2019 the Company received the tax inspection result, based on which the Company submitted a corrective tax return. The correction increased the taxable base for 2013, but has not resulted in an obligation to pay additional tax.

g. On 1 November 2017 a tax inspection began at AmRest DE Sp. z o.o. & Co. KG regarding VAT returns for August 2017. No material irregularities were noted during this tax inspection.

h. On 10 January 2019 a tax inspection at AmRest SAS began regarding settlements for the period 1 January 2016 to 31 December 2016. The estimated duration of the tax inspection is 6 months. As at the date of publication of this Report, the inspection has not concluded.

In Group's opinion, there are no other contingent liabilities concerning pending audits and tax proceedings, other than those stated above.

(all figures in EUR millions unless stated otherwise)

13. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2018 and 2017:

2018	**Land**	**Buildings and expenditure on development of restaurants**	**Machinery & equipment**	**Vehicles**	**Other tangible assets**	**Assets under construction**	**Total**
Gross value							
As at 1 January 2018	**16.3**	**432.1**	**235.7**	**2.0**	**47.9**	**40.9**	**774.9**
Acquisition	7.3	6.7	28.1	0.7	0.2	0.3	43.3
Additions	-	85.3	54.3	0.4	17.9	3.6	161.5
Disposals	(8.8)	(5.4)	(6.5)	(0.6)	(1.4)	(0.2)	(22.9)
Foreign exchange differences	(0.3)	(12.2)	(6.8)	(0.1)	(1.5)	(1.4)	(22.3)
As at 31 December 2018	**14.5**	**506.5**	**304.8**	**2.4**	**63.1**	**43.2**	**934.5**
Accumulated depreciation							
As at 1 January 2018	**-**	**187.1**	**120.4**	**1.0**	**24.7**	**-**	**333.2**
Additions	-	38.1	31.2	0.6	10.4	-	80.3
Disposals	-	(4.0)	(5.5)	(0.5)	(1.1)	-	(11.1)
Foreign exchange differences	-	(5.4)	(3.7)	-	(0.8)	-	(9.9)
As at 31 December 2018	**-**	**215.8**	**142.4**	**1.1**	**33.2**	**-**	**392.5**
Impairment write-downs							
As at 1 January 2018	**0.1**	**25.9**	**7.1**	**-**	**0.9**	**1.7**	**35.7**
Additions	-	6.5	0.4	-	0.2	-	7.1
Disposals	-	(1.1)	(0.7)	-	-	0.2	(1.6)
Foreign exchange differences	-	(0.3)	-	-	0.2	-	(0.1)
As at 31 December 2018	**0.1**	**31.0**	**6.8**	**-**	**1.3**	**1.9**	**41.1**
Net book value							
As at 1 January 2018	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**
As at 31 December 2018	**14.4**	**259.7**	**155.6**	**1.3**	**28.6**	**41.3**	**500.9**

2017 (restated)	**Land**	**Buildings and expenditure on development of restaurants**	**Machinery & equipment**	**Vehicles**	**Other tangible assets**	**Assets under construction**	**Total**
As at 1 January 2017	**5.2**	**349.2**	**185.0**	**1.8**	**39.7**	**21.7**	**602.6**
Acquisition	11.3	18.2	15.5	-	0.2	-	45.2
Additions	-	60.6	39.2	0.5	9.3	19.7	129.3
Disposals	-	(1.2)	(8.0)	(0.3)	(2.1)	(0.5)	(12.1)
Foreign exchange differences	(0.2)	5.3	4.0		0.8	-	9.9
As at 31 December 2017	**16.3**	**432.1**	**235.7**	**2.0**	**47.9**	**40.9**	**774.9**
Accumulated depreciation							
As at 1 January 2017	**-**	**149.6**	**98.7**	**0.8**	**17.5**	**-**	**266.6**
Additions	-	34.2	24.7	0.4	8.5	-	67.8
Disposals	-	(0.3)	(5.7)	(0.2)	(1.8)	-	(8.0)
Foreign exchange differences	-	3.6	2.7	-	0.5	-	6.8
As at 31 December 2017	**-**	**187.1**	**120.4**	**1.0**	**24.7**	**-**	**333.2**
Impairment write-downs							
As at 1 January 2017	**-**	**23.8**	**5.7**	**-**	**0.9**	**0.9**	**31.3**
Additions	0.1	2.4	1.6	-	0.1	0.4	4.6
Disposals	-	(0.2)	0.0	-	(0.1)	0.4	0.1
Foreign exchange differences	-	(0.1)	(0.2)	-	-	-	(0.3)
As at 31 December 2017	**0.1**	**25.9**	**7.1**	**-**	**0.9**	**1.7**	**35.7**
Net book value							
As at 1 January 2017	**5.2**	**175.8**	**80.6**	**1.0**	**21.3**	**20.8**	**304.7**
As at 31 December 2017	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**

(all figures in EUR millions unless stated otherwise)

Due to the nature of the Group business the balance of the property, plant and equipment consists of assets in over 1.6 thousands restaurants. There are no individually significant assets. High balance of additions during the years is related with significant organic growth during the years. In next year the Group also expect to build significant number of restaurants. The Group is not expecting any significant disposals of property, plant and equipment items in foreseeable future.

Depreciation was charged as follows:

	year ended	
	31 December 2018	**31 December 2017**
Costs of restaurant operations	76.6	64.9
Franchise expenses and other	1.5	1.2
Administrative expense	2.2	1.7
Total depreciation	**80.3**	**67.8**

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2018 by around EUR 8.2 million. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December by around EUR 7.0 million.

Property, plant and equipment listed below cover assets under finance lease, where the Group is the lessee:

	Land	Buildings	Machinery	Vehicles	Total
As at 31.12.2018					
Gross value	0.2	2.7	0.7	1.0	4.6
Accumulated depreciation	-	(1.3)	(0.1)	(0.6)	(1.9)
Impairment	-	-	-	-	-
Net value	0.2	1.4	0.6	0.5	2.7
As at 31.12.2017					
Gross value	0.2	1.9	-	1.3	3.4
Accumulated depreciation	-	(0.6)	-	(0.7)	(1.2)
Impairment	-	-	-	-	-
Net value	0.2	1.3	-	0.6	2.1

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the years ended 31 December 2018 and 2017:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Proceeds from the sale of property, plant and equipment and intangible assets	13.3	10.0
Net value of property, plant and equipment and intangible assets sold	(10.0)	(10.8)
Gain (loss) on sale	**3.3**	**(0.8)**
Net value of property, plant and equipment and intangible assets liquidated	(0.5)	(0.1)
Gain (loss) on sales and liquidations	**2.7**	**(1.0)**

Impairment test results

The Group periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment testing. The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets /groups of assets. Impairment indicators defined by the Group are described in note 40k.

The recoverable amount of the cash-generating unit is determined based on value in use calculation for the remaining useful life determined by lease expiry date or restaurant closure date (if confirmed), using the discount rate for each individual country. Discounts rates applied are shown in the table below.

(all figures in EUR millions unless stated otherwise)

	Pre-tax discount rate 2018	Pre-tax discount rate 2017
Poland	8.88%	9.12%
Czechia	8.08%	7.38%
Hungary	8.57%	8.17%
Russia	18.71%	18.57%
Serbia	12.44%	13.95%
Bulgaria	6.94%	7.49%
Spain	8.53%	8.85%
Germany	6.28%	6.41%
France	7.34%	7.52%
Croatia	9.45%	10.15%
China	10.07%	11.49%
Romania	11.54%	9.37%
Slovakia	6.81%	-

Impairment indicators are reviewed twice a year and respective impairments test for restaurants are performed twice a year (June 30 and December 31). Recent available financial data is used to determine if impairment indictors exists. As a result of tests performed, impairment in the amount of EUR 8.0 million (EUR 7.1 million for property, plant and equipment and EUR 0.9 million for intangible assets) for the year 2018 and EUR 5.9 million in 2017 was recognised. The geographical split of the impairment results is presented in note 5.

Recognised impairment losses do not relate to any individual significant items, but to numerous restaurants tested during the year, which is consisted within years and result of Group's specifics of operations.

During year 2018 Group tested 277 restaurants and recognised impairment or partial impairment losses for assets in 91 restaurants. In 24 restaurants impairment losses were reversed, or partially reversed. The highest individual impairment loss recognised during the year for the individual restaurant amounted to EUR 0.6 million. Average impairment loss per store was less then EUR 0.1 million.

During year 2017 Group tested 214 restaurants and recognised impairment or partial impairment losses for assets in 84 restaurants. In 22 restaurants impairment losses were reversed, or partially reversed. The highest individual impairment loss recognised during the year for the individual restaurant amounted to EUR 1.0 million. Average impairment loss per store was less then EUR 0.1 million.

14. Intangible assets

The table below presents changes in the value of intangible assets in 2018 and 2017:

2018	**Proprietary brands**	**Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks**	**Other intangible assets**	**Relations with franchisees**	**Total**
Gross value					
As at 1 January 2018	**70.6**	**34.9**	**51.6**	**43.0**	**200.1**
Acquisition	94.5	0.8	0.2	-	95.5
Additions	-	4.9	5.6	-	10.5
Decreases	-	(0.2)	(0.9)	-	(1.1)
Foreign exchange differences	-	(1.2)	(0.7)	-	(1.9)
As at 31 December 2018	**165.1**	**39.2**	**55.8**	**43.0**	**303.1**
Accumulated amortisation					
As at 1 January 2018	**1.2**	**13.5**	**22.5**	**11.9**	**49.1**
Additions	0.2	2.9	6.9	1.8	11.8
Decreases	-	-	-	-	-
Foreign exchange differences	-	(0.4)	(0.3)	-	(0.7)
As at 31 December 2018	**1.4**	**16.0**	**29.1**	**13.7**	**60.2**
Impairment write-downs					
As at 1 January 2018	-	**1.0**	**1.1**	-	**2.1**
Additions	-	-	0.9	-	0.9
Decreases	-	-	(0.9)	-	(0.9)

(all figures in EUR millions unless stated otherwise)

2018	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	Total
Foreign exchange differences	-	0.1	(0.1)	-	0.0
As at 31 December 2018	-	**1.1**	**1.0**	-	**2.1**
Net book value					
As at 1 January 2018	**69.4**	**20.4**	**28.0**	**31.1**	**148.9**
As at 31 December 2018	**163.7**	**22.1**	**25.7**	**29.3**	**240.8**

2017 (restated)	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	Total
Gross value					
As at 1 January 2017	**70.2**	**25.4**	**42.2**	**43.0**	**180.8**
Acquisition	0.9	0.6	8.5	-	10.0
Additions	-	5.5	9.2	-	14.7
Decreases	(0.1)	(0.3)	(8.8)	-	(9.2)
Foreign exchange differences	(0.4)	3.7	0.5	-	3.8
As at 31 December 2017	**70.6**	**34.9**	**51.6**	**43.0**	**200.1**
Accumulated amortisation					
As at 1 January 2017	**1.0**	**10.2**	**19.0**	**10.2**	**40.4**
Additions	0.2	2.8	5.2	1.7	9.9
Decreases	-	(0.1)	(1.9)	-	(2.0)
Foreign exchange differences	-	0.6	0.2	-	0.8
As at 31 December 2017	**1.2**	**13.5**	**22.5**	**11.9**	**49.1**
Impairment write-downs					
As at 1 January 2017	-	**0.5**	**0.3**	-	**0.8**
Additions	-	0.5	0.8	-	1.3
Decreases	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-
As at 31 December 2017	-	**1.0**	**1.1**	-	**2.1**
Net book value					
As at 1 January 2017	**69.2**	**14.7**	**23.0**	**32.8**	**139.6**
As at 31 December 2017	**69.4**	**20.4**	**28.0**	**31.1**	**148.9**

Amortisation was charged as follows:

	year ended	
	31 December 2018	**31 December 2017**
Costs of restaurant operations	3.9	3.0
Franchise expenses and other	3.0	2.3
Administrative expense	4.9	4.6
Total amortisation	**11.8**	**9.9**

Other intangible assets cover mainly exclusivity rights including master-franchise rights in the amount of EUR 13.8 million (EUR 16.5 million as at 31 December 2017) and computer software.

The Group considers that brands, exclusivity rights as well as other intangible assets with indefinite useful lives do not generate cash inflows that are largely independent of other groups of assets. For some Group brands, cash inflows from the franchisee business are partially independent of other cash inflows, however, these do not represent the value of the whole brand. Brands, as well as other assets with indefinite lives, are used to support restaurant business development and revenues from sales of products under certain brands are not capable of being split between revenue for the brand and revenue for costs of production. Consequently, brands and other intangible assets are not a cash-generating unit and are not tested on a standalone basis. Such assets are tested together with their relevant goodwill values. The results of the test are presented in note 15.

(all figures in EUR millions unless stated otherwise)

15. Goodwill

Goodwill recognised on business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the business combination.

The table below presents goodwill allocated to particular levels on which is monitored by the Group, which in all cases is not higher than the operating segment level:

2018	1 January 2018	Increases	Foreign exchange differences	31 December 2018
Czechia	1.5	-	-	1.5
Hungary	4.0	-	(0.2)	3.8
Russia - KFC	40.6	-	(4.9)	35.5
Poland – Pizza Portal	0.7	-	-	0.7
Poland – Other	0.6	-	-	0.6
Spain	89.6	-	-	89.6
Spain - Bacoa (provisional)	-	1.2	-	1.2
China	19.9	-	(0.2)	19.7
Romania	2.7	-	-	2.7
Germany - KFC	4.6	-	-	4.6
Germany - Starbucks	35.0	-	-	35.0
France - KFC	7.1	8.8	-	15.9
France - PH	8.8	-	-	8.8
Sushi Shop (provisional)	-	148.9	-	148.9
Total	**215.1**	**158.9**	**(5.3)**	**368.7**

2017 *(restated)*	1 January 2017	Increases	Foreign exchange differences	31 December 2017
Czechia	1.3	-	0.2	1.5
Hungary	4.0	-	-	4.0
Russia - KFC	21.9	20.9	(2.2)	40.6
Poland – Pizza Portal	-	0.7	-	0.7
Poland – Other	0.2	0.4	-	0.6
Spain	89.6	-	-	89.6
China	21.3	-	(1.4)	19.9
Romania	2.8	-	(0.1)	2.7
Germany - KFC	-	4.6	-	4.6
Germany - Starbucks	35.0	-	-	35.0
France - KFC	-	7.1	-	7.1
France – PH	-	8.8	-	8.8
Total	**176.1**	**42.6**	**(3.6)**	**215.1**

Goodwill recognised on the acquisition of Bacoa and Sushi Shop Group remains unallocated as at 31 December 2018, as the Group is still analysing where the synergies arose.

Impairment testing

In 2018, as a result of the many acquisitions completed in recent periods and the final allocation of the goodwill recognised on 2017 transactions, the Group verified the approach of presenting the allocation of goodwill into groups of cash-generating units. As a consequence, comparative information was also restated to present data consistently.

The Group performs impairment test for goodwill together with any intangible assets with indefinite useful lives, as well any other non-current assets that operate on the group of CGUs where goodwill is allocated.

Own brands with an indefinite useful life include:

Brand	Allocation to group of units	31 December 2018	31 December 2017 *(restated)*
La Tagiatella	Spain	65.0	65.0
Pizza Portal	Poland – Pizza Portal	0.9	0.9
Bacoa	Spain – Bacoa (provisional)	2.5	-
Sushi Shop	Sushi Shop (provisional)	92.0	-

(all figures in EUR millions unless stated otherwise)

The recoverable amount of CGU's was based on value in use, estimated using discounted cash flows. The cash flows are derived from the budget for the next three years and forecasts for the following 2 years, and do not include restructuring activities that the Group is not yet committed to. Those cash flow projections represent management's best estimate of the range of economic conditions that will exist over a 5-year time period.

Cash flow projections beyond the 5-year period are estimated by extrapolating last year's projections using a steady growth rate for subsequent years. Growth rates do not exceed the long-term average growth rate for the products, industries, or country or market in which the asset is used.

Capital expenditure necessary to maintain the performance of an asset, and maintenance expenditure, are taken into account when estimating the future net cash flows.

The recoverable amount is most sensitive to the discount rate used as well as the expected average EBITDA margin and the growth rate used for extrapolation purposes.

The main input assumptions used in test are as follows:

2018	**Post-tax discount rate**	**Implied pre-tax discount rate**	**Growth rate for residual value**	**Weighted average budgeted EBITDA margin**
Czechia	6.54%	8.08%	2.50%	20.7%
Hungary	7.80%	8.57%	2.20%	18.6%
Russia – KFC	14.97%	18.71%	1.20%	14.6%
Poland – Pizza Portal	7.19%	8.88%	2.50%	15.6%
Spain	6.40%	8.53%	1.66%	20.7%
China	7.55%	10.07%	2.50%	12.2%
Romania	9.70%	11.54%	2.50%	23.6%
Germany – KFC	4.30%	6.28%	1.15%	6.3%
Germany – Starbucks	4.30%	6.28%	1.15%	9.8%
France – KFC	4.82%	7.34%	1.65%	10.8%
France – PH	4.82%	7.34%	1.65%	1.7%
Sushi Shop (provisional)	6.30%	8.75%	1.65%	13.9%

Based on the impairment test prepared, no impairment was recognised, i.e. in all cases recoverable amount exceeds the carrying amount of the tested group of CGUs.

The Group carried out a sensitivity analysis for the impairment tests performed as at 31 December 2018 which involved estimating the value in use.

Such sensitivity analysis examined the impact of changes in:

- discount rate applied,
- average budgeted EBITDA margin,
- growth rate for residual value,

assuming other factors remain unchanged.

The objective of such a sensitivity analysis is to determine if reasonable possible changes in the main financial assumptions would lead to an impairment loss being recognised.

For each of the three tested inputs, a reasonable possible change was determined as 10% of the input data. Consequently, each impairment test for goodwill has a different level of a reasonable change in inputs, which can be determined by multiplying the base input data used in the impairment test as presented in table above by 10%.

Based on the sensitivity analysis performed for KFC Russia, a 10% change in average budgeted EBITDA margin would lead to a EUR 1.7 million impairment loss. A change in remaining inputs does not result in an impairment loss. In the current impairment test, recoverable amount exceeds the carrying amount of the tested group of CGUs by EUR 24.9 million. Carrying amount equals recoverable amount in the event average budgeted EBITDA margin would be 13.3%, whereas in the test, an input of 14.6% was used.

Based on the sensitivity analysis performed, for all remaining goodwill tests, a reasonably possible change in the key assumptions used would not lead to recognition of impairment losses i.e. carrying amount would not exceed the recoverable amount.

(all figures in EUR millions unless stated otherwise)

As at 31 December 2017, the Group conducted goodwill impairment tests on the acquisitions of businesses in Hungary, Russia, Spain, Romania, China and Germany, where goodwill was significant and the purchase price allocation process was completed. The tests have shown no need to recognise any impairment losses. There were no impairment indicators for provisionally determined and allocated goodwill balances from recent acquisitions.

The recoverable amount of the cash-generating units is based on calculations of value in use. The calculation includes expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

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

Impairment testing was performed taking into consideration the following assumptions:

Year 2017	Hungary	Russia	Spain	China	Romania	Germany
Discount rate post tax	10.06%	16.82%	7.86%	8.34%	9.69%	5.08%
Implied pre-tax discount rate	8.17%	18.57%	8.85%	11.49%	9.37%	6.41%
Weighted average budgeted EBITDA margin	17.77%	12.74%	19.34%	11.69%	26.56%	9.57%

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

Management performed an impairment testing model sensitivity analysis in order to assess whether theoretical impairment is probable, assuming changes in key assumptions. If EBITDA margin decreased by 1 percentage point for the test of Russian business, the possible impairment would amount to EUR 13.2 million. If discount rates increased by 1 percentage point, the possible impairment loss would amount to EUR 0.8 million.

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

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

16. Investment properties

The valuation of fair value performed using the discounted cash flows method did not differ materially from the balance sheet amount. In the Group's opinion, no valuation update indicators have occurred in 2018.

The fair value measurement for investment property has been categorized as a Level 2 fair value based on the inputs to the valuation technique used (note 4).

The results connected with investment properties are presented below:

	year ended	
	31 December 2018	**31 December 2017**
Sublease income	0.9	0.4
Investment property costs	(0.4)	(0.3)
Operating profit	**0.5**	**0.1**

17. Financial assets measured at fair value

Financial assets measured at fair value comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain ("Glovo"), acquired on 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings. As there are some dilutive instruments such as employee options and phantom shares, for the purpose of the fair valuation exercise, a diluted stake of 8.15% was used (percentage of Glovo shares on a fully-diluted basis).

The Group has elected to recognise equity investment in Glovo under the category Financial assets at fair value through profit or loss.

Fair value

The fair value of the Glovo investment as at 31 December 2018 was EUR 26.9 million, increasing in the reporting period by EUR 1.9 million. The effect of revaluation has been recognised in income statement under finance income (note 10).

Valuation techniques

When determining fair value at the reporting date, two valuation techniques were considered – multiple approach and income approach. The multiple approach was based on the M&A transactions in the industry that the investee operates in (i.e. food delivery segment). The multiple was calculated based on enterprise value and revenue of the acquired companies and was subsequently adjusted to reflect a limited liquidity and minority stake factor.

The income approach was based on the discounted cash flow ("DCF") technique and considered a forecast of future cash flows for the firm, discounted by a risk-adjusted discount rate.

The fair value of the Glovo investment was estimated as a weighted average of the results obtained using the described approaches. Higher weight was applied to the multiple approach as it reflects the most recent market transactions in the food delivery segment and is solely based on the actual results of the companies.

Consequently, the fair value measurement of the Glovo investment was categorized as Level 3 in the fair value hierarchy, since the shares of the valued company were not listed on an exchange and not only recent observable arm's length transactions in similar shares which were taken into account.

No transfers between levels of fair value hierarchy have occurred in the reporting period.

Key unobservable inputs:

- Multiple approach technique – adjusted transaction multiple, liquidity discount, revenues,
- Income approach technique – expected future cash flows generated in explicit forecast period, risk-adjusted discount rate, liquidity discount, residual growth rate (cash flow growth rate in perpetuity, after explicit period).

Inter-relationship between significant unobservable inputs and fair value measurement:

Multiple approach - the estimated fair value would increase (decrease) if:

- Multiple level was higher (lower),
- Liquidity discount was lower (higher).

Income approach – the estimated fair value would increase (decrease) if:

- Risk-adjusted discount rates were lower (higher),
- Liquidity discount was lower (higher).

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the Group's profit before tax:

Significant unobservable input	Value used	Impact on profit before tax (EUR millions) Increase of input variable	Decrease of input variable
Liquidity discount (10 p.p. movement)	30%	(3.1)	3.1
Multiple level (20% movement)	5.7	3.7	(3.7)
Risk-adjusted discount rate (2 p.p. movement)	15.5%	(1.6)	2.3

Key risk description

Market risk is defined as a risk of unexpected price fluctuations, the liquidity of a financial instrument measured as the ability to sell or purchase it at a stated price, and economic conditions that a financial instrument operates in or is exposed to.

The business plan of the investee assumes a need for additional funding in order to finance further expansion plans. Fair value estimation of financial assets is based on the assumption that the investee business will be funded as it consistently increases its revenue base and operates in very attractive markets in terms of growth prospects. In the event of not receiving funding, the investee would need to revise its strategy.

Additionally, a liquidity discount has been applied in the fair value estimation to reflect the fact that the valuation concerns a minority stake and a disposal of shares by the strategic investor in a business that still does not generate positive cash flows.

The risks of price fluctuations and change in economic conditions are indirectly incorporated in the discount rate, projections performed and the multiple applied in the estimations.

18. Other non-current assets

As at 31 December 2018 and 31 December 2017 the balances of other non-current assets were as follows:

	31 December 2018	31 December 2017 (*restated*)
Prepaid rental fees	3.0	0.3
Deposits for rentals	20.9	18.8
Prepaid other services	0.7	1.1
Settlement referring to acquisitions	-	1.1
Prepaid tax costs	-	0.4
Other	1.8	1.2
	26.4	**22.9**

19. Inventories

As at 31 December 2018 and 2017, inventories cover mainly food and packaging used in the restaurants, and finished goods and work in progress prepared by central kitchen for sale by La Tagliatella restaurants. Due to the nature of its business and applicable Group standards, all inventories are treated as materials. Inventories are presented at net value including write-downs.

20. Trade and other receivables

	31 December 2018	31 December 2017 (*restated*)
Trade receivables from non-related entities	32.6	18.8
Other tax receivables	23.9	17.3
Other	9.6	5.8
Write-downs of receivables (note 37)	(4.2)	(3.2)
	61.9	**38.7**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 37.

(all figures in EUR millions unless stated otherwise)

21. Other current assets

	31 December 2018	31 December 2017 (*restated*)
Prepaid costs of utilities	4.2	0.3
Prepaid lease costs	9.4	6.1
Prepaid property insurance	0.5	0.3
Prepaid professional services cost	1.4	0.1
Prepaid marketing costs	0.2	0.1
Prepaid tax costs	2.9	1.3
Assets related to purchase price adjustment	10.3	-
Assets related to a right to compensation resulting from the acquisition agreement	2.3	15.9
Other	5.3	5.1
Write-downs of other current assets	(0.2)	(0.1)
	36.3	**29.1**

As at 31 December 2018, assets related to the purchase price adjustment of EUR 10.3 million correspond to receivables claimed from the sellers of Sushi Shop Group, as part of the process of determining the final purchase price, as agreed in the share purchase agreement. More information is presented in note 6.

The decrease in assets related to a right to compensation resulting from the acquisition agreement relates mainly to a decline in the balance recognised on the Starbuck Germany acquisition. In 2018, the previous owners of Starbucks Germany settled the majority of the tax obligation for the period before AmRest took control. Consequently, the balance of tax liabilities accounted for at 31 December 2017, as well as the balance of assets related to a right to compensation, fell.

In 2017, the asset related to right to compensation resulting from the acquisition agreements results from the recognition of a KFC France acquisition related to employee liabilities subject to re-payment by the seller in an amount of EUR 3.5 million. The remaining balance of EUR 10.0 million results from a reimbursement asset recognised on the acquisition of Starbucks Germany, which was partially utilized in 2017 for tax settlements, and an amount of EUR 2.4 million recognised as a result of updated tax settlement calculations for 2015 that were fully indemnified by the seller.

22. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2018 and 31 December 2017 are presented in the table below:

	31 December 2018	31 December 2017 (*restated*)
Cash at bank	103.9	113.2
Cash in hand	14.5	18.0
	118.4	**131.2**

Reconciliation of working capital changes as at 31 December 2018 and 31 December 2017 is presented in the table below:

2018	**Balance sheet change**	**Increase from acquisition**	**Recognition of capital elements in the employee share option plan**	**Other assets and liabilities related with acquisition**	**Change in investment liabilities**	**Foreign exchange differences**	**Working capital changes**
Change in trade and other receivables	(23.2)	18.0	-	-	-	(0.8)	(6.0)
Change in inventories	(3.3)	1.7	-	-	-	(0.3)	(1.9)
Change in other assets	(10.7)	7.0	-	0.3	-	(1.6)	(5.0)
Change in payables and other liabilities	77.4	(35.0)	-	(10.1)	(10.1)	(2.4)	19.8
Change in other provisions and employee benefits	3.2	(3.0)	-	-	-	0.3	0.5

(all figures in EUR millions unless stated otherwise)

2017 (restated)	**Balance sheet change**	**Increase from acquisition**	**Recognition of capital elements in the employee share option plan**	**Other assets and liabilities related with acquisition**	**Change in investment liabilities**	**Foreign exchange differences**	**Working capital changes**
Change in receivables	(16.1)	2.6	(0.6)	-	-	0.3	(13.8)
Change in inventories	(3.8)	1.3	-	-	-	0.1	(2.4)
Change in other assets	(14.5)	0.5	-	-	-	3.8	(10.2)
Change in payables and other liabilities	55.1	(10.3)	-	-	(4.9)	(6.0)	(33.9)
Change in other provisions and employee benefits	(0.8)	(2.9)	(1.4)	-	-	(0.4)	(5.5)

23. Equity

Share capital

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE"). On 6 June 2018 at the Annual General Shareholders Meeting it was agreed that AmRest Holdings SE be allowed to start a process of application for stock market listing of its shares on the Spanish Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. The referred shares were listed and trading commenced on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on 21 November 2018. Since that date, AmRest's shares have been quoted simultaneously on both the above stock exchanges (dual listing).

At the Annual General Shareholders Meeting held on 6 June 2018 it was approved to increase the share capital up to EUR 1.0 for each share. The total increase amounted to EUR 21 001 754.07, was exercised by offsetting the share premium reserve. The capital increase was registered on 20 September 2018 at the Commercial Registry (Registro Mercantil) in Madrid.

At the Annual General Shareholders Meeting held on 6 June 2018 it was also approved to perform a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital. The decrease in share value was approved to be done by dividing the number of outstanding shares - for each old share 10 new were declared (split). On 20 September 2018 the reduction of the nominal value of shares from 1 EUR to 0.1 EUR with an exchange ratio of 1:10 without any change in share capital was registered at the Commercial Registry (Registro Mercantil) in Madrid.

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) (the Central Securities Depository of Poland) passed a resolution to register at KDPW the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio of 1:10. On 3 October 2018 the share split was executed. As result, the total number of Company shares traded increased to 212 138 930, each with a nominal value of 0.1 EUR as at that date.

On 11 October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. The effective date of the share capital increase is 15 October 2018, when all funds were received and the deed granted before a public notary. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

As at 31 December 2018 the Company has 219 554 183 shares issued.

Share capital consists of ordinary shares. All shares issued are subscribed and fully paid. The par value of each share is 0.1 EUR.

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

There are no shares committed to be issued under options, employee share schemes and contracts for the sale of shares.

(all figures in EUR millions unless stated otherwise)

Changes in the number of shares are also disclosed in note 34 Earnings per share.

As at 31 December 2017 the Company had no availability to issue new shares to settle employee option plans. Settlements of the employee options plans are available through treasury stocks in a secondary market or in cash.

On 6 June 2018, the shareholders at the Annual General Meeting adopted resolution no 13 authorizing the Board of Directors of the Company to increase share capital in compliance with the provisions of article 297.1.b) of the Spanish Companies Act, within a period of no more than five years, with the power to exclude the pre-emption rights on subscription in the terms of article 506 of the Companies Act, up to a maximum amount of the equivalent of 20% of the share capital at the time the increase is authorized. Increases in share capital under this authorization shall be carried out through the issuance and quotation of new shares (with or without a premium), the consideration for which shall be cash contributions. In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kind of shares among those permitted by law. Furthermore, as for all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the share capital increases and the characteristics of the shares, and may also freely offer the new shares that are not subscribed within the period or periods for the exercise of pre-emption rights.

To the best of AmRest's knowledge, as at 31 December 2018 AmRest Holdings had the following shareholder structure:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

** FCapital Dutch B. V. is the majority shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*
*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

(all figures in EUR millions unless stated otherwise)

Reserves

The structure of Reserves is as follows:

	Share premium	Put option	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January 2018 *(restated)*	**189.1**	**(40.7)**	-	**(7.8)**	**(10.6)**	**2.8**	**19.5**	**152.3**
Net investment hedges	-	-	-	-	-	(4.2)	-	(4.2)
Income tax related to net investment hedges	-	-	-	-	-	0.9	-	0.9
Total comprehensive income	**-**	**-**	-	**-**	**-**	**(3.3)**	**-**	**(3.3)**
Transaction with non-controlling interests	-	-	-	-	-	-	-	-
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-
Share capital increase from share premium	(21.0)	-	-	-	-	-	-	(21.0)
Issue of share capital	69.2	-	-	-	-	-	-	69.2
Transaction costs on issue of share capital	(1.0)	-	-	-	-	-	-	(1.0)
Deferred payment in shares	-	-	13.0	-	-	-	-	13.0
Purchases of treasury shares	-	-	-	-	(9.5)	-	-	(9.5)
Share based payments			-					
Value of disposed treasury shares	-	-	-	(4.9)	4.9	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	-	2.6	-	-	-	2.6
Employee stock option plan – proceeds from employees for transferred shares	-	-	-	0.8	-	-	-	0.8
Employee stock option plan – change in unexercised options	-	-	-	4.4	-	-	-	4.4
Change of deferred tax related to unexercised employee benefits	-	-	-	(1.4)	-	-	-	(1.4)
Total share based payments	-	-	-	*1.5*	*4.9*	-	-	*6.4*
Total distributions and contributions	**47.2**	**-**	**13.0**	**1.5**	**(4.6)**	**-**	**-**	**57.1**
As at 31 December 2018	**236.3**	**(40.7)**	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**19.5**	**206.1**

(all figures in EUR millions unless stated otherwise)

	Share premium	Put option	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January 2017 *(restated)*	**189.1**	**(40.7)**	**(2.7)**	**(2.5)**	**(7.0)**	**26.5**	**162.7**
Net investment hedges	-	-	-	-	12.1	-	12.1
Income tax related to net investment hedges	-	-	-	-	(2.3)	-	(2.3)
Total comprehensive income	**-**	**-**	**-**	**-**	**9.8**	**-**	**9.8**
Transaction with non-controlling interests	-	-	-	-	-	(7.0)	(7.0)
Total transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(7.0)**	**(7.0)**
Purchases of treasury shares	-	-	-	(18.7)	-	-	(18.7)
Share based payments							
Value of disposed treasury shares	-	-	(10.6)	10.6	-	-	**-**
Employee stock option plan – value of employee benefits exercised in the period	-	-	3.2	-	-	-	3.2
Employee stock option plan – proceeds from employees for shares disposal	-	-	0.4	-	-	-	0.4
Employee stock option plan – change in unexercised options	-	-	0.8	-	-	-	0.8
Change of deferred tax related to unexercised employee benefits	-	-	0.6	-	-	-	0.6
Effect of modification of employee stock option plan	-	-	0.5	-	-	-	0.5
Total share based payments	-	-	*(5.1)*	*10.6*	-	-	*5.5*
Total distributions and contributions	**-**	**-**	**(5.1)**	**(8.1)**	**-**	**-**	**(13.2)**
As at 31 December 2017 *(restated)*	**189.1**	**(40.7)**	**(7.8)**	**(10.6)**	**2.8**	**19.5**	**152.3**

(all figures in EUR millions unless stated otherwise)

Share premium

This item reflects the surplus over the nominal value of the share capital increase and additional contributions to equity without issue of shares made by shareholders prior to becoming a public entity.

Incremental costs directly attributable to the issue of new shares are shown under share premium, as well as the income tax effect relating to transaction costs of an equity issue.

The following key transactions were recognised in 2018, which are described in detail in the section "share capital":

- Increase of share capital exercised by offsetting share premium,
- Increase of share capital over the nominal value,
- Transaction costs related to share capital increase.

There were no transactions within share premium in 2017.

Put option

This item reflects the impact of recognizing the put option in 2011 for the business combination of La Tagliatella Spain. The put option over non-controlling interests was initially recognised for an amount of EUR 40.7 million, and settled in 2013 when the non-controlling interest was acquired by AmRest Group. On settlement, the Group accounted for the decrease in non-controlling business of EUR 31.8 million under "Transaction with NCI". The initially recognised amount of the put option was not transferred to another equity item.

There were no transactions in 2018 nor in 2017 related to the put option over non-controlling interests, therefore, the balance of this equity item has not changed. Also, the Group currently does not have any open put option contracts.

Payments in shares

This item reflects the impact of payments in a fixed number of shares. In 2018 the Group acquired Sushi Shop Group, where part of acquisition price is to be deferred and settled in a fixed number of Company shares. Taking into account both the legal form and substance of agreed payments, the Group concluded that this represents an equity instrument, and consequently accounted for the transaction under equity (see note 6).

Treasury shares

As at 31 December 2018 the Group had 1 586 738 treasury shares for a total purchase value of EUR 15.2 million, presented as treasury shares within "Reserves" under equity.

Transactions with NCI

This item reflects the impact of accounting for transactions with non-controlling interests (NCI).

The following key transactions were recognised in 2018:

	Transactions with NCI	Non-controlling interest	Total Equity
Transactions with non-controlling interests			
Non-controlling interest arising on Sushi Shop Group acquisition	-	0.8	0.8
Additional contributions by non-controlling interests of Pizza Portal	-	2.1	2.1
Total transactions with non-controlling interests	**-**	**2.9**	**2.9**

The following key transactions were recognised in 2017:

	Transactions with NCI	Non-controlling interest	Total Equity
Transactions with non-controlling interests			
Additional contributions by non-controlling interests of Pizza Portal	-	2.2	2.2
Equity attributable to non-controlling interests SCM s.r.o.	-	0.2	0.2
Acquisition of non-controlling interests of Blue Horizon	(7.0)	(6.3)	(13.3)
Dividends allocated to non-controlling shareholders	-	(0.9)	(0.9)
Total transactions with non-controlling interests	**(7.0)**	**(4.8)**	**(11.8)**

(all figures in EUR millions unless stated otherwise)

Hedges valuation

The Group is exposed to foreign currency risk associated with the investment in its foreign subsidiaries, which is managed by applying net hedge investment strategies.

AmRest sp. z o.o., a Polish subsidiary, with PLN as functional currency, is a borrower of external EUR financing. A bank loan of EUR 220 million has been hedging the net investment in its EUR subsidiaries both in 2017 and 2018. Following a change in presentation currency of the Group from PLN to EUR, AmRest sp. z o.o. remains exposed to the foreign currency risk between the functional currency of its net investment in its EUR investments and its own functional currency (PLN). These different functional currencies create a genuine economic exposure to changes in fair values in the consolidated financial statements of the Group.

In 2017, AmRest Holding (with PLN as its functional currency) was exposed to foreign currency risk associated with foreign investments and used its EUR 101 million external debt as a hedging instrument. At 1 January 2018, AmRest Holding changed its functional currency to EUR and the respective EUR external debt no longer qualifies as a hedging instrument in the consolidated financial statements. Accordingly, AmRest Holdings discontinued hedge accounting and the respective foreign currency gains and losses accumulated in the hedging reserve will remain in equity until the respective net investments are disposed of.

In 2018, AmRest Holdings assigned its PLN 280 million external borrowing as a hedging instrument in a net hedge for its Polish subsidiaries.

For all net investment hedges, exchange gains or losses arising from the translation of liabilities that are hedging net investments are charged to equity in order to offset gains or losses on translation of the net investment in subsidiaries.

During the period of 12 months ended 31 December 2018 hedges were fully effective.

As at 31 December 2018 the accumulated value of currency revaluation recognised in reserve capital (resulting from net investment hedges) amounted to EUR 4.2 million, and deferred tax concerning this revaluation EUR 0.9 million

Impact of hedges valuation:	Net investment	Valuation effects of security, total
As at 1 January 2018	**2.8**	**2.8**
Impact of net investment hedges valuation	(4.2)	(4.2)
Deferred income tax	0.9	0.9
As at 1 December 2018	**(0.5)**	**(0.5)**
As at 1 January 2017	**(7.0)**	**(7.0)**
Impact of cash flow hedges valuation	12.1	12.1
Deferred income tax	(2.3)	(2.3)
As at 1 December 2017	**2.8**	**2.8**

Non-controlling interest

Key elements of non-controlling interests are presented in the table below:

	31 December 2018	**31 December 2017** (*restated*)
AmRest Coffee Sp. z o.o.	1.7	2.4
SCM Sp. z o.o.	1.5	1.6
AmRest Coffee s.r.o.	2.9	2.3
AmRest Kávézó Kft	0.8	0.8
AmRest d.o.o.	1.0	0.6
SCM s.r.o.	0.3	0.2
SCM due Sp. z o.o.	0.1	-
Restaurant Partner Polska Sp. z o.o.	0.7	1.0
Sushi Shop Group	0.9	-
Non-controlling interests	**9.9**	**8.9**

24. Dividends paid and received

In the period covered by these Consolidated Financial Statements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 13 thousand (CZK 339 thousand).

(all figures in EUR millions unless stated otherwise)

25. Non-controlling interests

At 31 December 2018 and 31 December 2017 the summarised financial information for each subsidiary that has non-controlling interests is as follows:

Summarised balance sheet

2018	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o. o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Current assets	10.6	1.5	1.4	3.9	0.6	2.3	0.4	0.7	3.3
Liabilities	(3.4)	(3.5)	(4.0)	(1.3)	(0.3)	(2.8)	(0.1)	(1.4)	(1.6)
Total current net assets	7.2	(2.0)	(2.6)	2.6	0.3	(0.5)	0.3	(0.7)	1.7
Non-current assets	10.1	6.4	12.4	0.6	-	2.8	0.1	3.3	1.6
Non-current liabilities	(1.1)	-	-	(0.7)	-	(0.3)	-	-	-
Total non-current net assets	9.0	6.4	12.4	(0.1)	-	2.5	0.1	3.3	1.6
Net assets	16.2	4.4	9.8	2.5	0.3	2.0	0.4	2.6	3.3

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Current assets	8.2	1.9	3.8	4.4	0.4	2.5	0.4	1.0	-
Liabilities	(3.3)	(2.2)	(3.7)	(2.1)	(0.3)	(2.7)	(0.1)	(0.8)	-
Total current net assets	4.9	(0.3)	0.1	2.3	0.1	(0.2)	0.3	0.2	-
Non-current assets	8.5	4.6	13.3	0.8	-	2.6	-	1.8	-
Non-current liabilities	(0.2)	-	-	(0.4)	(0.1)	(0.1)	-	-	-
Total non-current net assets	8.3	4.6	13.3	0.4	(0.1)	2.5	-	1.8	-
Net assets	13.2	4.3	13.4	2.7	-	2.3	0.3	2.0	-

(all figures in EUR millions unless stated otherwise)

Summarised income statement

2018	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	26.4	13.0	27.2	11.9	1.8	3.3	0.7	4.9	2.0
Profit before tax	3.9	0.6	(3.2)	2.0	0.2	(5.4)	0.3	(0.2)	(0.1)
Income tax expense/income	(0.8)	(0.2)	-	(0.4)	-	-	(0.1)	-	-
Profit/loss for the period	3.1	0.4	(3.2)	1.6	0.2	(5.4)	0.2	(0.2)	(0.1)
Profit/loss for the period allocated to NCI	0.6	0.1	(0.6)	0.8	0.1	(2.7)	0.1	(0.1)	-

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	21.9	10.9	24.1	11.7	0.6	0.8	0.6	3.9	-
Profit before tax	3.3	0.8	(1.3)	1.8	0.1	(2.5)	0.2	0.1	-
Income tax expense/income	(0.6)	(0.2)	-	(0.4)	-	-	-	-	-
Profit/loss for the period	2.7	0.6	(1.3)	1.4	0.1	(2.5)	0.2	0.1	-
Profit/loss for the period allocated to NCI	0.5	0.1	(0.2)	0.6	-	(1.2)	0.1	0.1	-

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

26. Borrowings

Long-term	31 December 2018	31 December 2017 (*restated*)
Bank loans	554.8	299.4
Bonds and SSD	101.0	134.4
	655.8	**433.8**

Short-term	31 December 2018	31 December 2017 (*restated*)
Bank loans	4.7	1.7
Bonds	1.3	36.1
	6.0	**37.8**

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31 December 2018	31 December 2017 (*restated*)
PLN	Syndicated bank loan	3M WIBOR+margin	134.2	30.0
EUR	Syndicated bank loan	3M EURIBOR/fixed +margin	408.3	259.6
CZK	Syndicated bank loan	3M PRIBOR+margin	11.7	9.2
PLN	Bonds 5 – years (issued in 2013 & 2014)	6M WIBOR+margin	-	68.2
EUR	Schuldscheinedarlehen Bonds	6M EURIBOR/fixed +margin	102.3	102.3
EUR	Bank loans Germany	EURIBOR+margin	2.8	-
CNY	Bank loan – China	Fixed	2.5	2.3
			661.8	**471.6**

As at 31 December 2018, syndicated bank financing secured in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

- Signing date: 5 October 2017,
- Final repayment date: 30 September 2022,
- Joint Borrowers: AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o (the "Borrowers"; AmRest Sp. z o.o. and AmRest s.r.o are fully owned by AmRest Holdings SE),
- Lenders: Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski Polska S.A. and Česká spořitelna, a.s.

The available tranches:

Tranche(*)	Maximum amount (million)	Date added	Purpose
A	EUR 250	October 2017	Refinancing of bank debt, general corporate purposes
B	PLN 300	October 2017	
C	CZK 300	October 2017	
D	PLN 450	October 2017	
E	PLN 280	June 2018	Refinancing of Polish bonds
F	EUR 190	October 2018	M&A, general corporate purposes

** Approximate total amount: EUR 692m*

- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor/Pribor increased by a margin) and parts of tranches A and F are provided at a fixed rate,
- Securities: submissions to execution from the Borrowers, guarantees from Group companies,
- Other information: AmRest is required to maintain certain ratios at agreed levels, in particular, net debt/adjusted consolidated EBITDA is to be held below 3.5 and consolidated EBITDA/interest charge is to stay above 3.5.

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

On 2 July 2018, AmRest Holdings redeemed at maturity bonds issued in June 2013 (PLN 140 million, approx. EUR 32.8 million) and on 28 September 2018 the Company used the call option for early redemption of bonds issued in September 2014 (PLN 140 million, approx. EUR 32.8 million). Redemption of bonds resulted in the expiry of all rights and obligations arising from them and was financed with Tranche E of the bank financing.

Issue date	Amount (EUR million)	Interest rate	Maturity date	Purpose
7 April 2017	17.0	Fixed	7 April 2022	Refinancing, general corporate purposes
7 April 2017	9.0	Fixed	5 April 2024	
3 July 2017	45.5	Fixed	1 July 2022	
3 July 2017	20.0	Fixed	3 July 2024	
3 July 2017	9.5	Variable	3 July 2024	

The role of the Lead Arranger and Paying Agent on all issues was entrusted to Erste Group Bank AG.

As at 31 December 2018, payables concerning SSD issued amount to EUR 102.3m.

The maturity of long- and short-term loans as at 31 December 2018 and 2017 is presented in the table below:

	31 December 2018	31 December 2017 (*restated*)
Up to 1 year	6.0	37.8
Between 1 and 2 years	55.4	33.5
Between 2 and 5 years	561.4	361.8
More than 5 years	39.0	38.5
	661.8	**471.6**

The Group has the following unused, awarded credit limits as at 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017 (*restated*)
With floating interest rate		
- expiring within one year	30.0	-
- expiring beyond one year	104.6	140.3
	134.6	**140.3**

The table below presents the reconciliation of the debt:

	Bank loans	Bonds and SSD	Finance lease liabilities	Total
As at 1 January 2018	**301.1**	**170.5**	**2.1**	**473.7**
Payment	(22.4)	(67.6)	-	(90.0)
Loan taken/ new contracts	282.7	-	0.4	283.1
Accrued interests	7.4	5.0	0.2	12.6
Payment of interests	(7.6)	(6.2)	(0.1)	(13.9)
FX valuation	(1.7)	-	-	(1.7)
Other	-	0.6	(0.2)	0.4
As at 31 December 2018	**559.5**	**102.3**	**2.4**	**664.2**

27. Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on property, plant and equipment and other assets owned by the Company. The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – AmRest Kaffee sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest Capital ZRT., AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Amrestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U – granted sureties to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. 30 September 2022 however not later than 5 October 2025.

28. Employee benefits and share based payments

The Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Group's market value. At 31 December 2018, the Group had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

Plan 2 was implemented in April 2005. Granting of the options finished in 2016.

Up to November 2014 the exercise method was in equity instruments. In November 2014, the then existing Supervisory Board of the Company approved a change of regulations by adding net cash settlement of option value (employee decides about settlement method). Due to the above changes, Plan 2 comprised both equity-settled options and cash-settled options.

In 2015 a change in regulations eliminated a possibility of option settlement with cash method for the grants after 8 December 2015. Furthermore, a group of employees made a unilateral statement about resignation from the cash settlement possibility in relation to option also granted in previous periods. As a result of the modification of some options from cash-settled to equity-settled, in 2017 a reclassification in amount of EUR 0.5 million was accounted from liabilities into equity.

Plan 3 – Management Incentive Plan 2011

Granting of the options finished in 2014. The Supervisory Board of Group (then existing) was entitled to determine the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price was in principle equal to the market price of the Company's shares as at the date preceding the day of awarding the option and then increased by 11% each year. The vesting period was 3-5 years.

Plan 4 – Stock Option Plan 2017

In January 2017 the Group introduced a new share-based Stock Option Plan. The number of options granted, employees awarded and granting dates were initially determined by the then existing Management Board (current Executive Team), however the number of options was limited to 750,000 options. The Granting Period was set between 1 January 2017 and 31 December 2019. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of granting the option, and the vesting period will be 3 to 5 years. There are no cash settlement alternatives.

In December 2018 the Board of Directors of the Company (who took over Management Board faculty on this matter following the transfer of domicile of the Company from Poland to Spain) resolved to adjust the share-based plans of the Company so they can also be executed through the Spanish Stock Exchanges, where the Company's shares started trading on 21 November.

Plan 5 – Management Incentive Plan 2017

In January 2017 the Group introduced a new share-based Management Incentive Plan, offered to selected employees. The whole number of shares which were attributed to the options was determined by the Board of Directors, however, it may not exceed 1,000,000 shares. In accordance with the provisions of the Plan, when requested by management the Board of Directors, was entitled to determine the employees authorized to participate in the Plan, the number of options granted and the dates for their granting among other issues. The Granting Period was set between 1 January 2017 and 31 December 2019. The option initial exercise price was in principle equal to the market price of the Company's shares as at the date of First Grant. The exercise price shall increase on 1st, 2nd and 3rd anniversary by 11%. The vesting period lasts 3 to 5 years. There are no cash settlement alternatives.

The terms and conditions for the share options outstanding as at 31 December 2018 are presented in the table below:

(all figures in EUR millions unless stated otherwise)

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR**	Method of settlement
Plan 2 - SOP				
April 30, 2009			1.14	Equity or equity/cash*
May 10, 2009			1.75	Equity or equity/cash*
April 30, 2010			1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012	1-5 years, 20% per annum	10 years	1.68	Equity or equity/cash*
April 30, 2013			1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 3 – MIP				
December 13, 2011			1.46	Equity
October 8, 2012			1.55	Equity
January 16, 2014	3 years, 33% p.a.	10 years	1.61	Equity
July 8, 2014			1.46	Equity
October 1, 2014			1.97	Equity
Plan 4 - SOP				
May 30, 2017			8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
Plan 5 - MIP				
March 15, 2017			10.51	Equity
September 13, 2017			10.97	Equity
October 13, 2017	3-5 years, 33% p.a.	10 years	11.87	Equity
March 3, 2018			10.51 - 11.87	Equity
October 1, 2018			14.54	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*
***The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and the number of options.*

Options vest when the terms and conditions relating to the period of employment are met. The Plans do not provide any additional market conditions for vesting of the options.

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2018 and 2017:

Number of option 2018*	**WAEP in EUR (before indexation)**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Granted during the period	6.83	3 550 000	2 395 000	-	-
Exercised during the period	1.22	-	-	(83 333)	(750 884)
Forfeited during the period	9.11	(1 500 000)	(237 950)	-	(101 120)
Outstanding at the end of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
Exercisable as at the end of the period	1.38	-	-	2 366 660	960 622
Number of option 2017*	**WAEP in EUR (before indexation)**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	1.46	-	-	4 050 020	4 258 840
Granted during the period	8.04	4 600 000	1 961 700	-	-
Exercised during the period	2.68	-	-	(1 216 690)	(903 180)
Forfeited during the period	3.26	-	-	-	(228 880)
Outstanding at the end of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Exercisable as at the end of the period	1.77	-	-	2 066 660	974 280

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

(all figures in EUR millions unless stated otherwise)

The weighted average share price at the dates of exercise of the options was EUR 10.28 in 2018 and EUR 8.03 in 2017.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 7.33 years (2017: 7.27 years).

Measurement

The fair value of the equity instruments has been measured using numerical method for solving differential equations by approximating them with difference equations, called finite difference method. The fair value of the cash-settled options has been measured using the Black-Scholes formula.

The fair value of the options granted during the period, as at the grant date, amounted as described below. It was determined on the basis of the following parameters:

Plan*	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%
2017							
Plan 4 (SOP)	EUR 2.33	EUR 8.14	EUR 8.14	28%	5 years	-	2%
Plan 5 (MIP)	EUR 1.36	EUR 8.00	EUR 10.94	28%	5 years	-	2%

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share-based payments costs and liabilities

The Group recognises accrual for equity-settled options in reserve capital. The amounts as at 31 December 2018 and 31 December 2017 are presented in a table below:

	31 December 2018	31 December 2017 *(restated)*
Reserve capital - Plan 2	3.4	3.7
Reserve capital - Plan 3	1.1	1.3
Reserve capital - Plan 4	2.0	0.4
Reserve capital - Plan 5	4.2	0.9
	10.7	**6.3**

The Group recognises liability for cash settled options. The amounts as at 31 December 2018 and 31 December 2017 are presented in a table below:

	31 December 2018	31 December 2017 *(restated)*
Liability for Plan 2	1.3	2.2
Other employee benefits liabilities	0.4	0.8
	1.7	**3.0**

The costs recognised in connection with the plans relating to incentive programs for the years ended 31 December 2018 and 2017 respectively are presented below:

	2018	2017 *(restated)*
Employee stock option plan 2	1.9	3.8
Employee stock option plan 3	0.1	0.1
Employee stock option plan 4	1.6	0.4
Employee stock option plan 5	3.1	0.9

(all figures in EUR millions unless stated otherwise)

	2018	2017 *(restated)*
Local incentive program – Spain	-	0.8
Local incentive program – China	-	-
	6.7	**6.0**

Pension, health care and other contributions

The costs recognised in connection with the employee benefits contributions for the years ending on 31 December 2018 and 31 December 2017 respectively are presented below:

	2018	2017 *(restated)*
Pension, health care contributions and other	85.3	63.7
	85.3	**63.7**

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

29. Provisions

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

2018	**As at 01.01.2018**	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31.12.2018**
Onerous contracts	0.9	1.2	0.3	(0.5)	(0.1)	-	1.8
Asset retirement obligation	8.0		1.1	-	-	-	9.1
Provision for court fees	0.4	1.5	0.5	-	(0.2)	-	2.2
Provision for tax risks	1.0	-	0.1	(0.3)	-	-	0.8
Provision for other	-	0.3	0.6	-	-	-	0.9
Total	**10.3**	**3.0**	**2.6**	**(0.8)**	**(0.3)**	**-**	**14.8**

2017 (restated)	**As at 01.01.2017**	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31.12.2017**
Onerous contracts	1.5	0.5	0.9	(0.9)	(1.1)	-	0.9
Asset retirement obligation	6.4	2.0	-	-	(0.4)	-	8.0
Provision for court fees	0.3	0.4	-	(0.1)	(0.2)	-	0.4
Provision for tax risks	1.4	-	0.1	(0.1)	(0.3)	(0.1)	1.0
Provision for other	-	-	-	-	-	-	-
Total	**9.6**	**2.9**	**1.0**	**(1.1)**	**(2.0)**	**(0.1)**	**10.3**

All provisions are treated as long-term liability.

Provision for onerous contracts

As at the balance sheet date, the Group recognised a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms.

Provision for court fees

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

(all figures in EUR millions unless stated otherwise)

Provision for tax liabilities

The Group operates in numerous markets with different and changing tax rules and additionally realises its growth within new investments and often has to decide to create or modify the value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimates are used.

Asset retirement obligation

The Group recognised a provision for costs of future asset restorations mainly on the acquisition of German and French subsidiaries. The provision consists of expected costs at the end of rental agreement. The provision would be used for renovation work needed to restore rented properties, as required by rental agreements.

30. Other non-current liabilities

Other non-current liabilities amounted to EUR 25.1 million as at 31 December 2018 out of which EUR 17.1 million relates to deferred payment of the Sushi Shop acquisition described in note 6. Other non-current liabilities amounted to 5.9 million as at 31 December 2017.

31. Trade and other accounts payables

Trade and other accounts payables as at 31 December 2018 and 31 December 2017 cover the following items:

	31 December 2018	**31 December 2017** *(restated)*
Payables to non-related entities, including:	**184.3**	**139.7**
Trade payables	91.0	74.0
Payables in respect of uninvoiced deliveries of food	9.3	8.3
Employee payables	17.3	10.2
Social insurance payables	15.0	9.0
Pre-acquisition tax settlements liability	2.3	11.3
Other tax payables	14.8	6.7
Investment payables	22.8	15.5
Other payables	11.8	4.7
Contract liabilities - loyalty programs*	**0.7**	**-**
Contract liabilities - gift cards*	**5.3**	**-**
Contract liabilities – initial fees**	**2.3**	**-**
Accruals, including:	**52.3**	**43.9**
Employee bonuses	13.0	10.3
Marketing services	4.2	1.9
Holiday pay accrual	11.1	9.9
Professional services	4.9	4.4
Franchise fees	5.4	5.1
Lease cost provisions	5.5	5.4
Investment payables accrual	6.3	5.4
Other	1.9	1.5
Deferred income – short-term portion*	**1.5**	**4.8**
Social fund	**0.5**	**0.3**
Total trade and other accounts payables	**246.9**	**188.7**

**following the initial application of IFRS 15, customer loyalty programs and gift cards are classified within the contract liabilities, as at 31 December 2017 presented in deferred revenue, see note 41b*

***following the initial application of IFRS 15 initial fees paid by franchisees are recognised as contract liabilities, the impact of adopting IFRS 15 on the Group was described in the note 41b*

Information on average payment period to suppliers. Third additional provision, "Information requirement" of Law 15/2010 of July 5.

In accordance with the aforementioned Law, the following information corresponding to the Spanish companies of the AmRest Group is disclosed:

	2018	2017
Number of days:		
Average payment period to suppliers	22.78	19.48
Ratio of payments	22.96	19.46
Ratio of outstanding invoices	20.28	19.73
Millions of EUR:		
Total payments	176.8	147.0
Outstanding invoices	12.3	11.8

The payments to suppliers of the Spanish consolidated companies reflected in the above table are trade payables as they relate to goods and services.

32. Finance lease liabilities

Financial lease liabilities – present value:

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	0.6	0.4
Payable from 1 to 5 years	1.1	0.9
Payable after 5 years	0.7	0.8
	2.4	**2.1**

Finance lease liabilities – minimum lease payments:

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	0.8	0.6
Payable from 1 to 5 years	1.4	1.2
Payable after 5 years	0.9	1.0
Total minimum lease payments	**3.1**	**2.8**
Future finance costs in respect of finance leases	(0.7)	(0.7)
Present value of finance lease liabilities	**2.4**	**2.1**

33. Operating leases

The Group concluded a large number of irrevocable operating lease agreements, mainly relating to leases of restaurants. In respect of restaurants, lease agreements are concluded on average for a period of 5-10 years and require a minimum notice period on termination.

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

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	137.4	103.5
Payable from 1 to 5 years	476.5	302.9
Payable after 5 years	313.0	261.4
Total minimum lease payments	**926.8**	**667.8**

Lease payments for a large number of restaurants (especially those in shopping malls) comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee varies from 2.5% to 9% of a restaurant's revenue.

Lease costs relating to operating leases (broken down by the fixed and conditional portion) for the 12 months of 2018 and 2017 are as follows:

(all figures in EUR millions unless stated otherwise)

	year ended 31 December 2018			year ended 31 December 2017		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czechia	11.5	2.2	13.7	10.0	1.4	11.4
Hungary	5.5	0.9	6.4	4.5	0.7	5.2
Poland	33.2	2.1	35.3	28.4	2.4	30.8
Russia	15.4	0.7	16.1	13.1	1.3	14.4
Bulgaria	0.8	-	0.8	0.7	-	0.7
Serbia	0.4	-	0.4	0.4	-	0.4
Croatia	0.4	-	0.4	0.4	-	0.4
Spain	21.0	-	21.0	19.0	-	19.0
China	12.0	0.5	12.5	10.9	0.4	11.3
Romania	3.1	0.2	3.3	2.4	0.2	2.6
Germany	22.1	1.7	23.8	21.8	1.6	23.4
Slovakia	0.4	-	0.4	0.3	-	0.3
Austria	0.2	-	0.2	-	-	-
France	7.9	1.1	9.0	0.9	-	1.0
Slovenia	0.1	-	0.1	-	-	-
Total	**134.0**	**9.4**	**143.4**	**112.8**	**8.1**	**120.9**

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

34. Earnings per share

On 20 September 2018 the reduction of the nominal value of shares from 1 EUR to 0.1 EUR with exchange ratio 1:10 without any change in share capital was registered by the Commercial Registry (Registro Mercantil) in Madrid.

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) passed a resolution on registration in KDPW of the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio 1:10. The effective date of split was scheduled for 3 October 2018.

On 3 October 2018 the share split was executed. As result the total number of Company shares traded on the Warsaw Stock Exchange (the "WSE") increased to 212 138 930, each with a nominal value of 0.1 EUR.

IAS 33 "Earnings per share" contains requirements to restate prior periods' earnings per share (EPS) for events that change the number of shares outstanding without a corresponding change in resources, such as the share split in AmRest.

The table below presents the effect of the share split on the presentation of outstanding ordinary shares:

The effect of the share split	**1 January 2018 - 3 October 2018** (the effective date of share split)	**2017** *(restated)*
Number of ordinary shares in circulation before split	21 213 893	21 213 893
Number of ordinary shares in circulation after split	212 138 930	212 138 930

On 11 October 2018 AmRest announced that the Board of Directors of the Company had resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. The effective date of the share capital increase was 15 October 2018, when all funds were received and deed granted before a public notary. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the outstanding shares in the Company.

The table below presents the effect of the share capital increase on the weighted-average number of ordinary shares:

Weighted-average number of ordinary shares	**2018**	**2017** *(restated)*
Outstanding ordinary shares within the period from 1 January to 3 October (with share split effect)	212 138 930	212 138 930
Shares issued on 15 October	7 415 253	-
Issued ordinary shares at 31 December	**219 554 183**	**212 138 930**
Weighted-average number of ordinary shares during the year	**213 707 541**	**212 138 930**

Table below presents calculation of basic and diluted earnings per ordinary share for the year ended 31 December 2018 and 2017:

EPS calculation with the effect of share split	2018	2017 *(restated)*
Net profit attributable to shareholders of the parent (EUR millions)	43.0	42.9
Weighted average number of ordinary shares in issue	213 707 541	212 138 930
Weighted average number of ordinary shares for diluted earnings per share	213 707 541	212 138 930
Basic earnings per ordinary share (EUR)	0.20	0.20
Diluted earnings per ordinary share (EUR)	0.20	0.20

35. Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with Burger King, Starbucks and the current and future franchise agreements were described in notes 1 and 40e.

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

In regards to credit agreement described in note 26 the following Group entities provided surety: AmRest Kaffee sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest Capital ZRT., AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Amrestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food, S.L.U., Pastificio Service S.L.U. for the following banks Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Česka Sporitelna A.S., ING Bank Śląski S.A. in amount of EUR 660 million, PLN 1.545 million, CZK 660 million till the date of debt payment however not later than 5 October 2025.

36. Transactions with related entities

Transactions with related parties are carried out in accordance with market regulations.

Trade and other receivables from related entities:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Trade and other payables to related entities:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Sales of goods for resale and services:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Purchase of goods for resale and services:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	0.4	0.4
	0.4	**0.4**

Other related entities

Metropolitan Properties Investments Sp. z o. o.

As at 31 December 2017 Metropolitan Properties International Sp. z o.o. was a closely related company to Henry McGovern, who at that time was the member of the Supervisory Board of AmRest Holdings SE. In 2018 the contracts between Metropolitan Properties International Sp. z o.o. and AmRest were assigned to newly created entity Metropolitan Properties Investment Sp. z o.o. As at 31 December 2018 the entity meets the definitions of closely related company to Henry McGovern who in 2018 became the member of the Board of Directors of AmRest Holding SE (following a registration of the statutory seat of AmRest Holding SE in Spain).

Company Metropolitan Properties Investment Sp. z o.o. is involved in activities related to real estate. The Group leases three restaurants from Metropolitan Properties Investment Sp. z o.o. on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid to MPI amounted to EUR 0.4 million and EUR 0.4 million in years ended 31 December 2018 and 31 December 2017 respectively.

Group shareholders

As at 31 December 2018, FCapital Dutch B.V. was the largest shareholder of AmRest and held 56.38% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with key management personnel

The remuneration of the Board of Directors and Senior Management Personnel (key management personnel) paid by the Group was as follows:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Remuneration of the members of the Board of Directors and Senior Management Personnel paid directly by the Group	3.0	3.1
Gain on share-based renumeration systems	1.1	7.3
Total compensation paid to key management personnel	**4.1**	**10.4**

The Group's key management personnel participates in the employee share option plans (note 28). The costs relating to the options amounted to EUR 3.2 million and EUR 0.8 million respectively in the years ended 31 December 2018 and 31 December 2017.

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Number of options outstanding (pcs, after split)	9 576 660	5 862 660
Number of available options (pcs, after split)	2 718 660	2 492 660
Fair value of outstanding options as at grant date (EUR millions)	17.0	6.5

As at 31 December 2018 and 2017, the Company had no outstanding balances with the key management personnel, apart from accruals for annual bonuses payable in first quarter of the following year. As at 31 December 2018 and 2017 the Company has not extended any advances to the Board of Directors or senior management personnel and had no pension fund, life insurance or other such commitments with these parties, except for the share option plans detailed above and in note 28. As at 31 December 2018 and 31 December 2017 there were no liabilities to former employees.

Conflicts of interest concerning the Board Directors

The Board Directors and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(all figures in EUR millions unless stated otherwise)

37. Financial instruments

The effect of initially applying IFRS 9 on the Group's financial instruments is described in the note 41.

The following table shows the carrying amounts of financial assets and financial liabilities. The Group assessed that the fair values of cash and cash equivalents, rental deposits, trade and other receivables, trade and other payables, as well as current loans and borrowings and finance lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Fair values of non-current rental deposits, loans and borrowings and financial liabilities immaterially differs from their carrying values.

The details about the equity instrument measured at fair value including levels in the fair value hierarchy and valuation techniques are described in the note 17.

As at 31 December 2018 the Group did not recognise the transfers between levels of fair value valuations.

Classification of key classes of financial assets and liabilities with their carrying amounts is presented in note below:

31 December 2018	Note	FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost
Financial assets measured at fair value				
Equity instruments	17	26.9	-	-
Financial assets not measured at fair value				
Rental deposits	18	-	20.9	-
Trade and other receivables	20	-	38.0	-
Cash and cash equivalents	22	-	118.4	-
Financial liabilities not measured at fair value				
Deferred payment of Sushi Shop acquisition	6	-	-	17.1
Loans and borrowings	26	-	-	559.5
SSD	26	-	-	102.3
Finance lease liabilities	32	-	-	2.4
Trade and other liabilities	31	-	-	163.1

31 December 2017	Note	FVTPLL	Financial assets at amortised cost	Financial liabilities at amortised cost
Financial assets not measured at fair value				
Rental deposits	18	-	18.8	-
Trade and other receivables	20	-	21.4	-
Cash and cash equivalents	22	-	131.2	-
Financial liabilities not measured at fair value				
Loans and borrowings	26	-	-	301.2
Bonds	26	-	-	68.4
SSD	26	-	-	102.2
Finance lease liabilities	32	-	-	2.1
Trade and other liabilities	31	-	-	126.2

Risk management

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

(all figures in EUR millions unless stated otherwise)

Financial instruments especially exposed to credit risk include cash and cash equivalents, trade and other receivables. The Group has no significant concentration of credit risk. The risk is spread over a number of banks, whose services are used, and customers it cooperates with.

The maximum credit risk exposure on Trade and other receivables and cash and cash equivalents amounts to EUR 180.3 million.

Cash and cash equivalents

Credit risk related to financial instruments in the form of cash in bank accounts is limited, due to the fact that the parties to the transaction are banks with high credit ratings received from international rating agencies.

Trade receivables

The Group analyses receivables by type of the customer. The Group operates chains of own restaurants under own brands as well as under franchise license agreements. Additionally, the Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand) and develops chains of franchisee businesses, organizing marketing activities for the brands and supply chain. Consequently, the Group analyses two stream of receivables related to:

- Restaurant sales,
- Franchise and other sales.

The Group' receivables related to restaurant sales are limited and have low credit risk due to the short settlement time and the nature of settlement, as guests pay in restaurants generally in cash or via credit or debit cards.

Receivables related to franchise sales include franchise receivables referring to own brands and master-franchise agreements. For these receivables the Group performs detailed analysis of expected credit loss.

The Group's exposure to that credit risk is influenced mainly by the individual characteristics of each customer. However, the Group also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate, including the external rating related to particular country.

For these receivables the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

During year 2018 the Group recognised an impairment of the Group's receivables exposed to credit risk in an amount of EUR 1.5 million.

The ageing break-down of receivables and receivable loss allowance as at 31.12.2018 is presented in the table below.

	Current	**Overdue in days**				**Total**
	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	48.5	10.5	3.0	1.6	2.5	**66.1**
Loss allowance (note 20)	(0.7)	(0.9)	-	(0.1)	(2.5)	**(4.2)**
Total	**47.8**	**9.6**	**3.0**	**1.5**	**-**	**61.9**

Value of loss allowance for receivables as at 31 December 2018 and 31 December 2017 is presented in table below:

	31.12.2018	**31.12.2017**
Value at the beginning of the period	3.2	2.2
Allowance created	2.8	2.3
Allowance released	(1.3)	(0.4)
Allowance used	-	(0.8)
Other	(0.5)	(0.1)
Value at the end of the period	**4.2**	**3.2**

(all figures in EUR millions unless stated otherwise)

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 26). As at 31 December 2018 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analysed in quarterly periods.

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 407 thousand lower/higher (2017: EUR 346 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 31 thousand lower/higher (2017: EUR 27 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 98 thousand lower/higher (2017: EUR 532 thousand).

Foreign exchange risk

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

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

Net investment foreign currency valuation risk

The Group is exposed to risk of net investment valuation in subsidiaries valued in foreign currencies. This risk is hedged for key positions with use of net investment hedge. Details concerning hedging on currency risk are described in note 23.

Liquidity risk

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

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

The maturity break-down of long- and short-term borrowings as well as Trade and other liabilities as at 31 December 2018 and 31 December 2017 is presented in the table below:

	31.12.2018				31.12.2017			
	Trade and other liabilities	**Loan instalments**	**Interest and other charges**	**Total**	**Trade and other liabilities**	**Loan instalments**	**Interest and other charges**	**Total**
Up to 1 year	163.1	6.4	21.3	190.8	126.2	37.8	12.4	176.4
Between 1 and 2 years	-	56.2	19.7	75.9	-	33.5	12.5	46.0
Between 2 and 5 years	-	562.4	29.8	592.2	-	364.2	23.2	387.4
More than 5 years	-	38.9	0.4	39.3	-	38.5	1.3	39.8
Payable gross value	**163.1**	**663.9**	**71.2**	**898.2**	**126.2**	**474.0**	**49.4**	**649.6**

(all figures in EUR millions unless stated otherwise)

	31.12.2018				31.12.2017			
	Trade and other liabilities	Loan instalments	Interest and other charges	Total	Trade and other liabilities	Loan instalments	Interest and other charges	Total
Not amortised loan cost	-	(2.1)	-	(2.1)	-	(2.4)	-	(2.4)
Payable net value	**163.1**	**661.8**	**71.2**	**896.1**	**126.2**	**471.6**	**49.4**	**647.2**

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realise returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3.5 of yearly EBITDA is treated as an acceptable target and safe level of capital risk.

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realise returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Leverage ratio calculated as net debt/adjusted EBITDA at the level of 3.5 EBITDA is treated as acceptable target and safe level of capital risk. At 2018 and 2017 year end the leverage ratios were met.

38. Seasonality of sales

In the case of the AmRest Group, the seasonality of sales and inventories is not significant, which is typical to the restaurant business. The restaurants record the lowest sales in the first quarter of the year, which is attributable primarily to fewer people dining out. The highest sales are achieved in the fourth quarter mostly because of the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

39. Audit fees

KPMG Auditores, S.L., and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, rendered professional services to the Group during the years ended 31 December 2018 and 2017, the fees and expenses for which are as follows:

2018	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.6	0.1	0.4	1.1
Tax advisory services	-	-	-	-
Other services	-	-	0.2	0.2
	0.6	0.1	0.6	1.3

2017	BDO Sp. z o.o.	Other entities affiliated with BDO	Other auditors	Total
Audit and other assurance services	0.1	-	0.6	0.7
Tax advisory services	-	-	-	-
Other services	-	-	0.1	0.1
	0.1	-	0.7	0.8

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2018 and other accorded upon-procedures performed by the auditors. Additionally, other services include ratio covenant reports.

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2018 and other accorded upon-procedures performed by the auditors. Additionally, other services include ratio covenant reports.

The amounts detailed in the above table include the total fees for 2018 and 2017, irrespective of the date of invoice.

40. Significant accounting policies

a. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee,
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests and transactions with non-controlling interests

Changes in the Group's interest in a subsidiary that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, the Group adjusts the carrying amount of the controlling and non-controlling interest and effect of transactions with non- controlling interest is presented in equity items allocated to the owners of the parent.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The Group's investment in equity-accounted investees includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

Functional currencies and presentation currency

The Group's consolidated financial statements are presented in euros.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group used European Central Bank's exchange rates for currency translations as at 31 December 2018.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at 31 December 2018.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. For simplification monthly income statements are translated using average monthly exchange rates based on the European Central Bank rates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- An investment in equity securities designated as at FVOCI,
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective,
- Qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

c. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

d. Finance and operating leases

Group as a lessee

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease on a straight line basis.

Finance lease

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

Operating lease/rent cost

An operating lease is a lease other than a finance lease. Operating leases relate mainly to leases of restaurant premises. Operating lease payments are recognised as an "Occupancy and other operating expense" in the income statement of on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and included in Other income in the income statement due to its operating nature.

e. Revenues

Policy applicable after 1 January 2018

The Group operates chains of own restaurants under own bands as well as under franchise license agreements. Additionally Group operates as franchisor (for own brands) and master-franchisee (for some franchised brand), and develops chains of franchisee businesses, organizing marketing activities for the brands, and supply chain.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Restaurant sales

Revenues from the sale of goods by owned restaurants are recognised as Group sales when a customer purchases the goods, which is when our obligation to perform is satisfied. These revenues are presented in "Restaurant sales" line in the Consolidated Income Statement.

Franchise and other sales: owned brands

- Royalty fees (based on percentage of the applicable restaurant's sales) are recognised as the related sales occurr. Royalty fees are typically billed and paid monthly.
- Initial fees, renewal fees: for each brand separately, the Group analyses if the activities performed are distinct from the franchise brand. If they do not represent a separate performance obligation they are recognised on a straight-line basis over the contract duration. If they represent a separate obligation, the Group estimates the allocation of the part of the transaction price to that performance obligation.
- Advertising funds: for Sushi Group and Bacoa brands the Group operates the advertising funds that are designed to increase sales and enhance the reputation of the own brands and its franchise owners. Contributions to the advertising cooperatives are required for both Company-owned and franchise restaurants and are generally based on a percentage of restaurant sales. Revenues for these services are typically billed and paid on a monthly basis. Advertising services that promote the brand (rather than an individual location), such as national advertising campaigns, are not separable between different franchise agreements or franchisees, and not distinct because the services and franchise right are highly dependent and interrelated with each other. The sales-based advertising fund contributions from franchisees are recognised as the underlying sales occur, are reported gross as part of revenue and presented in line "Franchise and other sales". Own restaurants participation in marketing costs as an element is presented as element of operational costs.
- Revenue from sale of products to franchisees is recognised at the moment of transaction which is when our obligation to perform is satisfied.

Franchise and other sales: master-franchise agreements

As a result of signed Master Franchise Agreements (MFAs) for different Pizza Hut concepts, YUM ("Master Franchisor") granted AmRest ("Master Franchisee") Master Franchise Rights for the agreed term in the particular territories. Intellectual property is exclusive property of Master Franchisor and Master Franchisor grants AmRest a license to use it in the agreed territory. Under the Master Franchise Agreement parties established the development commitments for development periods.

Performance obligations identified:

- AmRest's performance obligation to YUM: to develop the market by opening new restaurants (either AmRest own or sub-franchises) and promote the YUM's brand by performing marketing activities. Managing marketing fund is not distinct from the development of the market, and no separate remuneration was agreed between parties for those services. Various streams of cash flows are agreed in MFA: AmRest collects initial fees and transfers them to YUM, AmRest manages the marketing fund (collects revenue based contributions from owned and sub-franchised restaurants and spends them on marketing activities, any unspent amount is to be paid to YUM and YUM spends it on national campaigns at its discretion). If a certain point of market development level is reached, AmRest is enabled to receive a bonus that represents the transaction price for the service performed for the Master Franchisor. To reflect the substance of the transaction, cash flows received from sub franchisees from initial and marketing fees are netted with the initial fees paid/actual marketing expenses and bonus earned.

- AmRest's performance obligation to sub-franchisees: to grant sub-franchisees the right to use the system, system property etc. solely in connection with the conduct of the business at the outlet (sub-licensing from YUM). The transaction price is agreed in the form of sales based royalties paid by franchisees. Initial fees and renewal fees paid by franchisees are part of other performance obligations (described above). Corresponding costs of acquiring license right from Yum are presented within costs of sales of franchise activities in the line "Franchise and other expenses".

Loyalty points programs

The Group has various loyalty points programs where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue from the award points is recognised when the points are redeemed or when they expire or are likely to expire.
When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points.

Gift cards

Gift cards may be issued to the guests in some brands and redeemed as a payment form in subsequent transactions. The Group records a contract liability in the period in which gift cards are issued and proceeds are received. This liability is calculated taking into account the probability of the gift cards' redemption. The redemption rate is calculated based on own and industry experience, historical and legal analysis. Revenue is recognised when a performance obligation is fulfilled and a guest redeems the gift cards.

Contract balances

- Contract assets: a contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. As at 31 December 2017 and as at 31 December 2018 there were no contract assets recognised.
- Trade receivables: a receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).
- Contract liabilities: a contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities in the Group result mainly from customer loyalty programs and gift cards and were presented, applying the materiality concept, in the Trade and other accounts payables section of the consolidated statement of financial position.

Policy applicable before 1 January 2018

Restaurant sales, franchise sales and other sales constitute Group revenues.

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

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

- Initial fees paid by franchisees are recognised by the Group as a revenue at the moment when all critical points agreed in the contract areas are covered for the purpose of restaurant opening,
- Fees for using own brand paid by franchisees to the Group as a % of the sales (royalty fees) are recognised as earned.

Loyalty points programs:

Revenue was allocated between the loyalty program and the other components of the sale using the residual approach. The amount allocated to the loyalty program was deferred, and was recognised as revenue when the Group fulfilled its obligations to supply the discounted products under the terms of the program or when it was no longer probable that the points under the program would be redeemed.

The policy applied in the comparative information for gift cards presented for 2017 is similar to that applied for 2018.

f. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that itis no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Depending on the tax jurisdiction where the Group's subsidiaries operate recoverability of deferred taxes is assessed taking into account potential time expiry of availability of deferred tax utilization (e.g. in case of tax losses).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

g. Property, plant and equipment

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

Assets related to opening restaurants

The initial value of the property, plant and equipment of new restaurants built internally (such as construction sites and leasehold improvements in restaurants) include the cost of materials, direct labor, costs of architecture design, legal assistance, the present value of the expected cost for the decommissioning of an asset after its use, wages and salaries and benefits of employees directly involved in launching a given location.

The Group capitalizes the restaurants costs mentioned above incurred from the moment when the completion of the project is considered likely. In the event of a later drop in the probability of launching the project at a given location, all the previously capitalized costs are transferred to the income statement.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss, under „other operating gains and losses".

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rental of the majority of restaurant space agreements is classified as operating leases, consequently rental costs are recognised in income statement.

Amortisation and depreciation

Property, plant and equipment, including their material components, are depreciated on a straight-line basis over the expected useful life of the assets/components. Land is not depreciated. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

The estimated useful lives of property, plant and equipment are as follows:

Buildings, mainly drive- through restaurants	30 - 40 years
Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants)	10 - 20 years *
Kitchen equipment assets	3 - 14 years
Vehicles	4 - 6 years
Other property, plant and equipment	3 - 10 years

** over the lease term*

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

h. Franchise, license agreements and other fees

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

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

The local marketing fee is recognised in the income statement as incurred in category direct marketing costs.

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use.

Franchise right of use for Pizza Hut, KFC, Burger King and Starbucks trademarks are recognised at the amount paid.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates

The estimated useful lives of assets are as follows:

Intangible asset		
Acquired routinely		
Computer software		3-5 years
Franchise right Pizza Hut, KFC, Burger King and Starbucks trademark		5-10 years
Other intangible assets		5-10 years
Acquired in business combinations	*Intangible asset category*	
La Tagliatella brand	Marketing related	indefinite
Pizza Portal brand	Marketing related	indefinite
Sushi Shop brand	Marketing related	indefinite
Blue Frog brand	Marketing related	20 years
Bacoa brand	Marketing related	indefinite
MasterFranchise PH right in France	Customer related	10 years
La Tagliatella franchisee relations	Customer related	24 years
Favorable lease agreements	Contract based	2-10 years over the period to the end of the agreement
Clients'/vendors' databases	Customer related	2-5 years
Exclusivity rights brand operator	Customer related	6-12 years

j. Goodwill

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

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

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

Goodwill of foreign operations is translated into euro at the exchange rates at the reporting date.

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

k. Impairment of non-financial assets

The Group periodically reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment test.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill arising from a business combination is allocated groups of CGUs that are expected to benefit from the synergies of the combination.

If any indication of impairment exists, or if an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss in line " Net impairment losses on other assets" They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal of impairment losses in recognised in line " Net impairment losses on other assets"

Usually individual restaurants are considered separate CGUs in Group.

The following situations are considered impairment indicators for the purpose of testing at restaurant level:

- Restaurant operating result for last 12 month is negative,
- Store was already fully or partially impaired during last impairment test exercise,

- Store is planned to be closed.

A group of stores operating over 18 months in AmRest structures which has not been renovated in the last 18 months is analysed at least twice a year if impairment indicators exist. If one of the above indicators is identified for the store then the restaurant is tested for impairment. Value in use is usually determined for the remaining estimated period of operation, as well analysis of potential onerous liabilities (mainly for rental agreement costs) is performed for planned closures.

Regularly the Group also tests restaurants for which in past the impaired loss was recognised, in order to determine if any reversal is required.

For goodwill tested together with intangibles with indefinite useful lives, as well other non-current assets allocated to groups of CGUs where goodwill is monitored the following impairment indicators are analysed:

Arising from external sources of information such as:

- Significant adverse changes that have taken place (or are expected in the near future) in the technological, market, economic or legal environment in which the entity operates or in its markets,
- Increases in interest rates, or other market rates of return, that might materially affect the discount rate used in calculating the asset's recoverable amount.

Arising from internal sources of information, including:

- Plans to discontinue or restructure the operation to which the asset belongs, as well as reassessing the asset's useful life from indefinite to finite,
- Deterioration in the expected level of the asset's performance i.e. when the actual net cash outflows or operating profit or loss are significantly worse than budgeted,
- Where management's own forecasts of future net cash inflows or operating profits show a significant decline from previous budgets and forecasts.

Materiality applies in determining whether an impairment review is required. If previous impairment reviews have shown a significant excess of recoverable amount over carrying amount, no review would be necessary in the absence of an event that would eliminate the excess. Previous reviews might also have shown that an asset's recoverable amount is not sensitive to one or more of the impairment indicators.

l. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

m. Inventories

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

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

n. Cash and cash equivalents

Cash reported in the statement of financial position comprises cash at banks and on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

o. Financial assets

<u>Policy applicable after 1 January 2018</u>

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through other comprehensive income (FVOCI),
- Those to be measured subsequently at fair value through profit or loss (FVTPL),
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss,

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss,

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group recognises loss allowance for expected credit losses (ECLs) on:

- Financial assets that are debt instruments such as loans, debt securities, bank balances and deposits and trade receivables that are measured at amortised cost,
- Financial assets that are debt instruments measured at fair value through other comprehensive income,
- Finance lease receivables and operating lease receivables under IAS 17 and IFRS 16 (when applied),
- Contract assets under IFRS 15.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired includes observable data about such events.

The Group applied the simplified approach for:

- all trade receivables or contract assets that result from transactions within the scope of IFRS 15, and that contain a significant financing component in accordance with IFRS 15,
- all lease receivables that result from transactions that are within the scope of IAS 17 and IFRS 16 (when applied).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>Policy applicable before 1 January 2018</u>

The Group classified its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The classification depended on the purpose for which the investments were acquired. The Group determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are recognised at amortised cost net of impairment write-downs and recognised as current assets in the balance sheet, under "Trade and other receivables", if they mature within 12 months of the balance sheet date.

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

Impairment

The Group assesses at each reporting date whether there is any objective evidence of asset impairment.

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

p. Trade and other receivables

Trade and other receivables include non-derivative financial assets not traded on an active market with fixed or determinable amounts to be repaid. These assets are initially recognised at fair value and then at amortised cost net of impairment.

q. Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The Group has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. This category generally applies to interest-bearing loans and borrowings.

Initially, borrowings are recognised in the books of account at the fair value net of transaction costs associated with the borrowing. Subsequently, borrowings are recognised in the books of account at amortised cost using the effective interest rate.

The liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

r. Trade and other payables and accruals

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

s. Derivative financial instruments and hedge accounting

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

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

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

The Group designates certain derivatives as either:

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

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognszed immediately in the income statement under 'other financial income or costs – net'.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

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

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to the income statement under 'other financial income or costs – net'.

Net investment hedge

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

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

Hedge is effective if:

- There is economic relationship between hedged item and hedging instrument,
- The effect of credit risk does not dominate the value changes,
- The actual hedge ratio (designated amount of hedged item/designated of hedged instrument) is based on the amounts the Group is us using for risk management.

The Group uses loans as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

t. Share based payments and employee benefits

Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

Cash-settled transactions have been accounted since 2014 as a result of a modification introduced to existing share-based programs. Some programs were modified so that they may be settled in cash or in shares upon decision of a participant. As a result, the Group re-measures the liability related to cash-settled transaction.

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

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

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

Long-term employee benefits based on years in service

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

Retirement benefit contributions

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

Management incentive program for Group employees in local markets

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

u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Restructuring

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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

Depending on particular contracts the Group may be obliged to bring the location to the condition it had been in before the lease agreement was signed. Asset retirement provision costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset (leasehold improvement asset within PPE section).

The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed periodically and adjusted if needed. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

v. Equity

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

Equity attributable to shareholders of the parent is grouped into the following:

- Share capital,
- Reserves,
- Retained earnings,
- Translation reserve.

The effect of the following transactions is presented under reserves:

- Share premium (surplus over nominal amount) and additional contributions to capital without the issue of shares made by the shareholders prior to becoming public entity,
- Effect of accounting for put options over non-controlling interests,
- Effect of accounting for share-based payments,
- Treasury shares,
- Effect of hedges valuation,
- Effect of accounting for transactions with non-controlling interests.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. The income tax effect relating to transaction costs of an equity transaction is also accounted for in equity.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in "Reserves".

41. Changes in accounting policies and disclosures

a. Changes in significant accounting policies

▪ Change of the presentation currency and level of aggregation of data

In the second half of 2017 the shareholders of AmRest decided to change its domicile from Wroclaw, in Poland to Madrid in Spain. Respective legal documents were submitted to the Spanish Court on 1 March 2018. On 14 March 2018 the Company received confirmation and reported on both the Warsaw and Madrid Stock Exchanges that on 12 March 2018 the Spanish Courts had approved the change of domicile and registered AmRest's domicile in Madrid. The annual reporting for 2017 (for both separate and consolidated financial statements) was prepared in accordance with IFRS and was published on 8 March 2018 in PLN thousands. The decision regarding the change in domicile caused considerations of changing the presentation currency of the Group from PLN to EUR. Taking into account the other matters listed below, the Group decided to change its presentation currency to EUR, as it is a currency that better responds to the needs of users of consolidated financial reports:

- AmRest is a global restaurant operator conducting its activities in many countries and currency zones. A large number of the Group companies use EUR as a functional and presentation currency.
- The vast majority of acquisitions carried out by AmRest are conducted in EUR.
- With the change of domicile the Group will be required to report its financial statements both on the Warsaw Stock Exchange (where it is quoted) and on the Madrid Stock Exchange (where it is domiciled). EUR is a widely used currency for the presentation of financial statements of entities domiciled in Spain.
- The Warsaw Stock Exchange allows reports to be published in EUR.
- EUR is widely used in financial reporting, especially by entities domiciled in the European Union.
- The long-term development plan includes investments in Western Europe where EUR is a functional currency.
- The Group also changed its internal reporting to EUR.

The change in presentation currency under IFRS is being considered as a change in the accounting policy and should be applied retrospectively. The change in presentation currency has had no impact on assets, liabilities and total equity but impacts the translation of the specific equity positions.

For the purpose of comparative translation data the following rules were applied:

- For share capital, which is actually issued in EUR – historical values in EUR were assigned. The share capital value is not material.
- For share premium items historical movements were analysed. Material share capital increases were translated using historical exchange rates from the transaction date.
- Treasury share transactions since 2015 have been recalculated for all movements. FIFO is used for treasury share disposals. Consequently, treasury shares were translated into EUR using historical costs.
- For share-based payments ("SBP") transactions recognised in 2015 and thereafter an average exchange rate for each year (2015- 2016) or for each quarter (2017) was applied.
- Non-controlling interest transactions were recognised at historical exchange rate.
- For the translation of profit or loss positions and retained earnings recognised in 2015 and previously an average exchange rate for each quarter was applied and for those recognised in 2016 and 2017 a monthly exchange rate was applied for each Group company. As a consequence, quarterly consolidated data for each line of the income statements are effectively translated using different exchange rates.
- As a result of the above transactions a new balance for the currency translation reserve was determined. Exchange differences needed to be established as new, for Group operations where the functional currency is other than the EUR. Differences between currency translation reserves were recognised in other comprehensive income.
- The closing rate was applied for the translation of all the assets and liabilities.
- Cash flow positions referring to profit and loss positions were translated using the monthly average exchange rate for each company. Historical exchange rates were applied for those positions referring to acquisitions and a quarterly average exchange rate was applied for all other positions. The difference resulting from the translation of cash flow was presented in the effect of foreign exchange rate movements.

Subsequently, in order to improve the presentation of information and make it clearer, data was aggregated into EUR million with one decimal place.

A summary of restatements regarding the changes described above was presented in the table at the end of the this note.

b. New standards, interpretations and amendments adopted by the Group

▪ IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

All financial instruments in the Group's consolidated statement of financial position as at 1 January 2018 are classified as measured at amortised cost and the adoption of IFRS 9 did not bring significant changes in the value of those financial instruments. As a consequence, there were no presentation or valuation changes in the consolidated balance sheet. In accordance with standard requirements in the consolidated income statement a new line was added called "Net impairment losses on financial assets".

The Group's financial assets and financial liabilities as at 1 January 2018 are presented in the table below:

	Measurement category		**Carrying amount**	
	Original (IAS 39)	**New (IFRS 9)**	**Orginal**	**New**
Financial assets:				
Rental deposits	Amortised cost	Amortised cost	18.8	18.8
Trade and other receivables	Amortised cost	Amortised cost	21.4	21.4
Cash and cash equivalents	Amortised cost	Amortised cost	131.2	131.2
Total financial assets			**171.4**	**171.4**
Financial liabilities:				
Bank loans, bonds, SSD	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	471.6	471.6

(all figures in EUR millions unless stated otherwise)

	Measurement category		Carrying amount	
	Original (IAS 39)	New (IFRS 9)	Orginal	New
Finance lease liabilities	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	2.1	2.1
Trade and other payables	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	126.2	126.2
Total financial liabilities			**599.9**	**599.9**

Additional information about how the Group measures the allowance for impairment is described in note 37.

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. As the Group uses net investment hedges, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements or on the accounting policy.

In 2017 the Group refinanced one of its borrowings with no change in the maturity date. Two out of four lenders were changed. The existing debt was de-recognised and a new one was recognised. There is no difference to the approach under IFRS 9.

The accounting policy adopted by the Group is described in note 40.

▪ IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 sets out a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Revenue streams:

- Restaurant sales: revenues from the sale of goods by owned restaurants are recognised as Group sales when a customer purchases the goods, which is when our obligation to perform is met,
- Franchise and other sales: revenue from the master-franchise agreements (the right to grant a license to third parties) and franchise of own brands.

Material revenue streams at the date of initial application:

- Royalty fees (based on percentage of the applicable restaurant sales) - recognised as the related sales occur,
- Revenue from sale of products to franchisees - recognised at the moment of the transaction which is when our obligation to perform is met,
- Initial fees - the Group analyses if the activities performed are different to the franchise brand. If they do not represent the separate performance obligation they are recognised on a straight-line basis over the contract duration. If they represent a separate obligation, the Group estimates the allocation of the part of the transaction price to that performance obligation.

IFRS 15 did not have a significant impact on the Group's accounting policies for the revenue streams described above, except for initial fees. Before 1 January 2018 the Group recognised initial fees paid by La Tagliatella franchisees at the moment when all critical agreements in the contract areas were covered for the purpose of restaurant openings. The recognition under IFRS 15 is described above. Therefore, under IFRS 15 revenue is recognised later than under IAS 18. The impact of these changes other than on revenue is an increase in deferred income, which is now included as a separate line under Trade and other accounts payable – contract liability. The total value of the adjustment amounted to EUR 2.3 million. There was no material impact on the Group's consolidated annual income statement and cash flows for the year ended 31 December 2018.

(all figures in EUR millions unless stated otherwise)

Contract liabilities that result mainly from customer loyalty programs and gift cards were presented applying the materiality concept under Trade and other accounts payables in the consolidated statement of financial position (note 31).

The following table summarizes the impact of the transition to IFRS on the statement of financial position as at 1 January 2018:

	31 December 2017 (restated)	**IFRS 15**	**1 January 2018** (restated)
Equity			
Retained earnings	190.8	(2.3)	188.5
Liabilities			
Trade and other payables	188.7	2.3	191.0
Total equity and liabilities	**379.5**	**-**	**379.5**

Details of the accounting policy relating to revenue recognition are described in note 40.

IFRS 15 requires a disaggregation of revenue in different categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. However, taking into account the nature of revenue streams the Group does not see any reason to present a more detailed disaggregation of revenue than that described above and presented in the segment note.

▪ Other newly applied and amended standards

The amendments and interpretations listed below were applied in 2018 and had no significant impact on the accounting policies applied.

Amendments to IFRS 15, Revenue from Contracts with Customers

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; how to determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and how to determine whether the revenue from granting a license should be recognised at a specific point in time or over time.

Amendments to IFRS 2, Share-based Payments

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

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

Amendments to IAS 40: Transfers of Investment Property

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

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

c. Final acquisition accounting of business combinations

Entrance into KFC German restaurant market: acquisition of KFC restaurants

In the first quarter of 2018 the AmRest Group finalised the process tax settlement of the acquisition of 15 KFC restaurants operating in the German market and completed the purchase price allocation process.

Description of the acquisition

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

On 1 March 2017 the transaction was completed and from this date AmRest DE Sp. z o.o. & Co. KG became the operator of 15 KFC restaurants in Germany. The acquisition price amounted to EUR 10.3 million.

Apart from the purchase price paid, as stated above, the Group incurred costs of initial fees for all new stores in a total value of EUR 0.7 million. Initial fees paid were recognised as intangible assets on the acquisition date.

Allocation of the acquisition price

Estimates made and assumptions used (relating to the most significant assets such as fixed assets and intangible assets, as well as deferred tax assets) were verified by an independent entity specializing in such valuations.

The fair value of goodwill and deferred tax assets presented in the acquisition note in the annual consolidated financial statements as at 31 December 2017 was adjusted: goodwill was decreased by EUR 0.1 million and deferred tax assets were increased by EUR 0.1 million. The fair value of other net assets was not changed.

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

Adjustments introduced did not materially affect the comparative data presented in these Consolidated Financial Statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated. The consolidated statement of financial position as at 31 December 2017 was adjusted to reflect the final purchase price allocation figures.

Entrance into French restaurant market: acquisition of Pizza Hut Delivery operator

In the second quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities.

Description of the acquisition

On 16 May 2017 AmRest completed the Share Purchase Agreement ("SPA") between AmRest and Top Brands NV and thereby acquired 100% shares of Pizza Topco France SAS (currently AmRest Topco France SAS).

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

Allocation of the acquisition price

The table below presents a comparison of the preliminary purchase price allocation as presented in the annual consolidated financial statements for the year ended 31 December 2017, together with finally determined values.

Pizza TopCo France SAS (currently AmRest Topco France SAS)	**Preliminary fair value EUR million**	**Final fair value EUR million**
Cash and cash equivalents	0.8	0.8
Property, plant and equipment	1.1	0.4
Intangible assets	6.2	6.2
Other non-current assets	0.1	0.1
Trade and other receivables	1.5	1.3
Inventories and other current assets	0.7	0.7
Deferred tax liabilities	(2.0)	(1.8)
Provisions	(0.4)	(0.4)
Trade and other payables	(3.3)	(3.3)
Net assets acquired	**4.7**	**4.0**
Acquisition price	12.8	12.8
Less net assets acquired and liabilities assumed	4.7	4.0
Goodwill	**8.1**	**8.8**
Amount paid in cash	12.8	12.8
Acquired cash and cash equivalents	0.8	0.8
Cash outflows on acquisition	**12.0**	**12.0**

As part of the final purchase price process allocation the Group has in particular verified the fair values of property plant and equipment and trade receivables acquired. Based on the purchase agreement, the Group did not acquire some of the receivables from sub-franchisees that arose prior to the takeover of control by AmRest. The Group is required to periodically verify the cash inflows from settling these invoices, and reimburse to the previous owner of the PH France business.

In the purchase price process the Group has recognised the value of intangible assets related to exclusive rights of the master-franchisee on the French market in the Delivery and Express area. The total fair value amounted to EUR 6 million. An asset is amortised over their useful life of 10 years.

Estimates made and assumptions used are verified by an independent entity specialising in such valuations. Deferred tax liabilities were also recognised on respective temporary differences between tax and accounting values.

The Group also considered the potential recognition of other intangible assists such as favorable rental agreements, the customer loyalty database and others, and did not identify any other material assets to be recognised.

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

Adjustments introduced did not materially affect the comparative data presented in these Consolidated Annual Financial Statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated. Consolidated statements of financial position as at 31 December 2017 were adjusted to reflect final purchase price allocation figures.

Entrance into KFC French restaurant market: AmRest Opco SAS Group – changes in the purchase price allocation process

In the fourth quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities of KFC France restaurants.

Allocation of the acquisition price

Note 6 presents the final accounting for the whole transaction of entering into the KFC France restaurant business. This acquisition consisted of over 40 restaurants taken over separately over a period of more than 6 months. The majority of restaurants were taken over in 2017, and accounted for provisionally as at 31 December 2017.

The table below presents a comparison of the preliminary purchase price allocation as presented in the annual consolidated financial statements for the year ended 31 December 2017 and the finally determined values for part of the KFC France acquisition.

AmRest Opco SAS Group	**Preliminary fair value EUR million**	**Final fair value EUR million**
Cash and cash equivalents	0.1	0.1
Property, plant and equipment	30.0	32.0
Intangible assets	1.8	1.8
Inventories	0.6	0.6
Asset related to right to compensation resulting from the acquisition agreement	3.5	3.5
Employee related accruals	(3.5)	(3.5)
Deferred tax asset	-	2.4
Provisions	-	(1.0)
Net assets acquired	**32.5**	**35.9**
Acquisition price	42.3	43
Less net assets acquired and liabilities assumed	32.5	35.9
Goodwill	**9.8**	**7.1**
Amount paid in cash	42.3	42.3
Acquired cash and cash equivalents	0.1	0.1
Cash outflows on acquisition	**42.2**	**42.2**

The fair value of net assets was adjusted by EUR 3.4 million, due to the identification of provisions for estimated costs of bringing the location to the condition it had been in before, as a lease agreement was signed amounting to EUR 1 million and a value adjustment was made of recognised property plant and equipment amounting to EUR 2 million. Deferred tax assets, which were not accounted for in the provisional purchase price allocation, amounting to EUR 2.4 million were also recognised in the respective temporary differences between tax and accounting values.

As a result of the final identification and verification of the fair value of net assets, as well as the adjusted purchase price, goodwill has decreased by EUR 2.7 million.

The recognition of the final purchase price allocation also resulted in adjusting values of other intangible assets (which have increased by EUR 1.1 million) and trade and other payables (which have increased by EUR 2 million). This illustrates the effect of verifying and recognizing additional accruals for payables for property, plant and equipment, as well as the final identification of intangible assets assigned to stores already opened, which were previously not identified and included in goodwill.

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

Adjustments introduced did not materially affect the comparative data presented in these consolidated annual financial statements for the consolidated annual income statement; cash flows from operating, investing and financing activities in the consolidated annual statement of cash flows and earnings per share. Therefore, this data was not restated. The consolidated annual statements of financial position as at 31 December 2017 were adjusted to reflect final purchase price allocation figures.

Entrance into KFC Russia restaurant market

In the fourth quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities of the KFC Russia restaurant market.

Description of the acquisition

On 2 October 2017 the Group acquired 100% of the shares in Chicken Yug OOO from Ms. Svetlana Mikhailovna Popova. The initially agreed purchase price amounted to EUR 24.5 million (RUB 1 655 million) and was increased by EUR 0.6 million (RUB 38.5 million) due to the acquisition of additional assets.

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

Allocation of the acquisition price

The Group finalised the purchase price allocation process and did not identify any additional adjustments to the preliminary reconciliation presented in prior reporting. Consequently, the final purchase price allocation did not result in a restatement of the comparative statement of financial position, income statements or cash flow statements.

The fair value of acquired property, plant and equipment was recognise based on an external construction company valuation and equipment was valued by an independent certified agency. The Group did not identify any additional intangible assets acquired in the transaction to be recognised, other than those that were previously recognisedre by the acquiree.

The purchase price allocation process was disclosed in the consolidated financial statements for the year ended 31 December 2017 which were published in Polish Zloty. Below is the relevant note presenting the fair value of the acquired net assets, goodwill and acquisition price at the acquisition date in EUR million:

Chicken Yug OOO	**31 December 2017 Fair value (RUB million)**	**31 December 2017 Fair value (EUR million)**
Cash and cash equivalents	0.6	0.0
Property, plant and equipment	228.0	3.4
Intangible assets	42.0	0.6
Other non-current assets	14.7	0.2
Inventories	22.7	0.3
Other current assets	10.6	0.2
Deferred tax liabilities	(33.7)	(0.5)
Net assets acquired	**284.9**	**4.2**
Acquisition price	1 693.9	25.1
Less net assets acquired and liabilities assumed	284.9	4.2
Goodwill	**1 408.9**	**20.9**
Amount paid in cash	1 693.9	25.1
Acquired cash and cash equivalents	0.6	0.0
Cash outflows on acquisition	**1 693.3**	**25.1**

The purchase price does not include the contingent consideration element. Acquisition-related costs for the transaction amounted to EUR 0.5 million.

The goodwill is attributable mainly to the workforce, good profitability of the acquired business and the synergies expected to be achieved from integrating the acquired business into the Group's already existing KFC business in Russia.

The goodwill recognised is not expected to be deductible for tax purposes.

The goodwill has been allocated to the KFC Russia business and is being tested for impairment together with previously recognised goodwill and already the existing KFC Russia business. The annual impairment test performed at 2018 year end did not result in any goodwill impairment losses.

Entrance into other markets in Poland and Germany.

In the third and fourth quarters of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and liabilities for the below mentioned transactions.

Description of the acquisition

On 31 July 2017 the AmRest Group signed a Master Franchise Agreement ("MFA") with Yum Restaurants International Holdings, LLC and acquired two Pizza Hut delivery restaurants based on the Asset Purchase Agreement ("APA") with Pizza Hut Delivery Germany GmbH. The purchase price amounted to EUR 1. This transaction was accounted for as an asset deal as at 31 December 2017.

Business combinations:

- On 1 August 2017 the AmRest Group acquired 3 KFC restaurants in Germany, and the purchase price amounted to EUR 1.7 million.
- On 31 August 2017 the AmRest Group took over the newly issued shares in Restaurant Partner Polska Sp. z o.o. (hereinafter referred to as RPP) – the operator of the PizzaPortal.pl platform in Poland and became its majority shareholder with 51% of total RPP shares. The outstanding 49% of shares remained in the possession of Delivery Hero. The acquisition price for the 51% of shares in the RPP was agreed at approximately EUR 2.4 million (PLN 10.1 million). In addition, the parties of the Shareholders Agreement committed to make an investment in the RPP for an amount of EUR 3.3 million (PLN 14 million, PLN 7 million each) in the first quarter of 2018 – (payments were made in full amounts in December 2017 and January 2018).
- On 18 October 2017 the AmRest Group signed an agreement with Autogrill Polska Sp. z o.o. (hereinafter ATG) for the purchase of 6 restaurants. The purchase price amounted to EUR 1.9 million(approx. PLN 8 million).

Allocation of the acquisition price

In the third and fourth quarters of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and liabilities for the below mentioned transactions:

- Acquisition of 3 KFC restaurants in Germany acquired on 1 August 2017 (purchase price of EUR 1.7 million) and acquisition of 6 restaurants from Autogrill Polska Sp. z o.o. on 18 October 2017 (purchase price of EUR 1.9 million). There was no difference to the amounts presented in the Group's annual consolidated financial statements for 2017.

- Acquisition of 51% of shares in the Restaurant Partner Polska Sp. z o. o. (the operator of the PizzaPortal.pl platform in Poland), for a purchase price of EUR 2.4 million (PLN 10.1 million). In the final purchase price allocation process the Group has specifically verified the fair values of the brand and customer and restaurant databases. The final fair value of the brand amounted to EUR 0.9 million (PLN 3.9 million), and the final fair value of the customer and restaurant databases amounted to EUR 0.9 million (PLN 3.9 million). NCI amounted to EUR 1.6 million (PLN 6.9 million) and was measured at a proportionate share of the acquiree's net identifiable assets. Estimates made and assumptions used were verified by an independent entity specializing in such valuations. Deferred tax liabilities were also recognised in respective temporary differences between tax and accounting values. The fair value of goodwill, intangible assets and deferred tax assets presented in the acquisition note in the annual consolidated financial statements as at 31 December 2017 was adjusted: goodwill was decreased by EUR 0.5 million (PLN 2.1 million), intangible assets were increased by EUR 1.1 million (PLN 4.8 million) and deferred tax liability rose by EUR 0.2 million (PLN 0.9 million). The fair value of other net assets remained the same. The adjustments introduced did not materially affect the comparative data for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated.

d. Summary of restatements:

A summary of restatements regarding the changes described above, i.e.:

- Change in the presentation currency,
- Change in the level of aggregation,
- Change in the purchase price allocation process.

is presented in the tables below.

Consolidated income statement effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Continuing operations		
Restaurant sales	4 943 953	1 162.3
Franchise and other sales	321 554	75.6
Total revenue	**5 265 507**	**1 237.9**
Restaurant expenses:		
Food and merchandise	(1 440 242)	(338.5)
Payroll, social security and employee benefits	(1 200 058)	(282.1)
Royalties	(252 444)	(59.4)
Occupancy and other operating expenses	(1 505 513)	(353.9)
Franchise and other expenses	(213 821)	(50.3)
General and administrative expenses	(387 221)	(91.1)
Total operating costs and losses*	**(4 999 299)**	**(1 175.3)**
Net impairment losses on financial assets*	(8 103)	(1.9)
Net impairment losses on other assets*	(24 749)	(5.9)
Other operating income	33 526	7.9
Profit from operations	**266 882**	**62.7**
Finance costs	(59 633)	(14.0)
Finance income	3 397	0.8
Profit before tax	**210 646**	**49.5**
Income tax	(29 317)	(6.8)
Profit for the period	**181 329**	**42.7**
Attributable to:		
Shareholders of the parent	182 281	42.9
Non-controlling interests	(952)	(0.2)

**Minor changes in presentation reflected*

Consolidated statement of comprehensive income effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Profit for the period	181 329	42.7
Other comprehensive income		
Exchanges differences on translation of foreign operations	(147 564)	(16.9)
Net investment hedges	51 789	12.1
Income tax related to net investment hedges	(9 840)	(2.3)
Total items that may be reclassified to income statement	(105 615)	(7.1)
Other comprehensive income	**(105 615)**	**(7.1)**
Total comprehensive income	**75 714**	**35.6**
Attributable to:		
Shareholders of the parent	**85 900**	**38.2**
Non-controlling interests	**(10 186)**	**(2.6)**

Consolidated statement of financial position effect of change in presentation currency and final PPA recognition

	31 December 2017				
	Published	**Adjustment 1**	**Adjustment 2**	**Adjustment 3**	**Restated**
	PLN thousand	EUR million	EUR million	EUR million	EUR million
Assets					
Property, plant and equipment	1 690 155	404.6	-	1.4	406.0
Goodwill	909 310	217.7	-	(2.6)	215.1
Other intangible assets	612 690	146.7	-	2.2	148.9
Investment properties	22 152	5.3	-	-	5.3
Other non-current assets	95 853	22.9	-	-	22.9
Deferred tax assets	59 302	14.2	-	2.5	16.7
Total non-current assets	**3 389 462**	**811.4**	**-**	**3.5**	**814.9**
Inventories	93 628	22.4	-	-	22.4
Trade and other receivables	162 004	38.8	-	(0.1)	38.7
Corporate income tax receivables	4 174	1.0	-	-	1.0
Other current assets	121 571	29.1	-	-	29.1
Cash and cash equivalents	548 248	131.2	-	-	131.2
Total current assets	**929 625**	**222.5**	**-**	**(0.1)**	**222.4**
Total assets	**4 319 087**	**1 033.9**	**-**	**3.4**	**1 037.3**
Equity					
Share capital	714	0.2	-	-	0.2
Reserves	606 366	145.2	7.1	-	152.3
Retained earnings	837 301	200.4	(9.6)	-	190.8
Translation reserve	(133 917)	(32.1)	2.5	-	(29.6)
Equity attributable to shareholders of the parent	**1 310 464**	**313.7**	**-**	**-**	**313.7**
Non-controlling interests	35 184	8.4	-	0.5	8.9
Total equity	**1 345 648**	**322.1**	**-**	**0.5**	**322.6**
Liabilities					
Interest-bearing loans and borrowings	1 811 975	433.8	-	-	433.8
Finance lease liabilities	7 001	1.7	-	-	1.7
Employee benefits liability	12 488	3.0	-	-	3.0
Provisions	39 543	9.4	-	0.9	10.3
Deferred tax liability	114 242	27.3	-	-	27.3
Other non-current liabilities	24 508	5.9	-	-	5.9
Total non-current liabilities	**2 009 757**	**481.1**	**-**	**0.9**	**482.0**
Interest-bearing loans and borrowings	157 880	37.8	-	-	37.8
Finance lease liabilities	1 777	0.4	-	-	0.4
Trade and other accounts payable	779 839	186.7	-	2.0	188.7
Corporate income tax liabilities	24 186	5.8	-	-	5.8
Total current liabilities	**963 682**	**230.7**	**-**	**2.0**	**232.7**
Total liabilities	**2 973 439**	**711.8**	**-**	**2.9**	**714.7**
Total equity and liabilities	**4 319 087**	**1 033.9**	**-**	**3.4**	**1 037.3**

Adjustment 1 - translated at the exchange rate of ECB PLN/EUR 4.1770 and divided by 1000.

Adjustment 2 - effect of the retranslation from PLN as presentation currency into EUR as presentation currency based on the historical and average FX rates as applicable.

Adjustment 3 – final recognition of PPA's.

Consolidated statement of financial position effect of change in presentation currency

	1 January 2017			
	Published	**Adjustment 1**	**Adjustment 2**	**Restated**
	PLN thousand	EUR million	EUR million	EUR million
Assets				
Property, plant and equipment	1 343 738	304.7	-	304.7
Goodwill	777 508	176.1	-	176.1
Other intangible assets	617 327	139.6	-	139.6
Investment properties	22 152	5.0	-	5.0
Other non-current assets	62 503	14.2	-	14.2
Investment in associates	888	0.2	-	0.2
Deferred tax assets	44 834	10.2	-	10.2
Total non-current assets	**2 868 950**	**650.0**	**-**	**650.0**
Inventories	82 086	18.6	-	18.6
Trade and other receivables	99 384	22.5	-	22.5
Corporate income tax receivables	12 797	2.9	-	2.9
Other current assets	102 898	23.3	-	23.3
Cash and cash equivalents	291 641	66.1	-	66.1
Total current assets	**588 806**	**133.4**	**-**	**133.4**
Total assets	**3 457 756**	**783.4**	**-**	**783.4**
Equity				
Share capital	714	0.2	-	0.2
Reserves	648 886	147.1	15.60	162.7
Retained earnings	655 020	148.5	(0.6)	147.9
Translation reserve	4 413	0.8	(15.9)	(15.1)
Equity attributable to shareholders of the parent	**1 309 033**	**296.6**	(0.9)	**295.7**
Non-controlling interests	67 577	15.3	0.9	16.2
Total equity	**1 376 610**	**311.9**	-	**311.9**
Liabilities				
Interest-bearing loans and borrowings	1 039 033	235.3	-	235.3
Finance lease liabilities	7 880	1.8	-	1.8
Employee benefits liability	19 850	4.5	-	4.5
Provisions	42 346	9.6	-	9.6
Deferred tax liability	117 818	26.7	-	26.7
Other non-current liabilities	8 429	1.9	-	1.9
Total non-current liabilities	**1 235 356**	**279.8**	**-**	**279.8**
Interest-bearing loans and borrowings	223 255	50.6	-	50.6
Finance lease liabilities	1 636	0.4	-	0.4
Trade and other accounts payable	613 093	138.9	-	138.9
Corporate income tax liabilities	7 806	1.8	-	1.8
Total current liabilities	**845 790**	**191.7**	**-**	**191.7**
Total liabilities	**2 081 146**	**471.5**	**-**	**471.5**
Total equity and liabilities	**3 457 756**	**783.4**	**-**	**783.4**

Adjustment 1 - translated at the exchange rate of ECB PLN/EUR 4.4103 and divided by 1000.

Adjustment 2 - effect of the retranslation from PLN as presentation currency into EUR presentation currency based on the historical and average FX rates as applicable.

Consolidated statement of cash flows effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Cash flows from operating activities		
Profit before tax from continued operations	210 646	49.5
Adjustments for:		
Amortisation	42 134	9.9
Depreciation	288 357	67.8
Interest expense, net	43 125	10.1
Foreign exchange result	3 549	0.8
Loss on disposal of property, plant and equipment and intangibles	4 062	1.0
Impairment of property, plant and equipment and intangibles	24 744	5.9
Share-based payments expenses	21 569	5.1
Other	5 171	1.3
Working capital changes:		
Increase in trade and other receivables	(58 349)	(13.8)
Increase in inventories	(10 088)	(2.4)
Increase in other assets	(43 073)	(10.2)
Decrease in payables and other liabilities	142 041	33.9
Increase in other provisions and employee benefits	(22 953)	(5.5)
Income taxes paid	(16 122)	(3.8)
Net cash provided by operating activities	**634 813**	**149.6**
Cash flows from investing activities		
Net cash outflows on acquisition	(398 281)	(93.3)
Proceeds from the sale of property, plant and equipment, and intangible assets	2 353	0.6
Acquisition of property, plant and equipment	(527 203)	(124.0)
Acquisition of intangible assets	(56 715)	(13.4)
Net cash used in investing activities	**(979 846)**	**(230.1)**
Cash flows from financing activities		
Proceeds from share transfers (employees options)	4 720	1.0
Expense on acquisition of treasury shares (employees options)	(79 298)	(18.7)
Expense on settlement of employee stock option in cash	(4 025)	(1.0)
Proceeds from loans and borrowings	1 849 536	436.3
Repayment of loans and borrowings	(1 085 838)	(256.4)
Interest paid	(35 211)	(8.3)
Interest received	3 287	0.8
Dividends paid to non-controlling interest owners	(3 726)	(0.9)
Transactions with non-controlling interest	(60 619)	(13.4)
Repayment of finance lease payables	(492)	(0.1)
Net cash provided by financing activities	**587 884**	**139.3**
Net change in cash and cash equivalents	**242 851**	**58.8**
Effect of foreign exchange rate movements	13 756	6.3
Balance sheet change of cash and cash equivalents	256 607	65.1
Cash and cash equivalents, beginning of period	291 641	66.1
Cash and cash equivalents, end of period	**548 248**	**131.2**

42. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a. IFRS 16 Leases

Application of IFRS 16 will have substantial effect on financial reporting of AmRest Group.

The Group does not expect the adoption of IFRS 16 to impact Group's debt covenants as IFRS 16 impact is excluded from the formulas of covenant calculation.

Standard description

IFRS 16 "Leases" was issued by the IASB in January 2016 and was endorsed by the EU on 31 October 2017. IFRS 16 replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing discounted obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is required to adopt IFRS 16 Leases from 1 January 2019.

Leases in AmRest Group

Basic activity of the Group is running restaurant business, in vast majority in a chain of equity restaurants. In current business model the Group rents restaurant premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In general the Group's rental agreements may include:

- Fixed monthly charge for rented space (fixed lease payments),
- Rent calculated as a percentage of restaurant's turnover (variable lease payments),
- Higher of above two, i.e. minimal base rent and turnover rent,

For individual stores there is a wide range of sales turnover rent ratios applied.

As AmRest Group operates restaurants in various countries, different practices in rental contracts exist:

- Variable lease payments may be more or less common,
- Lease term varies depending on the country and business environment,
- Lease contracts may have extension options, that are available for different periods of time,
- Currency of the rental agreement may be different then functional currency of the subsidiary, as lessors often charge the rent based on EUR or USD.

Impact of the IFRS 16 on the Group's accounting policies

Until now, operating leases were off-balance sheet. The Group recognises operating lease expenses on a straight-line basis over the term of the lease, and recognises assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognised.

Under IFRS 16 "Leases", the Group will recognise new assets and liabilities for its operating leases (see note 33). The nature of expenses related to those leases will change. Each lease payment will be allocated between the liability reduction and finance cost. The finance cost will be charged to profit or loss over the lease period. The right-of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Under IFRS 16 only fixed lease payments will be accounted through IFRS 16 lease model. Variable lease payments that depend on sales will be recognised in profit or loss in the period in which the condition that triggers those payments occurs. Turnover rent therefore will be accounted as operating expenses.

Consequently with an each new lease agreement the Group will recognise a new asset and liability on its balance sheet. The Group will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset i.e. with no impact on income statement.

Implementation of IFRS 16 in the Group

The Group performed a detailed impact assessment which resulted in a group wide implementation project, including identification of leases and areas of complexity or judgement, collection of lease data and its revision, changes in systems and processes for internal and external reporting, and the development of estimates.

As a result of the lease identification project, the Group concluded that it acts as a lessee of a large number of real estate assets under operating lease. Apart from the premises for restaurant operations, the Group identified other lease contracts that would have a much less significant impact on the financial statements, for example: lease of company cars, office premises, company flats, low value equipment and vehicles.

When applying IFRS 16 as of 1 January 2019 Group decided to use the modified retrospective approach. Under this approach, on initial recognition, the Group will recognise the same balance of the right-of-use assets and lease liabilities. 2019 financial reporting will not include any restatements of comparative information for lease accounting.

Estimations of the effect on the Group's financial statements

Based on the information currently available, the Group estimates that it would recognise right-of-use assets of approximately EUR 800 million and corresponding lease liabilities for the same amount as at 1 January 2019. Approx. EUR 136 million will be recognised as increase in short-term liabilities, and EUR 664 million as long term liabilities.

The difference between the expected lease liabilities and the amount of future operating lease commitments, disclosed in note 33, results from the application of a discount rate, inclusion of the effect of extension options, exclusion of the leases expiring before 31 December 2019 and the inclusion of a financial lease liability.

As explained earlier, IFRS 16 will change the nature and total balance of operating expenses as well will increase total value of interest charged to income statements. The Group's operating profit will improve, while its interest expense will increase. Application of IFRS 16 will also result in changes in presentation of cash flows, i.e. significantly more cash outflows will be reported as investing cash flows, so that operating cash flows will increase.

In order to facilitate better understanding of impact of IFRS 16 on Group's future consolidated income statement, the Group has prepared a simplified analysis based on following assumptions:

- Rental contracts existing as at 31 December 2018 were considered only,
- The analysis did not take into account the growth of the Group, therefore it should not be used for any future Group results' predictions,
- No changes, terminations, indexations or modifications in rental contracts were assumed;, No cost of turnover rent payments was considered,
- No impact of foreign exchange rates variability was included for contracts denominated in the currencies other than functional currency of the entity,
- Theoretical rental costs under IAS 17 was estimated for year 2019,
- Theoretical depreciation charge an interest costs under IFRS 16 were estimated for year 2019,
- Effect of deferred taxes and income taxes has been ignored,
- Simplified EBITDA ratio was calculated.

Comparison of key elements of the income statements "as if IAS 17" and "as if IFRS 16" applies is presented below:

(all figures in EUR millions unless stated otherwise)

2019 costs based on data as at 31 December 2018	as if IAS 17	as if IFRS 16	Difference
Base rent (occupancy cost)	137.0	-	137.0
Depreciation	-	128.0	(128.0)
Interest cost	-	22.0	(22.0)
Impact on profit before taxes	137.0	150.0	(13.0)
Impact on EBITDA	137.0	-	137.0

The above data a were prepared with only purpose of high level impact assessment disclosures. The Group does not intend to report any updates of the estimations, not comparison to actual results of the above data in 2019 financial reporting.

For some of the Group entities, amount of lease payments is denominated in a different currency than the functional currency of the entity. Upon IFRS 16 implementation the Group will be exposed to higher currency risk due to the revaluation of lease liabilities at each reporting date. The Group prepared high level sensitivity analysis on foreign exchange rates volatility, for the rental contracts existing as at 1 January 2019. Based on this analysis, a 5-per-cent change in exchange rates may result in approx. EUR 8.6 million of financial gains or losses.

Key application methods and judgements

The Group applies IFRS 16 using the modified retrospective approach and plans to use most of available practical expedients on transition, i.e. for non-recognition of leases shorter than 12 months and transferring the amounts of leases previously classified as finance leases. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 16 implementation requires using significant judgements in setting a variety of assumptions. The key areas of judgement were as follows:

- Assessing whether the contract contains a lease

The Group applied the identification scheme published in Application Guidance to IFRS 16 (B31), and analyzed mainly the conditions of asset identification and directing the use of the assets. The Group concluded that all significant contracts containing leases under IFRS 16 had been recognised as operating or finance leases under IAS 17.

- Discount rate determination

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. The Group concluded that due to the nature of property rental contracts that rate cannot be determined, and therefore it will use the incremental borrowing rate. The incremental borrowing rate was determined using the cost of the Group's financing. For contracts exceeding the current financing period (longer than 5 years), the Group will apply an average long-term IRS quotation, differentiated by currencies used by the Group, added to the maximum margin available for the Group.

- Determination of the lease term, considering "reasonable certainty" for assessment of extension/early termination options

For certain contracts (mostly in CEE) the Group holds options for extension/termination of the lease period. The Group's practice is to assess the reasonableness of exercising options one year before the decision deadline, because in that time all relevant facts and circumstances to make such a decision can be generally available.

- Non-lease component separation

The Group incurs expenses on maintenance, security and promotion in the shopping malls (so called "common area charges"). The Group decided to separate these services as non-lease components and to recognise them as an operating expense.

b. Other standards

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately,
- The assumptions an entity makes about the examination of tax treatments by taxation authorities,
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Group will apply the interpretation from 1 January 2019.

The interpretations will not have a significant impact on the consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 cycle

These improvements include:

IFRS 3 Business Combinations: The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments may apply to future business combinations of the Group.

IFRS 11 Joint Arrangements: A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments are not currently applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. These amendments are not expected to have any effect on its consolidated financial statements.

IAS 23 Borrowing Costs: The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

The Group will apply the amendments once approved by the European Union. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event,
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. These amendments may apply only to any future plan amendments, curtailments, or settlements of the Group.

The Group will apply the standard once approved by the European Union. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments are effective from 1 January 2019. Since the Group does not have such long-term interests in its associates and joint ventures, the amendments will not have an impact on its consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

The amendments are effective from 1 January 2019. Application of amendments will not have a significant impact on the consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Group.

The Group will apply the standard once approved by the European Union. At the date of preparation of these consolidated financial statements, the standard has not yet been approved by the European Union.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IFRS 3 Business Combinations

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

43. Events after the reporting period

In February 2019 AmRest sp. z o.o. received two decisions with regards to VAT inspections for the periods 2012 and January-September 2013. In February AmRest sp. z o.o. also received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision for VAT inspection for year 2014.

Consequences of the above are described in Note 12.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019