AmRest Holdings N.V.

Annual Report 2006

Contents

AMREST HOLDINGS N.V.

DIRECTORS' REPORT

FOR 2006

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1. Company Profile

1.1. Key Services Provided by the Group

AmRest Holdings N.V. ("AmRest") operates KFC restaurants in Poland, the Czech Republic and Hungary, and Pizza Hut restaurants in Poland and Hungary. Moreover, since the first half of 2006, AmRest has operated FreshPoint restaurants in Poland and Rodeo Drive restaurants in Poland and the Czech Republic. Because the Ice*Land outlets form integral parts of selected KFC and Pizza Hut restaurants in Poland, starting from 2006 AmRest does not classify them as separate restaurants. In Q2 2007, AmRest plans to open the first Burger King restaurant in Poland. Thanks to its new brands, FreshPoint, Rodeo Drive and Burger King, the Company will diversify its services and guarantee customer satisfaction with its broad range of products.

AmRest restaurants feature services like dine-in, take-away, drive-through and home delivery. The Company's goal is to provide tasty food at competitive prices, while ensuring quality service. The AmRest restaurants' menu includes the proprietary items that are prepared from fresh products according to oryginal recipes and standards of KFC and Pizza Hut chains (and Burger King in the future), as well as on the basis of proprietary concepts (FreshPoint and Rodeo Drive).

The KFC and Pizza Hut brands are franchised to AmRest by Yum! Brands Inc. The Burger King restaurants will also be opened on the basis of a franchise agreement concluded with Burger King Europe GmbH. FreshPoint and Rodeo Drive are proprietary brands of AmRest, which means that the sales generated at those restaurants are not subject to franchise fees.

a) KFC and Pizza Hut

KFC is a quick service restaurant chain offering miscellaneous chicken meals, such as Hot&Spicy and Kentucky, as well as various fresh seasonal salads, biscuits and desserts, originally cooked corn, and hot and cold beverages. Chicken prepared by KFC is freshly marinated and breaded in store on a daily basis, which ensures the highest quality and supreme flavour of the served meals. In terms of revenue and number of restaurants, KFC AmRest is one of the largest restaurant chain operators in Central and Eastern Europe.

The KFC chain operated by AmRest seeks to strengthen its brand by offering not only chicken meals but also fresh salads, thus extending its offering and attracting new customers. This trend is continued by introducing new freshly prepared menu items.

The KFC's 2006 strategy was focused on the strengthening of the awareness of the high quality of the meals, prepared every day from freshly fried pieces of chicken as well as other meals sold as main course or side dishes. As a result of implementation of this strategy the menu was expanded to include sandwiches with innovative flavour combinations such as Pepper Longer, Pocket Exotic, PitaQura and Twister Atikos. The new Pikante salad was also added to the regular offering. All our products are prepared with an addition of fresh vegetables and pieces of chicken.

In 2006, all KFC restaurants switched to freshly ground bean coffee always made to customer's order. Great emphasis was placed on the providing additional information on the nutritional value of the meals served by KFC.

Pizza Hut is one of the largest casual dining chains in Central and Eastern Europe, offering a wide range of various dishes in restaurants with waiter service. The Pizza Hut offer includes typical for this brand traditional pan pizzas and Italian thin-crust pizzas, salad bars "with no limits", ready-made salads, typical Italian pastas and lasagnes, tortillas and other main dishes, desserts, cold and hot drinks.

In 2006 Pizza Hut continued the realization of its product strategy based on "Pizza – Pasta – Salad". Including the above product groups Pizza Hut focused on offering the diversity realizing the assumption "Pizza and much more". According to the strategy the Pizza Hut menu was extended by the additions of Pizza Lasagna, wide offer of pastas, exotic offer of salad bar, new starters and desserts. Additionally the Pizza Hut offer has been extended by the addition of "big refill" of icetea and other cold drinks plus by the addition of freshly squeezed juices (orange and grapefruit) and a wide selection of Italian wines.

Pizza Hut is continuously searching for new ideas offering the "taste adventure" to its customers. The current actions will give the customers the wider choice and inimitable taste. The new line of a dozen or so types of pizza ("The Whole World in Pizza Hut") will enable the customers "the journay" to different cuisines from all around the world. Additionally the customers will have a chance to try a few different taste compositions by the possibility of combining the selected pasta with their favourite sauce ("Pasta Festival").

b) FreshPoint and Rodeo Drive

Despite encountering greater difficulties and delays than initially planned, AmRest continues the development of its new proprietary brands: FreshPoint and Rodeo Drive. The full evaluation of both projects will be possible after the appropriate scale of operations is reached (10 FreshPoint restaurants and 5 Rodeo Drive restaurants). However, we can already conclude that both brands have been well defined and positively received by customers – for instance, 76% of the customers of FreshPoint strongly declare their intention to visit one of the FreshPoint restaurants again in the future.

FreshPoint, AmRest's new sandwich chain, commenced operations in March 2006. 5 FreshPoint restaurants have been opened to date – all of them located in Warsaw. FreshPoint restaurants are designed for the customers who despite their busy lifestyles want to eat well. FreshPoint sandwiches are a fresher and healthier option of eating out. The FreshPoint offering includes various types of bread, fresh ingredients and a variety of sauces. All menu items are served in a convenient form to eat in or take out. The natural ingredients of the sandwiches and the ability to watch the process of preparing each sandwich in store guarantees the freshness of the FreshPoint sandwiches. The bread used to prepare sandwiches is fresh because it is baked on premises.

In H2 2006, the menu boards at the FreshPoint restaurants were re-designed. At the same time, the Company developed a consistent design and outdoor and indoor signage standard for the restaurants. Also in H2 2006, a new product category was introduced – low-cost sandwiches for the customers looking for value-for-money. In March 2007, a premium offering was launched – sandwiches prepared on new type of bread, 20-cm ciabatta with sunflower seeds.

Sandwich bars are to be the next step in the development of the catering industry in Poland, which is to be driven by the rising awareness of healthy eating in Poland. The additional factors determining the growth prospects in Poland include: higher professional activity of women, longer working hours, rising number of shopping centres with an extensive catering offering and an increasing number of students.

The first Rodeo Drive (American Bar & Grill) restaurant was opened in April 2006. Rodeo Drive, AmRest's second new concept, is a casual dining restaurant serving meals based mostly on grilled meat and a wide range of beverages. Rodeo Drive restaurants are traditional Texas saloons.

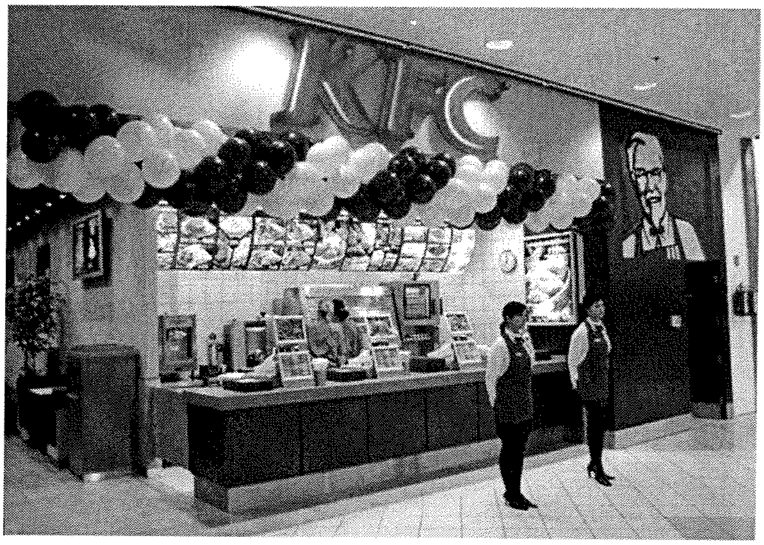
Rodeo Drive is a suitable place for a lunch, business meeting or an evening beer party. The design of the restaurants draws on the American tradition – wooden benches, tables, ceiling beams, stone wall features and objects associated with a ranch, such as hats, saddles and wagon wheels. A barbecue visible for the customers is a distinctive feature of the restaurants which emphases the character of the place.

Rodeo Drive restaurants serve truly American food – the meals for real cowboys. Rodeo Drive's house special is beefsteak grilled on an open fire. Another very popular dish is roasted ribs, served with BBQ sauce, chilli, garlic and honey.

The restaurants are situated in attractive locations and may serve 150–250 customers at a time. At present, AmRest operates two Rodeo Drive restaurants, one in Wrocław, Poland, and one in Brno, the Czech Republic. In Q2 2007, AmRest plans to open another Rodeo Drive restaurant in Nowy Świat in Warsaw.

c) Hungarian Market

Starting from Q3 2006, the consolidated financial statement of the AmRest Group includes the Hungarian restaurants acquired in June 2006. At present, there are 12 Pizza Hut restaurants and 6 KFC restaurants in Hungary, all of which are operated by AmRest. At the time of the acquisition, 13 Pizza Hut restaurants and 4 KFC restaurants operated in Hungary.



Our Hungarian business continues its efforts to achieve full integration and compliance with AmRest's systems and standards. In H2 2006, the Hungarian restaurants implemented the DOS+ internal management system (Disciplined Operating System+) and standardised the training materials for the restaurant staff and management.

Following identification of the strengths and weaknesses of the restaurant staff, management and administrative employees, an action plan was developed to achieve the optimal utilisation of the employees' potential. The Hungarian team quickly adopted AmRest's work culture and core values.

The main objective of all the above activities is to lay foundation for the future growth. In AmRest's opinion, the KFC brand currently has a greater growth potential on the Hungarian market. At the same time AmRest continues the efforts to position Pizza Hut on the market (menu, prices, etc.), which will have a direct effect on the continued development of the brand on the Hungarian market.

d) Burger King

At the beginning of March 2007, AmRest and Burger King Europe GmbH concluded a development agreement under which the Company is to open and operate Burger King restaurants in Poland. The details of the agreement and the general terms and conditions for franchise agreements to be concluded in respect of individual restaurants are described in Appendix 1. Adding the Burger King brand to the portfolio represents AmRest entrence into the largest QSR segment.

Burger King is the second largest quick service restaurant chain in the world. Currently, there are over 11 thousand Burger King restaurants in over 65 countries. The owners and managers of approx. 90% of them are independent franchisees, many of whom are the owners of family businesses with many years of experience in the industry.

The most popular Burger King's product is the WHOPPER® sandwich which was introduced in 1957. For many years the WHOPPER® sandwich has been the favourite meal of many customers and one of the most recognised sandwiches in the world.

1.2. Revenue Structure

2006 was another year of growth in AmRest's sales revenue, which increased by 25.9% (PLN 629m in 2006 relative to PLN 500m in 2005). To compare, CAGR for sales in 2002–2006 was 13.2%. The high dynamic of sales was attributable mainly to the steadily growing sales of the existing restaurants as well as the sales generated by the restaurant chain in Hungary. Starting from Q3 2006, the revenue reported by the Hungarian restaurants has been included in the Group's results. Total sales of the Hungarian restaurants for Q3 and Q4 2006 amounted to PLN 21.4m.

The majority of the AmRest Group's revenue is generated in the Quick Service Restaurants segment (KFC and Freshpoint), which accounted for 79.1% of the Company's total revenue in 2006 (relative to 78.9% in 2005). Simultaneously, the segment's sales dynamic amonted to 26.3%. Casual Dining, the other segment of AmRest's business, comprising Pizza Hut and Rodeo Drive restaurants, accounted for 20.9% of the Company's total revenue (relative to 21.1% in 2005). The segment's sales dynamic amounted to 24.3%.

Table: AmRest's sales structure by segment

SEGMENT	Jan – Dec 2006		Jan – Dec 2005	
	PLN '000	share (%)	PLN '000	share (%)
Quick Service Restaurants	497,995	79.1%	394,192	78.9%
Casual Dinning	131,331	20.9%	105,618	21.1%
Total	**629,326**	**100.0%**	**499,810**	**100.0%**

In 2006, 69.2% of AmRest's revenue was generated in Poland, compared with 72.0% in 2005. The Czech Republic's share in the Group's revenue declined from 28.0% in 2005 to 27.4% in 2006. The Hungarian restaurants, which were only included in the Group's results for Q3 and Q4 2006, contributed 3.4% of AmRest's total annual revenue.

In 2006, the sales dynamic of the Polish restaurants amounted to 21.0%, compared with 23.2% in the case of the Czech restaurants. The restaurants operating in Poland contributed 58.5% to total sales revenue growth, while the Czech and Hungarian restaurants contributed 25.0% and 16.5%, respectively.

Table: AmRest's sales structure by country

COUNTRY	Jan- Dec 2006		Jan – Dec 2005	
	PLN '000	share (%)	PLN '000	share (%)
Poland	435,718	69.2%	360,002	72.0%
Czech Republic	172,247	27.4%	139,808	28.0%
Hungary	21,361	3.4%	0	0.0%
Total	**629,326**	**100.0%**	**499,810**	**100.0%**

1.3. Customers

AmRest's products are offered to a large number of individual customers through a chain of restaurants located in Poland, Czech Republic and Hungary, mainly in cities or in their immediate vicinity.

The target market for KFC in Poland and the Czech Republic is 15-39 year olds. Based on the available national statistics, this segment comprises 31% of Poland's and 44% of the Czech Republic's populations. Over 52% of KFC customers in the Czech Republic are 16-34 year olds, and 29% of them are aged between 35 and 54. Approximately 41% (43% according to the research conducted in 2004) of KFC customers in the Czech Republic completed at least secondary-level education, and over 60% (61.5% according to the 2004 research) live in cities with a population in excess of 20,000.

In the case of KFC customers in Poland, 79% (78% according to the 2004 research) are 15-39 year olds, 78% (78% according to the 2004 research) of them completed at least secondary-level education, and 66% (67% according to the 2004 research) live in cities with a population in excess of 20,000.

The principal target market for Pizza Hut in Poland is 15-39 year olds. Based on the latest available national statistics, this segment comprises 31% of the population (31% according to the 2004 research). 75% of Pizza Hut customers in Poland (75% according to the 2004 research) are aged between 15 and 39 years, 73% (71% according to the 2004 research) completed at least secondary-level education and 60% (63% according to the 2004 research) live in cities with a population in excess of 20,000.

The above figures are based on the research carried out by SMG/KRC TGI in Poland and by MML TGI in the Czech Republic.

1.4. Suppliers

AmRest's strategy for food and packaging purchases assumes ensuring quality and high level of service, as well as competitiveness – subject to fulfilment of the first two objectives. The Company has in place a strict programme for approving new suppliers and products, as well as for monitoring the existing suppliers, which ensures that the products supplied to AmRest restaurants come up to all the required standards. As part of the programme, the suppliers have implemented the Hazard Analysis and Critical Control Point system (HACCP) and in many cases hold other certificates, including ISO or BRC. Additionally, every year the Yum! audit is carried out in order to verify compliance with the quality standards at KFC and Pizza Hut outlets.

In line with AmRest's requirements, the Food Safety and Quality Systems audits are conducted by an independent auditor. The former is concerned with safety of products from the point of view of customers' health, which is ensured by appropriate production standards and procedures, while the latter focuses on the ability to deliver sustainable quality and the highest efficiency of the production process. These standards are among the most stringent on the market.

In addition, in the case of AmRest's key suppliers, product quality assessment is routinely carried out on a randomly selected foodstuff at a particular restaurant, in accordance with narrowly defined requirements. The foodstuff undergoes assessment both in its unprocessed form and in the form of a finished meal ready to be served to the restaurant's customers. Should any deviations from the standards observed by AmRest be identified, the producer is obligated to take appropriate measures, depending on the nature of the shortcoming in the foodstuff quality. Concurrently, in the case of key foodstuffs such as chicken meat, their quality is monitored on an ongoing basis by means of monthly reports from a restaurant. The Pizza Hut and KFC restaurants located in Poland and the Czech Republic have the HACCP system in place.

One of the requirements which our suppliers need to satisfy is a seamless system of product tracking from an unprocessed ingredient to the finished product delivered to end customer – in this case a restaurant and its customers.

This is particularly important if evidence of any threat to human health threats is identified. In 2006, AmRest's quality control division in the Czech Republic hired an additional employee who was made responsible for the Czech market and whose duties will include enforcement of compliance with AmRest's standards by the Czech suppliers.

On the Hungarian market, standards similar to those in effect on the Polish and Czech markets are being introduced. The implementation of audit and monitoring procedures relating to key ingredients supplied to the restaurants is underway. Additionally, the preparation of semi-finished products supplied to the restaurants is being streamlined with the aim of replacing semi-finished products prepared directly on site by semi-finished products supplied by qualified sub-suppliers who can guarantee production standards.

An efficient distribution system plays a vital role in the restaurant industry. The bulk of AmRest's purchases are distributed through selected distribution centres including McLane in Poland and EST in the Czech Republic. With a view to ensuring adequate service quality, distribution audits are carried out at those centres. Fresh foodstuffs like pre-processed vegetables and chilled chicken products are transported in the suppliers' vehicles – well-equipped refrigerated trucks with temperature-monitoring devices.

The year 2006 was the fifth consecutive year of persisting price deflation for food products and packaging – which means that prices decreased year on year in real terms. However, the effect of declining prices was fully offset by promotional campaigns organised at the KFC and Pizza Hut restaurant chains. They allowed AmRest to generate considerably higher sales and prevent erosion of the profit margins. Prices paid to suppliers decreased, primarily as a result of higher volumes of purchases, due to the consolidation within AmRest and the network of Yum! franchisees in Central Europe which also use the services provided by SCM. Thanks to the increased volume of purchases, AmRest's key suppliers were able to deploy new technologies and equipment, thereby improving their work efficiency. Over the past two years, one of AmRest's key suppliers has boosted its production efficiency by more than 45%.

An important part of the procurement strategy implemented by AmRest is the technical analysis of prices of foodstuffs and packaging materials on the European market, which enabled the Company to make an optimal decision regarding the purchase of French fries for the 2006/2007 season – the agreement concluded early in 2006 enabled AmRest to avoid the effect of considerable price rises of French fries in the wake of the drought conditions in June and July of 2006.

In 2006, SCM Sp z o.o. concluded an agreement for the provision of services to Rostics/KFC of Russia. Furthermore, it began cooperation with major Russian food distributors, including Russia's largest chicken processing plant. Currently, negotiations over contract terms are underway with customers from Poland, Ireland and England. All those activities are aimed at ensuring that SCM customers are delivered a satisfactory level of service and at creating conditions where the growing scale of operations translates into benefits for all the interested parties.

One of the priority objectives which must currently be implemented in connection with the recent acquisition of the Hungarian restaurants is the establishment of an effective procurement base in Hungary and its integration with the procurement system in Poland and the Czech Republic.

AmRest's key supplier is McLane. It supplies the Polish restaurants with packaging and all food products excluding chicken meat, which is supplied directly by producers, and vegetables (in the case of some restaurants). In March 2006, after comparing service prices within Yum!'s European network, a decision was made to extend the agreement with McLane for another two years, until the end of July 2008 (for detailed information see Current Report No. 8/2006 dated March 24th 2006, concerning the conclusion of an annex to the aforementioned agreement).

AmRest continues implementation of its new product development strategy – in 2006, the group pf the Company's partners in product development was expanded to include an English company, one of the leading spice and marinate producers in the world. Thanks to the cooperation with those partners, as well as the Marketing and New Product Development Divisions, a number of new products and solutions were launched, which significantly contributed to the sales growth reported by the KFC and Pizza Hut restaurants.

10 largest suppliers of Pizza Hut and KFC restaurants in Poland:

McLane (general supplier)

Drobimex – chicken

Konspol – chicken

Pepsi Cola – cold beverages

Lantmanen – rolls

OSM Szczurowa – mozzarella

Stoever – French fries

Bona Agra – vegetables

Huhtamaki – packaging

Lactalis – mozzarella, ementaler

10 largest suppliers in the Czech Republic:

Agropol Food – chicken

E.S.T. (distributor)

Beskyd Frycovice – vegetables and sauces

Pepsi Cola – cold beverages

Stoever – French fries

Setuza – shortening

Huhtamaki – packaging

Run – corn cobs

McCormick – spice and marinate

Bohemik – ice-cream and dessert

Only in the case of McLane the value of supplies exceeds 10% of the Company's total sales revenue. Supplies by each of the remaining largest suppliers (presented above) ac-count for less than 10% of the sales revenue.

2. COMPANY'S SHAREHOLDERS

2.1. Shareholder Structure

According to the information available to the Company, as at the date of filing the annual report (March 30th 2007), the following shareholders submitted information on holding directly or indirectly (through subsidiaries) at least 5% of the total vote at the General Shareholders Meeting of AmRest Holdings N.V.

Shareholder	No. of shares	% of share capital held	No. of votes at GM	% of the total vote at GM
IRI LLC *	5,062,450	37.50%	5,062,450	37.50%
BZ WBK AIB AM **	1,315,093	9.74%	1,315,093	9.74%
ING Nationale – Nederlanden Polska OFE	838,046	6.21%	838,046	6.21%
ING TFI S.A.	706,227	5.23%	706,227	5.23%
AIG OFE	698,535	5.17%	698,535	5.17%

* IRI LLC is wholly controlled by ARC.
** BZ WBK AIB AM manages assets, including investment funds of BZ WBK AIB TFI.

2.2. Changes in the Shareholder Structure

The Company is not aware of any changes in the ownership of significant blocks of shares since the publication of the most recent interim report (the report for the fourth quarter of 2006, published on February 28th 2007).

2.3. Other Information on Shareholders

The Management Board of AmRest is not aware of any information on agreements (including agreements concluded after the balance-sheet date) which might result in changes in the proportionate shareholdings of its existing shareholders in the future.

To the best of the Management Board's knowledge, no shareholder in AmRest has been conferred special control rights with respect to the Company.

3. Company's Management and Supervisory Staff. Stock Option Plan

3.1. Composition of the Company's Management and Supervisory Boards

During the last financial year, there were no changes in the rules governing appointment and removal from office of members of the management staff or the powers of the management staff.

a) Management Board

Composition of the AmRest's Management Board is as follows:

Henry McGovern and

Wojciech Mroczyński

b) Supervisory Board

Composition of the AmRest's Supervisory Board is as follows:

Christian Richard Eisenbeiss,

Donald Macintosh Kendall Sr.,

Donald Macintosh Kendall Jr.,

Przemysław Schmidt,

Jan Sykora, and

Per Steen Breimyr

3.2. Remuneration of the Management and Supervisory Staff

In 2006, each member of the supervisory staff of AmRest received remuneration of PLN 20,000.

The total remuneration paid to Henry McGovern for 2006 amounted to PLN 1,396 thousand. The total remuneration paid to Wojciech Mroczyński for 2006 amounted to PLN 570 thousand.

Henry McGovern and Wojciech Mroczyński participate in the Stock Option Plan. The table below sets forth changes in the numbers of AmRest stock options held by the Company's management and supervisory staff in 2006, presented in accordance with the information available to the Company.

	Post*	No. of stock options as at Dec 31 2005	Increase	Decrease	No. of stock options as at Dec 31 2006
Henry McGovern	M	100,000	10,000	-	110,000
Wojciech Mroczyński	M	7,000	-	-	7,000

* (M) – management staff, (S) – supervisory staff.

As at December 31st 2006, Henry McGovern held a total of 110,000 units (options) under the Stock Option Plan, of which 82,000 units have vested. As at December 31st 2006, their value amounted to PLN 5,604 thousand.

As at December 31st 2006, Wojciech Mroczyński held a total of 7,000 units (options) under the Stock Option Plan, of which 1,400 units have vested. As at December 31st 2006, their value amounted to PLN 70 thousand.

For more information on the Stock Option Plan see Note 22 to the consolidated financial statements.

3.3. Other Information on the Company's Management and Supervisory Staff

The Management Board of AmRest Holdings N.V. reports that there are no agreements between the Company and the members of the management staff, which would provide for any compensation in the event of their resignation or dismissal.

Henry McGovern, indirectly through the shareholding in Metropolitan Properties International Sp. z o.o. (MPI), holds 4,075 shares in AmRest (RB 27/2006 dated July 18th 2006). Additionally, Henry McGovern holds the Company shares through the shareholding in American Retail Concepts (ARC), which is the sole shareholder of International Investments, LLC (IRI). IRI is the major shareholder of AmRest (please also see Note 32 to the consolidated financial statements). The other members of the management and supervisory staff of AmRest Holdings N.V. do not hold the Company shares or shares or interests in the Company's related parties.

3.4. Control over Stock Option Plans

Until April 27th 2005, the AmRest Group had a Performance Participation Plan in place ("Stock Option Plan 1") under which eligible employees received participation units whose value was based on a multiple of profits for the financial year, adjusted for factors provided for in the Plan rules. According to the Plan rules, upon completion of the process of admission of AmRest Holdings N.V. shares to public trading on the Warsaw Stock Exchange, the Company was obliged to pay its employees the value of the vested participation units as at the date of admission of its shares to public trading.

The Performance Participation Plan was terminated as of April 27th 2005. Some participation units issued under the Plan, which had vested as at April 27th 2005, were settled by the Company. The obligations related to the rest of the issued participation units which have not vested and to unsettled units which had vested as at April 27th 2005 were assumed by ARC, a Company shareholder, and will be settled by ARC in the future.

In April 2005, the rules of the Employee Stock Option Plan ("Stock Option Plan 2") were announced by the Company to its employees. Under the Stock Option Plan 2, the employees of the AmRest Group are entitled to purchase AmRest Holdings N.V. shares. The total number of shares for which options may be issued is to be determined by the Management Board; however, it may not exceed 3% of all outstanding shares. In addition, under the provisions of Stock Option Plan 2, the group of employees eligible to participate in Stock Option Plan 2, the number of granted options, and the option allocation dates are subject to approval by the Management Board. The option exercise price will be equal to the market price of the Company shares as at the option grant date, with the option vesting period being three or five years.

The aforementioned plans are of an incentive nature and are addressed only to the key employees and members of the management staff of the AmRest Group companies.

For detailed information on the valuations and accounting treatment of the plans see Note 22 to the consolidated financial statements.

4. ORGANIZATION OF THE GROUP

4.1. Composition of the Group

The current composition of the AmRest Group is presented in Note 1a to the consolidated annual financial statements as at and for twelve months ended December 31st 2006. The changes in the Group's composition in the period are described below.

On February 3rd 2006, American Restaurants Sp. z o.o., a subsidiary of AmRest, acquired 10% of shares in SCM Sp. z o.o., thereby increasing its holding to 45%. SCM provides American Restaurants Sp. z o.o. with intermediation and negotiation services with regard to terms of deliveries to restaurants, including negotiation of terms and conditions of distribution agreements. For detailed information on the transaction see Note 4 and Note 31.

On June 30th 2006, American Restaurants Sp. z o.o. acquired 100% of shares in Kentucky System, Kft. of Budapest from Central European Franchise Group, Ltd. Upon acquiring all shares in Kentucky System, AmRest became the owner of thirteen Pizza Hut restaurants and four KFC restaurants in Hungary. In September, Kentucky System, Kft. was renamed American Restaurants, Kft. For detailed information on the transaction see Appendix 2 and Note 4.

On October 25th 2006, American Restaurants Sp. z o.o. concluded an agreement providing for the acquisition of 100% of shares in Doris 2006 Sp. z o.o. The acquired company is a lessee of a property at ul. Chmielna 2 in Warsaw. For detailed information on the transaction see Appendix 2 and Note 4.

The Group has offices in Wrocław, Poland, and operates restaurants in Poland, the Czech Republic and Hungary.

4.2. Employment

In the period 2004–2006, the employment in the Group was as follows (as at year end):

Table: Employment at AmRest (2004–2006)

Year	**2006**	**2005**	**2004**
Restaurants	6,659	5,609	4,764
Administration	179	112	130
Total	**6,838**	**5,721**	**4,894**

4.3. Changes in the Management System

Since the beginning of 2006, the following changes have been introduced in the Company's and the Group's management system:

A significant change introduced into the management system of the Company was the creation of a new New Markets Director position. The position was filled by Mr Jacek Trybuchowski, who rejoined AmRest in June 2006. Formerly, during 10 years of his work at AmRest, Mr Trybuchowski served as Pizza Hut Polska's Brand President and held a number of other functions. For the last 2.5 years he has been employed at Yum!, where he was in charge of various European markets.

In May 2006 AmRest, filled the vacant position of Human Resources Director, which was offered to Mr Paweł Miłoszowski, who previously worked for Avon and Procter&Gamble.

In December 2006, Tomasz Suchowierski, Business Development Director, finished his service at AmRest. Subsequently, in December 2006, the position was taken by Mr Mike Whitney, who formerly held managerial posts in the European branches of construction and design corporations such as the Bechtel Group and Washington Group International, Inc.

In 2006, there was a change in the management structure of the AmRest restaurant chain. A former Pizza Hut District Coach, Mr Maciej Kuczyński, became the head of the Pizza Hut brand. At the beginning of 2007, Mr James Glover ended his service at AmRest, and the management of the Rodeo Drive brand was entrusted to Jakub Strestik, former KFC District Coach.

In connection with the Company's rapid development, 2006 saw the opening of the first semester at the corporate AmRest University (AmU), which is founded on the AmRest core values. The aim of this project is to develop the people with the greatest potential (Top 20%) and to prepare them to take up new challenges and new positions. AmU offers the comprehensive program of activities with regards to leadership and key competitions. The AmU students participate in several two- or three-day training sessions conducted by AmRest senior management. The accomplishment of AmU, the unique managerial program, is a major distinction for its participants. This program constitutes a great platform for the growth of AmRest.

At the beginning of 2007, AmRest embarked on the process of developing an internal marketing department. Some employees of Synergy, the company which provided AmRest with marketing services, were offered positions in the Company, and the other members of the staff were hired following an external recruitment process. Mr Tomasz Piotrowski, head of Synergy, was appointed QRS Brands Marketing Director. The marketing division is headed by Mr Zoltan Lukac, Chief Marketing Officer.

5. COMPANY'S FINANCIAL STANDING AND ASSETS

5.1. Assessment of the Company's Performance and the Balance Sheet Structure

Table: Financial highlights of AmRest (for 2004–2006)

PLN '000, unless stated otherwise	2006	2005	2004
Sales revenue	629,326	499,810	463,198
EBITDA	91,205	62,850	53,614
EBITDA margin	*14.5%*	*12.6%*	*11.6%*
Operating profit/(loss)	44,495	23,298	20,118
Operating margin (EBIT margin)	*7.1%*	*4.7%*	*4.3%*
Pre-tax profit/(loss)	48,956	15,339	13,538
Pre-tax margin	*7.8%*	*3.1%*	*2.9%*
Net profit/(loss)	38,642	22,111	11,770
Net margin	*6.1%*	*4.4%*	*2.5%*
Equity	157,864	123,090	17,540
Return on equity (ROE)	*28%*	*31%*	*92%*
Balance-sheet total	320,989	288,941	214,366
Return on assets (ROA)	*13%*	*9%*	*5%*

Definitions:

- *EBIDTA margin: EBITDA (earnings before interest, tax, depreciation and amortisation) to sales revenue;*
- *Operating margin: operating profit to sales revenue;*
- *Pre-tax margin: pre-tax profit to sales revenue;*
- *Net margin: net profit to sales revenue;*
- *Return on equity (ROE): net profit to average equity;*
- *Return on assets (ROA): net profit to average assets.*

Table: Liquidity in 2004–2006

PLN '000, unless stated otherwise	2006	2005	2004
Current assets	64,656	64,299	31,042
Inventories	8,134	5,973	5,819
Current liabilities	78,700	73,267	169,866
Quick ratio	*0.72*	*0.80*	*0.15*
Current ratio	*0.82*	*0.88*	*0.18*
Cash and cash equivalents	25,241	31,575	11,486
Cash ratio	*0.32*	*0.43*	*0.07*
Inventory cycle (days)	*3.94*	*4.31*	*4.82*
Trade receivables	11,460	13,463	8,069
Average collection period (days)	*6.61*	*7.86*	*8.16*
Average operating cycle (days)	*10.55*	*12.17*	*12.98*
Trade payables	75,448	54,896	50,766
Average payment period (days)	*37.83*	*38.58*	*42.31*
Cash conversion ratio (days)	*(27.28)*	*(26.41)*	*(29.33)*

Definitions:

- *Quick ratio: current assets less inventories to current liabilities;*
- *Current ratio: current assets to current liabilities;*
- *Cash ratio: cash and cash equivalents to current liabilities as at the end of the period;*
- *Inventory cycle (days): average inventories to sales revenue, times the number of days in the period;*
- *Average collection period (days): average trade receivables to sales revenue, times the number of days in the period;*
- *Average operating cycle (days): sum of the inventory cycle and the average collection period;*
- *Average payment period (days): average trade payables to sales revenue, times the number of days in the period;*
- *Cash conversion ratio: difference between the operating cycle and trade payables.*

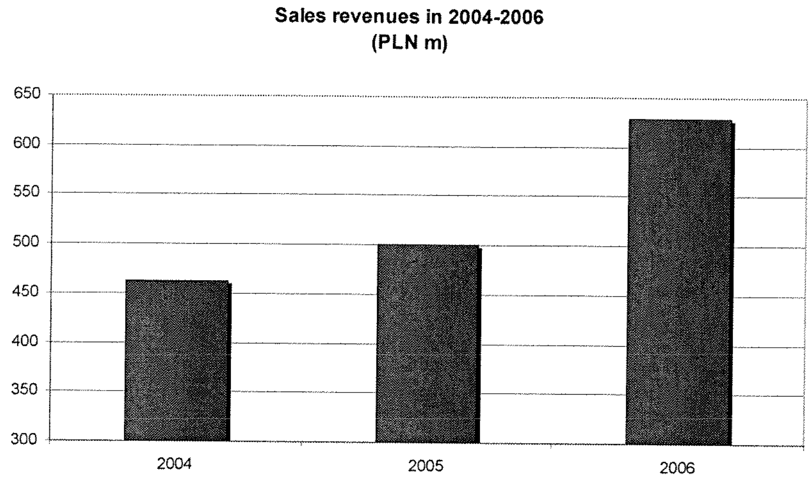
Table: Debt in 2004–2006

PLN '000, unless stated otherwise	2006	2005	2004
Current assets	64,656	64,299	31,042
Non-current assets	256,333	224,642	183,324
Trade receivables	11,460	13,463	8,069
Liabilities	163,125	165,851	196,790
Non-current liabilities	84,425	92,589	26,924
Inventories to current assets (%)	*12.58%*	*9.29%*	*18.75%*
Trade receivables to current assets (%)	*17.72%*	*20.94%*	*25.99%*
Cash and cash equivalents to current assets (%)	*39.04%*	*49.11%*	*37.00%*
Equity to non-current assets	*0.62x*	*0.55x*	*0.10x*
Debt ratio	*0.51x*	*0.57x*	*0.92x*
Long-term debt ratio	*0.53x*	*0.75x*	*1.54x*
Liabilities to equity	*1.0x*	*1.3x*	*11.2x*

Definitions:

- *Inventories, trade receivables, cash and cash equivalents to current assets: inventories, trade receivables, cash and cash equivalents, respectively, to current assets;*
- *Equity to non-current asset ratio: equity to non-current assets;*
- *Debt ratio: total liabilities and provisions for liabilities to assets;*
- *Long-term debt ratio: non-current liabilities to equity;*
- *Liabilities to equity: liabilities and provisions for liabilities as at the end of the period to equity.*

In 2006, AmRest generated sales of PLN 629,326 thousand, up by 25.9% on the 2005 figure. When compared with 2005, in 2006 sales growth dynamics was higher in the second half of the year, when it amounted to 28.5%. The sales increase was mainly attributable to the steady growth in the sales of the existing restaurants and the sales revenue generated by the restaurant chain in Hungary. The revenue of the Hungarian restaurants has been included in the Group's results since Q3 2006. In Q3–Q4 2006, sales in Hungary totalled PLN 21.4m.



The 2006 sales were positively affected by an approximately 1.8% appreciation of the Chech crown against the Polish złoty compared with 2005.

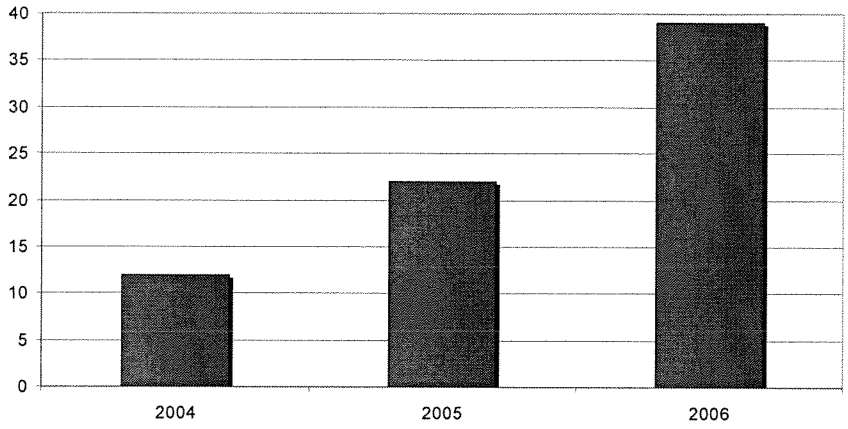
AmRest has seen a steady improvement of its operating margin. In 2006, costs grew more slowly than sales, with the resulting increase in gross profit margin to 13.6%, compared with 13.0% in 2005.

A factor which had a positive impact on the 2006 performance was the lower – relative to sales – occupancy and other operating expenses. On the other hand, the financial results were negatively affected by the increased – relative to sale – cost of payroll and employee benefits. The decrease of occupancy and other operating expanses was driven mainly by economies of scale achieved thanks to the record sales generated in 2006. The increase in the cost of payroll and employee benefits is attributable to the general trends on the labour markets in Poland, the Czech Republic and Hungary. It is principally connected with remuneration and benefits of the crew. In 2006, the Company's marketing expenses remained at a level relatively similar to that of 2005 and amounted to PLN 30,590 thousand (4.9% of sales).

In 2006, operating profit amounted to PLN 44,495 thousand, up by 91.0% compared to 2005 figure, while 2006 EBITDA amounted to PLN 91,205 thousand, up by 45.1% compared to 2005. In 2006, the operating margin amounted to 7.1% (compared to 4.7% in 2005), while EBITDA margin amounted to 14.5% (compared to 12.6% in 2005). The main driver of the 2006 improved operating margin was a relative decrease in restaurant expenses (by 0.6 pp), as well as in general and administrative expenses (by 0.6 pp). Another favourable factor was the gain on the disposal of fixed assets (0.7 pp).

In 2006, the net profit amounted to PLN 38,583 thousand and increased by 74.8% compared to 2005, while the net margin increased from 4.4% to 6.1%. The improvement in the net profit was also driven by the increased net financial income in 2006. A decrease in the financial costs recorded in 2006 is attributable to the lower interest expense, while the increase in financial income (compared to 2005) is mainly attributable to foreign exchange gains relating to the valuation of a loan advanced by AmRest to one of its related parties (PLN 3,688 thousand) and the debt waiver (PLN 3,396 thousand) described in Section 5 of the Notes to the Q2 2006 Report.

Net profit in 2004-2006
(PLN m)



As at the end of 2006, quick and current ratios were close to the respective 2005 figures and amounted to 0.72 and 0.82, respectively. The slight decrease in cash and cash equivalents and the increase in current liabilities affected the cash ratio, which dropped to 0.32 (compared to 0.43 as at the end of 2005).

The structure of interest-bearing external financing also changed significantly. Compared with 2005, there was a sizeable reduction in the amount of the Group's short-term bank loans. As at December 31st 2006, they totalled PLN 918 thousand compared to PLN 18,321 thousand as at the end of 2005. For detailed information on bank loans see Note 21 to the financial statements.

Despite the growing number of newly-opened restaurants, the Group managed – by optimising the supply chain management – to maintain its inventories approximately on par with the 2005 year-end balance. As a result, there was a further improvement in the inventory cycle, which decreased from 4.3 days in 2005 to 3.9 days in 2006. Thanks to the stable average collection period (6.6 days) and average payment period (37.8 days), the Group can finance much of its current operations with trade credit.

The AmRest Group's liquidity has improved. Given the nature of the restaurant business, the present liquidity ratios ensure the Group's disruption-free operations. The available free cash flow permits the Group to settle existing liabilities and to finance, in a balanced manner, the planned capital expenditures.

The AmRest Group's equity has been growing steadily. It increased from PLN 123,090 thousand as at the end of 2005 to PLN 157,864 thousand as at the end of 2006. The debt to equity ratio decreased from 1.3 in 2005 to 1.0 in 2006. The debt ratio went down from 0.57 to 0.51 in the analogous period.

5.2. Loans and Borrowings Contracted within the Group

Detailed information on the loans and borrowings is presented in Note 21 to the financial statements.

The table below presents all the loans granted to related parties:

a. AmRest Holdings N.V.

Borrower	Loan currency	PLN '000	
		Value of loans granted as per agreement *	Loan value as at Dec 31 2006**
American Restaurants s.r.o.	CZK	22,235	23,855

** translated at the mid-exchange rate quoted by the NBP on Dec 31 2006*

*** plus interest charged until Dec 31 2006*

b. American Restaurants sp. z o.o.

Borrower	Loan currency	PLN '000	
		Value of loans granted as per agreement *	Loan value as at Dec 31 2006**
American Restaurants, Kft	PLN	15,000	1,523
American Ukraina t.o.w.	USD	302	276
Grifex I sp. z o.o.	PLN	918	918
Doris Sp.z o.o.	PLN	500	30

** translated at the mid-exchange rate quoted by the NBP on Dec 31 2006*

*** plus interest charged until Dec 31 2006*

On October 30th 2006, Annex 2 to the credit facility agreement of April 4th 2005 between AmRest Holdings N.V., American Restaurants Sp. z o.o., American Restaurants s.r.o. and ABN AMRO Bank N.V. was signed. For details of the Annex see Appendix 1.

As at December 31st 2006, the following credit facilities were available to the AmRest Group:

a) ABN Amro Bank - PLN 20,000 thousand (PLN/CZK revolving loan)
b) ABN Amro Bank - PLN 3,831 thousand (CZK overdraft facility)
c) ABN Amro Bank - PLN 10,000 thousand (PLN overdraft facility)
d) Bank BPH - PLN 202 thousand (PLN overdraft facility).

On the 22nd of December 2006 the Cash Pooling Agreement with ABN AMRO Bank (Poland) S.A., seated in Warsaw, has been signed. The aim of the Agreement is to increase the effectiveness of the cash management within the companies of the AmRest Group. The details of the Agreement are included in the Appendix No 2.

The other element of the Group liquidity management is investing the short-term financial surplus in the high-liquid and well rated financial instruments. In November 2006 AmRest purchased the Toyota Bank Poland S.A. certificates of deposit. This investment is described in Note 18.

5.3. Key Domestic and Foreign Investments

The table below presents acquisitions of non-current assets in 2006 and comparable data for 2005.

Table: Acquisitions of non-current assets by AmRest Holdings N.V. (2006–2005)

PLN '000		**Dec 31 2006**	**Dec 31 2005**
Intangible assets, including:			
	Trademearks	-	342
	Lease agreements on favourable terms	1,076	8,389
	Licences to use the Pizza Hut and KFC trademarks	1,369	1,743
	Goodwill	18,666	4,819
	Other intangible assets	283	3,037
Property, plant and equipment, including:			,
	Land	-	-
	Buildings	24,271	26,557
	Equipment	14,998	15,936
	Vehicles	450	22
	Other, including: property, plant and equipment under construction	20,305	(129)
Total		**81,418**	**60,716**

Capital expenditure incurred by AmRest is primarily connected with opening new restaurants, and with reconstruction and replacement of assets in the existing restaurants. Another item of capital expenditure in 2006 related to the acquisition of 100% of shares in Kentucky System, Kft. The Company's capital expenditure depends primarily on the number and type of the newly-opened restaurants.

Number of restaurants of AmRest Holdings N.V. (2004–2006)

As at	Dec 31 2006	Dec 31 2005	Dec 31 2004
Number of restaurants			
Pizza Hut in Poland	52	52	55
Pizza Hut in the Czech Republic	0	0	1
Pizza Hut in Hungary	12	0	0
KFC in Poland	79	76	71
KFC in the Czech Republic	43	41	30
KFC in Hungary	5	0	0
FreshPoint in Poland	4	0	0
Rodeo Drive in Poland	1	0	0
Rodeo Drive in the Czech Republic	1	0	0
Total	**197**	**169**	**157**
Total restaurants opened	33	25	13
Total restaurants closed	5	13	4
Net increase in the number of restaurants in the reporting period	**28**	**12**	**9**

In 2006, AmRest expanded its operations to include two new brands, i.e. FreshPoint and Rodeo Drive, and entered a new geographical market, namely Hungary.

From among the overall number of 12 KFC restaurants opened in Poland, the Czech Republic and Hungary, 4 were acquired from Kentucky System, Kft. In 2006, the total number of Pizza Hut restaurants grew by 15, 13 of which were acquired from the Hungarian company. Additionally, 4 new FreshPoint restaurants and 2 new Rodeo Drive restaurants were opened.

In the years to come the Management Board intends to open several dozens restaurants each year. Following the balance-sheet date, the Company opened another 4 restaurants, including 3 KFC restaurants and 1 FreshPoint restaurant.

In 2006, the investments were primarily financed with cash provided by operations.

In 2006, AmRest's capital expenditure totalled PLN 77,531 thousand, and comprised:

- Funds invested in the acquisition of: Kentucky System, Kft (on September 19th 2006 Kentucky System, Kft was renamed American Restaurants, Kft) and Doris 2006 Sp.z o.o. – PLN 21,565 thousand (or PLN 20,730 thousand, VAT exclusive, including the acquired cash);
- Acquisitions of property, plant and equipment of PLN 54,445 thousand, and of intangible assets of PLN 1,521 thousand.

5.4. Structure of Key Equity Investments

As at December 31st 2006, the equity investments of AmRest amounted to PLN 1,221 thousand, including PLN 923 thousand worth of shares in Worldwide Communication Services LLC (WCS), and PLN 298 thousand worth of shares in SCM Sp. z o.o.

5.5. Major Events With a Significant Impact on the Company's Operations and Financial Results

a) In January 2006, AmRest reported that Amrest Ukraina t.o.w. of Kiev, Ukraine, was registered. AmRest holds 100% of shares in this company through its subsidiary, American Restaurants Sp. z o.o. The company's share capital amounts to UAH 252,500. Amrest Ukraina t.o.w. was incorporated in order to supervise investment projects and operate restaurants in Ukraine. In October 2006, AmRest reported on its decision to defer development of the restaurant business on the Ukrainian market. This decision was based on AmRest's experience with the Ukrainian operations conducted since the beginning of 2006. AmRest plans to keep its Ukrainian company. AmRest believes in the potential of the restaurant market in Ukraine; however, whether this potential can be tapped on depends on stabilisation on the real property market and further market reforms. AmRest is convinced that within a few years stabilisation on the real property market and the overall market situation will create a more favourable environment for development in this country.

b) In mid-March 2006, the first FreshPoint restaurant was opened in Warsaw. Currently, 5 FreshPoint restaurants are in operation (all situated in Warsaw).

c) On March 23rd 2006, an Annex to the Distribution Agreement of April 2nd 2003 between AmRest and McLane Polska Sp. z o.o. of Błonie was signed. For detailed terms of the Annex see Appendix 1.

d) In April 2006, the first Rodeo Drive (American Bar & Grill) restaurant was opened in Wrocław. Currently, the Company operates 2 Rodeo Drive restaurants (another one is located in Brno, Czech Republic).

e) April 1st 2006 was the effective date of debt waiver, based on agreements on debt waiver received from the shareholder, International Restaurants Investments, LLC ("IRI"). For details concerning the debt waiver see Appendix 2.

f) The Annual General Shareholders Meeting of AmRest Holdings N.V. was held on May 22nd 2006. The only shareholder with 5% or more of the total vote at the Meeting was International Restaurant Investments LLC, with 5,338,000 votes, which accounted for 100.00% of votes represented at the Meeting and 39.54% of the total vote. The Annual General Shareholders Meeting considered all the items included in its agenda and adopted resolutions concerning *inter alia*: approval of the financial statements for the financial year 2005, allocation of the 2005 profit to cover retained deficit, and grant of discharge in respect of the duties of Members of AmRest's Supervisory Board and the Management Board. Moreover, the Annual General Shareholders Meeting approved the employee stock option plan and authorised the Management Board to increase AmRest's share capital.

The text of all the resolutions adopted at the Meeting is presented in the appendix to Current Report No. 19/2006 of May 22nd 2006.

g) On June 2006, AmRest acquired 100% of shares in Kentucky System, Kft. of Budapest (in September the company's name was changed to American Restaurants, Kft.), the operator of 17 KFC and Pizza Hut restaurants in Hungary. This transaction was another significant step in the implementation of the AmRest Group's strategy desigend to enhance the Group's market position in Central and Eastern Europe. The details of the transaction are presented in Appendix 2 and Note 4.

h) On October 25th 2006, AmRest acquired 100% of shares in Doris 2006 Sp. z o.o., which is the lessee of premises at ul. Chmielna 2 in Warsaw, where AmRest intends to open one of its restaurants. For details concerning the transaction see Appendix 2. and Note 4.

i) On October 30th 2006, Annex 2 to the credit facility agreement of April 4th 2005 between AmRest Holdings N.V., American Restaurants Sp. z o.o., American Restaurants s.r.o. and ABN AMRO Bank N.V. was signed. The details of the Annex are presented in Appendix 1.

j) On December 22nd 2006, a cash pooling agreement was concluded with ABN AMRO Bank (Polska) S.A., of Warsaw. The details of the agreement are presented in Appendix 2.

k) On March 8th 2007, a Development Agreement was concluded with Burger King Europe GmbH, providing for opening and operating franchised Burger King restaurants in Poland. The details regarding the agreement are presented in Appendix 1. The first restaurant is scheduled to be opened in the second quarter of 2007.

l) On March 9th 2007, AmRest reported on the general terms and conditions of Franchise Agreements to be concluded with Burger King Europe GmbH each time a new Burger King restaurant is opened. For details concerning the agreement see Appendix 1.

m) On March 16th 2007, AmRest reported on obtaining acceptance of Yum!, the franchisor of KFC and Pizza Hut brands, regarding opening and operating restaurants under these brands in Bulgaria. As the Yum! brands are present on the Bulgarian market, where 11 KFC and Pizza Hut restaurants are now operating, AmRest does not hold exclusivity rights to operate such restaurants. In the initial phase of the investment project in Bulgaria, the Company will focus on the development of KFC restaurants. The Company plans to open the first KFC restaurants by the end of 2007. Obtaining Yum!'s acceptance is another key step in the pursuit of the AmRest Group's strategy to strengthen the Group's market position in Central and Eastern Europe.

n) On the 28th of March 2007 the non-binding Preliminary Agreement between AmRest and Starbucks Coffee International Inc., Starbucks Coffee EMEA BV, Starbucks Manufacturing EMEA BV (collectively, the "Starbucks"), in relation to a possible relationship for development and organization of Starbucks stores in Poland, Czech Republic and Hungary, was signed. The Preliminary Agreement concerns obtaining the approvals of the applicable competition authorities required to organize and establish joint ventures companies in some of the above countries.

o) On the 27th of March 2007 American Restaurants Sp. z o.o. and Doris 2006 Sp. z o.o., the subsidiaries of AmRest, signed the Article of Association of AmRest Coffee Sp. z o.o. American Restaurants Sp. zo.o. subscribed 499 shares of the new company which constitute 99.8% of AmRest Coffeee Sp. z o.o. equity and Doris 2006 Sp. z o.o. subscribed 1 share (0.2% of equity). The nominal value of each share amounts to PLN 100. The total equity of the new company amounts to PLN 50,000. AmRest Coffee sp. z o.o. has been established in relation to the signing of the Preliminary Agreement with Starbucks and obtaining the approvals of the Polish competition authorities.

5.6. Other Factors and Extraordinary Events with a Material Impact on the Group's Performance

a) Four cases brought against IFFP by DOMONT Stefan Pastryk Anna Pastryk spółka jawna are pending before the Regional Court of Warsaw, XVI Commercial Division. The claims concern the payment of amounts due under notes issued by IFFP to DOMONT Stefan Pastryk Anna Pastryk spółka jawna for a total amount of PLN 4,030,000. DOMONT's claims concern the payment for construction works that had been performed by DOMONT for IFFP before November 2000, i.e. before American Restaurants Sp. z o.o. acquired shares in IFFP. According to the Management Board of IFFP, the claims are groundless, as they are not justified by the balance of settlements between IFFP and DOMONT. According to the documents disclosed, DOMONT does not have the right to claim the payment of the disputed amount. The Court has not commenced examination of the facts of the case yet.

It should be noted that IFFP does not carry out operating activities and is not an entity material for the operations of the Company and its Group.

b) The financial results of AmRest's Czech operations translated into the złoty are affected by changes in the currency exchange rates used for currency translations. The appreciation of the Czech crown against the Polish złoty in 2006 had a positive effect on the results of the Czech operations disclosed in the financial statements. As at the end of 2006 the CZK/PLN exchange rate was higher by 4.8% compared with the end of 2005, while the 2006 average exchange rate increased by 1.8% on the 2005 average rate.

5.7. Investment Plans and Their Realization Assessment.

The AmRest Group goal is a further development of its core brands, KFC and Pizza Hut, through the opening the new restaurants and increasing the sales of already existing restaurants; development of the new brands – FreshPoint, Rodeo Drive, Burger King and Starbucks – and the regional expansion through the entering the new markets of Central and Eastern Europe.

Additionally the Company will continue the modernization program with regards to the selected restaurants at the level of maximum 2.5% of the Company's 2007 planned sales revenues. The material part of the renovation budget is dedicated to the modernization actions in Hungary.

The existing AmRest restaurant chain will be developed principally by opening in 2007 in total a dozen or so new Pizza Hut and KFC restaurants in Poland and the Czech Republic and several new restaurants in Hungar. The cost of opening a new Pizza Hut or KFC restaurant ranges from PLN 1.6m to PLN 2.8m, depending on the location and restaurant type.

A further development of Rodeo Drive and FreshPoint restaurants is contingent on the successful outcome of brand testing projects. During the brand testing phase, the Company intends to operate the total of 10 FreshPoint restaurants and 5 Rodeo Drive restaurants. On average, the cost of opening of a new Rodeo Drive restaurant ranges from PLN 3.0m to PLN 5.0m, depending on the restaurant's size, while the average cost of launching a FreshPoint restaurant amounts to approximately PLN 0.5m.

Under an agreement concluded with Burger King GmbH, AmRest intends to develop the Burger King chain in Poland. The first restaurant is planned to open up in the second quarter of 2006, and several successive ones – in 2007. The average cost of opening the new Burger King restaurant is close to the cost of KFC.

As part of its expansion in the region, AmRest also plans to launch a chain of restaurants in Bulgaria. The Company plans to open the first KFC restaurants on this market by the end of 2007.

It should be added that the plan of opening new restaurants will be adjusted on an on-going basis to reflect prevailing market conditions and the possibilities of finding new attractive locations in specific countries.

The substantial part of the AmRest 2007 capital expenditures will be spent on the new IT systems and integration of the currently existing systems. The main projects will include the introduction of the new Point of Sales system (POS), Enterprise Resource Planning system (ERP) and Business Intelligence system (BI). The new IT systems will be implemented to standarize the systems in all countries and to achieve better business process automation. These changes will increase the work effectiveness in the AmRest Group and will improve the control and monitoring of its business. The integration and improvement of the IT systems will be a platform for the further expansion and growth of AmRest.

The Management Board predicts that the long-term growth will be financed with the Company's own funds and additional external financing. The investments planned for 2007 will be financed mainly with the Group's own funds.

6. AMREST HOLDINGS N.V.: OUTLOOK FOR 2007

6.1. Internal and External Factors Material to the Development of the Company's Business in 2007

In the opinion of the Company's Management Board, the following factors will have a material bearing on the Company's development and performance in the future:

- **a) External factors:**
- competitiveness in terms of prices, service and food quality, as well as location;
- demographic changes, tendencies concerning the number and profile of the restaurants' customers as well as the number and location of the competition's restaurants;
- amendments to laws and regulations, directly affecting the functioning of the restaurants and their employees;
- changes in the occupancy costs (lease of property) and related costs;
- changes in prices of the ingredients used in preparing meals and changes in prices of packaging materials;
- changes in the overall economic conditions in Poland, the Czech Republic and Hungary as well as consumers' confidence, the level of disposable incomes and individual spending patterns.

b) Internal factors:

- recruiting and training employees needed to develop the existing and new restaurant chains;
- acquiring attractive locations;
- success in launching new restaurant chains and new products;
- developing an integrated IT system.

6.2. Key Risks and Threats to the Company

The Management Board of AmRest is responsible for maintaining the risk management system and internal control system as well as for reviewing their efficiency. These systems facilitate the identification and management of risk factors which could compromise the accomplishment of AmRest's long-term objectives. Nonetheless, the application of the systems does not fully eliminate the possibility of fraud or legal infringements. The Management Board conducted a review, analysis and rating of risk factors the Company is exposed to. Also, the Management Board reviewed the Company's control systems for 2006. This section presents the currently recognised major risk factors and threats. AmRest reviews and improves its risk management system and internal control system on an on-going basis.

a) Factors Outside of the Company's Control

There are a number of factors outside of the Company's control which affect AmRest's development strategy, based on launching new restaurants. These factors include: the ability to identify and secure suitable restaurant locations which the Company is able to acquire, the ability to obtain the required authorisations in due time, and possible delays in launching new restaurants.

b) Dependence on the Franchisor

AmRest manages KFC, Pizza Hut and Burger King restaurants as a franchisee. Therefore, numerous factors and decisions made in connection with AmRest's operations are determined by the limitations and specifications imposed by the franchisor and depend on its approval.

The term of each franchise agreement is ten years. AmRest has an option to extend the term by another ten years, provided that it complies with the terms and conditions of the agreements and other requirements, including the requirement to pay an extension fee. Notwithstanding the fulfilment of the abovementioned conditions, there can be no assurance that after the first two terms have expired a given franchise agreement is prolonged for another term. In the case of KFC and Pizza Hut restaurants, the initial term commenced in 2000, while for the Burger King restaurants the initial term will commence on the opening of the first restaurant under this brand in 2007.

c) Lack of Exclusivity Rights

The franchise agreements do not provide AmRest with any exclusivity rights in a given territory, protection or any other rights in the territory, region or market where the AmRest restaurants operate. However, in practice the entrance of an operator which could succesfully compete with the AmRest Group restaurants (with respect to the brands currently operated by the Company) is relatively unlikely, considering the Company's operational scale (including its broad distribution network).

d) Lease Agreements and Their Extension

Nearly all AmRest restaurants use leased premises. The majority of lease agreements are long-term agreements, concluded for at least a ten-year period beginning on the lease commencement date (assuming that all extension options are exercised on specified terms, and excluding those agreements which are renewed periodically unless terminated, and agreements concluded for an indefinite term). Under a number of lease agreements, AmRest holds the right to extend the term of the agreement, providing that the Company complies with the terms and conditions of the lease. Notwithstanding the fulfilment of such terms and conditions, there can be no assurance that AmRest will be able to extend the lease agreements on commercially reasonable terms. If there is no such possibility, the potential loss of key restaurant locations may have an adverse effect on AmRest's performance and operations.

Furthermore, under certain circumstances, AmRest may decide to close down a given restaurant, and the termination of the respective lease agreement on cost-effective terms may prove impossible. Such a situation may adversely affect the Company's performance and operations. Closing down of any restaurant requires the franchisor's approval, and there can be no assurance that such an approval will be obtained;

e) AmRest's Status of a Foreign Entity

The Company is a joint-stock company incorporated under the Dutch laws, therefore its internal relations are also subject to these laws. Polish investors should be aware that rights of shareholders attached to the Company shares are subject to Dutch laws and that there are numerous differences between the provisions of Dutch companies law and the Polish Companies Act. Lack of knowledge of Dutch regulations may impede exercising of rights attached to shares by Polish investors. Additionally, given the location of the Company's registered office, investors intending to lodge claims against AmRest may encounter difficulties relating to service of process and settling the dispute.

f) Health Concerns Relating to the Consumption of Food Products

Health concerns relating to chicken meat, which is the main ingredient of the KFC meals, may affect consumers' preferences. Consumers' preferences may also change as a result of dissemination by mass media of any adverse information about the quality of products, diseases caused by them and any other types of damage suffered because of dining at AmRest's or other KFC, Pizza Hut and Burger King franchisees' restaurants, or publication by the government or market segment analysts of unfavourable reports on products offered in these restaurants, on health issues and the manner of functioning of any one or more restaurants operated either by AmRest or its competitors. The Company mitigates this risk by using at the AmRest restaurants ingredients of the highest quality, sourced from proven and reputed suppliers, by complying with strict quality control and hygiene standards, and by applying the most advanced equipment and processes ensuring absolute safety of the meals.

g) Restrictions Imposed by Lenders

On April 4th 2005, AmRest Holdings N.V., American Restaurants Sp. z o.o. and American Restaurants s.r.o. (the Obligors) entered into a credit facility agreement providing for a PLN 110m loan (the amount was reduced to PLN 96m by way of Annex 2 of October 30th 2006).

Under the credit facility agreement, each of the Obligors has covenanted to observe certain restrictions on their ability to borrow money, incur capital expenditure, grant security and dispose of assets, and has also covenanted to comply with certain financial ratio tests. It is possible that these covenants could materially impair AmRest's ability to run its business in the future and any failure to comply with the covenants could cause an acceleration of loans granted under the facility, which in turn could have a material adverse affect on the financial condition and results of operations of AmRest.

h) Risks Related to the Development of New Brands

In line with its development plan, in 2007 AmRest intends to launch the Burger King brand. If the ongoing negotiations with Starbucks are successful, AmRest will begin intense work on the launch of the Starbucks brand as well. Concurrently, AmRest is developing AmRest's proprietary two new dining concepts, Freshpoint and Rodeo Drive (the first restaurants were opened in 2006). Because these concepts are completely new to the Company, there is a risk related to the level of demand and the reception of the products by consumers.

i) Risk Related to the Opening of a KFC Restaurant in Bulgaria

This will be the first AmRest's restaurant in a new geographical and political region. The investment entails the risks that the consumer preferences in Bulgaria may be different and that the Company may lack adequate knowledge of the market. Other risks involved include the local regulatory risk.

j) Foreign-Exchange Risk

Fluctuations of the exchange rate of the Czech crown against the US dollar may result in foreign-exchange differences related to the valuation of loans between the related parties. Abrupt appreciation of the US dollar against the Czech crown may have an adverse effect on the Company's results.

In addition, the rent due on a significant portion of the Group's restaurant leases is indexed to US dollar or Euro exchange rates. Abrupt appreciation of the US dollar or Euro against the Polish zloty may have an adverse effect on the results.

k) Risk Related to the Implementation of New IT Systems

The costs related to the implementation of new IT systems may have a short-term negative effect on the Company's performance. In a long-term perspective, the expected benefits will positively contribute to the Group's profitability.

l) Expiry of the Transitional Period with Reduced VAT Rate

The end of 2007 will be the end of the transitional period during which Poland may apply a reduced VAT rate of 7% on catering services. In 2008, the applicable rate will rise to 22%. Increased prices of catering services can lead to a temporary slackening of demand.

6.3. The Company's Development Directions and Strategy

Within the next few years AmRest plans to grow at the level of 20-25% a year in terms of its sales revenues. AmRest's strategy assumes developing and operating the large-scale (over USD 50 m of sales) branded restaurant chains with the internal rate of return (IRR) exceeding 20%. The Company's objective is to become the leading restaurant operator in Central and Eastern Europe.

AmRest focuses on the expansion of its activities in two restaurant market segments, namely Quick Service Restaurants and Casual Dining. The Company intends to continue its expansion into other countries of Central and Eastern Europe.

In the near future, AmRest will focus on the further development of its core brands, KFC and Pizza Hut, through the opening the new restaurants and increasing the sales of already existing restaurants; development of the new brands – FreshPoint, Rodeo Drive, Burger King and Starbucks – and the regional expansion through the entering the new markets of Central and Eastern Europe.

AmRest intends to continue to further improve profitability at the restaurant level and increase its operational efficiency. Concurrently, the Company expects that introducing new dining concepts will entail considerable costs related to their launch and the creation of an organisational structure necessary for their development. AmRest expects that these factors may have an adverse effect on the Group's profitability in the short term. Another important area with a bearing on the Group's development will be IT system integration and upgrading, to be completed by the end of 2008.

In 2007, the Group will continue to streamline its structure, by incorporating smaller companies into American Restaurants Sp. z o.o. or American Restaurants s.r.o., the largest of the Group's parties; the restructuring is aimed at lowering the general and administrative expenses.

AmRest is committed to continuing its efforts aimed at increasing value for customers. Through further improvement of the customer service, offering tasty dishes made with fresh ingredients, and introducing new products, the Company intends to raise its customers' awareness of the excellent value for money offered by the AmRest restaurants.

7. Statements of the Management Board

7.1. Statement on the Compliance with the *Dutch Corporate Governance Code*

As a company incorporated under the laws of the Netherlands, apart from applying Polish corporate governance rules, AmRest complies with Dutch corporate governance code by applying principles and best practice provisions that are applicable to the Management Board and Supervisory Board or by explaining why the company deviates therefrom. Although the Company tries to obey both Dutch and Polish Corporate Governance Codes, in case of conflicting rules AmRest, due to the fact that its shares are quoted on the Warsaw Stock Exchange and most of its operations is located in Poland, tends to choose the Polish best practices.

Dutch corporate governance code is fully applied with the exception of the following best practice provisions that are not fully applied:

Management Board

Best practice provision II.1.1: role and procedure
The Polish Corporate Governance Code (PCGC) does not assume any time limits concerning the appointment of the Management Board member. Therefore the Company has no specific limitations with regards to this issue.

Best practice provision II.1.7: role and procedure
According to the PCGC there is no limitation concerning management board members being involved as member of supervisory board of the other listed companies. However, any important positions held by management board members needs to be notified to the supervisory board of AmRest.

Best practice provision II.2.1: amount and composition of the remuneration
The options to acquire shares are conditional remuneration component. However, there are no performance criteria related to stock option plans. The vesting of options is conditioned upon the employment with the company. The vesting periods of options vary from 3 to 5 years. The grant of options is indirectly conditioned upon performance of particular employees and the decision of the Management Board.

Best practice provision II.2.9: determination and disclosure of remuneration
Since the PCGC does not apply such obligation no formal remuneration report of supervisory board is prepared. According to the PCGC, the Company discloses the annual remuneration of both the Supervisory Board and the Management Board Members in the Annual Directors' Report which constitutes a part of the Company's Annual Report published on the Warsaw Stock Exchange. Additionally the remuneration details are included in the Supervisory Board protocol.

Best practice provision II.2.11: determination and disclosure of remuneration
Since the PCGC does not apply such an obligation, apart from the total remuneration of management board members disclosed in the Annual Directors' Report, no further elements of the contracts of the management board members are made public.

Supervisory Board

Best practice provision III.1.1: role and procedure
There are no formal supervisory board bylaws that are made public. All the rules governing supervisory board's duties and responsibilities are covered in the company's Articles of Association.

Best practice provision III.1.2: role and procedure
Since the PCGC does not apply such an obligation, the Supervisory Board does not issue the report describing the Company's activities in the financial year. However, the Supervisory Board prepares only the evaluation of the Company's standing which is published in a manner of regulatory announcement just before the General Meeting of Shareholders.

Best practice provision III.3.4: expertise and composition
There are no limitations for supervisory board members with regards to number of supervisory boards of Dutch listed companies of which they may be a member. According to the PCGC, there are no limitations concerning this issue.

Best practice provision III.3.5: expertise and composition
The PCGC does not include any restrictions with regards to the maximum period of the Supervisory Board Member appointment. However, according to the Company's Articles of Association the Supervisory Board member can be appointed for a maximum period of 5 years.

Best practice provision III.5.1-13: composition and role of three key committees of the supervisory board
So far no separate committees have been created within the Supervisory Board. AmRest's Supervisory Board is of the opinion that current size of the Company's operations does not require the creation of such committees. The decision of setting up the audit and the remuneration committees will be made when the Company's operations size requires it.

Best practice provision III.7.3: remuneration
According to the PCGC, there are no restrictions concerning ownership of and transactions in securities of other listed companies by supervisory board members. However, AmRest bylaws cover restrictions and limitations concerning the ownership and transactions in AmRest's stock.

Best practice provision III.8.1: one-tier management structure
The PCGC does not include any regulations with regards to the management structure. The common practice in the region of Central and Eastern Europe (CEE) is that the chairman of the Management Board may also be an executive director. This practice is applied to the Company's Articles of Association.

Best practice provision III.8.4: one-tier management structure
The PCGC does not include any regulations with regards to the management structure, the common practice in the region of CEE anticipates that the member of the Management Board may also be an executive director. This practice is applied to the Company's Articles of Association.

The general meeting of shareholders

Best practice provision IV.1.1: powers
Since the PCGC does not specify any details with regards to the vote casts, the Company adopted the rule that all resolutions of General Meeting of Shareholders can be adopted by a simple majority of the votes cast, without a quorum being required.

Best practice provision IV.3.7: provision of information to and logistics of the general meeting of shareholders
The PCGC does not assume the existence of initial shareholders' circular. Since the Company is quoted on the WSE, prior to each General Meeting, the Company publishes the regulatory announcement including the drafts of the resolutions which are going to be submitted during the General Meeting. All regulatory announcements are available on the company's website.

Best practice provision IV.3.9: provision of information to and logistics of the general meeting of shareholders
According to the PCGC there is no obligation of providing the specific survey of all existing or potential anti-takeover measures.

Best practice provision IV.4.1-3: responsibility of institutional investors
The company's institutional investors have no legal obligation to publish their policy on the exercise of the voting rights for shares they hold in listed companies, how they implemented their policy in the year under review and how they voted as shareholders on the General Meeting of Shareholders. However, they are obliged to inform SEC how they voted as shareholders on the General Meeting of Shareholders and twice a year they include the information about their current share in the public companies.

The audit of the financial reporting and the position of the internal auditor function and of the external auditor

Best practice provision V.3.1: internal auditor function
It is a practice in CEE that the internal auditors report directly to the Management Boards, therefore the internal auditor's work schedule is drawn up by AmRest's Management Board.

7.2. Financial Statements – True and Fair View

To the best knowledge of the Management Board of AmRest Holdings N.V., the annual financial statements and the comparable data presented in the annual financial statements of the AmRest Group were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial standing and financial results of the AmRest Group. This annual Directors' Report gives a true view of the developments, achievements and the situation of the AmRest Group, including the description of key risks and threats.

7.3. Appointment of the Entity Qualified to Audit Financial Statements

PricewaterhouseCoopers Sp. z o.o., the entity qualified to audit financial statements, which has audited the annual financial statements of the AmRest Group, was appointed in accordance with the applicable laws. The entity and the auditors performing the audit met the conditions necessary to issue an impartial and independent audit opinion in accordance with the applicable laws.

The agreement on the audit of the 2006 consolidated financial statements was executed on July 10th 2006 between the Company and PricewaterhouseCoopers Sp. z o.o., registered office at al. Armii Ludowej 14, Warsaw, Poland, which is an entity qualified to audit financial statements, entered in the list of entities qualified to audit financial statements under Reg. No. 144. The agreement provides for the audit of the Company's consolidated financial statements for the period January 1st – December 31st 2006 and for the review of the Company's consolidated financial statements for the period January 1st – June 30th 2006. The total fees payable to PricewaterouseCoopers for the audit and the review of the above Company's 2006 consolidtaed financial statements amounted to EUR 101 thousand, while the total fees paid in respect of other services rendered in 2006 amounted to EUR 5 thousand. Additionally PricewaterhouseCoopers N.V., seated in the Netherlandes, audits both the consolidated and stand-alone financial statements for the financial year ended as of 31 December 2006. The fees for these services amounted to EUR 24 thousand.

In 2005 the total fees with regards to the audit of the Company's consolidated financial statements paid to KPMG Audyt Sp. z o.o. amounted to EUR 182 thousand and EUR 45 thousand (with regards to other services).

Wrocław, May 8th 2007

Henry McGovern	Wojciech Mroczyński
AmRest Holdings N.V. Management Board Member	AmRest Holdings N.V. Management Board Member

Appendix 1 – Significant Agreements

1) Annex to the Distribution Agreement with McLane Polska

On March 23rd 2006, an annex to the Distribution Agreement of April 2nd 2003 between American Restaurants Sp. z o.o. and McLane Polska Sp. z o.o. of Błonie was signed. The annex, effective from August 1st 2006, extends the term of the Distribution Agreement and changes the amounts of: the minimum guaranteed quantity of AmRest's purchases from the Distributor, the Distribution Fee (and frequency of its calculation) and the Distribution Fee for export sales (to External Franchisees). The minimum guaranteed quantity of AmRest Poland's, the Franchisees' and the External Franchisees' purchases from the Distributor was reduced with effect from August 1st 2006 to 1.0m cubic feet *p.a.* In consideration for the services provided under the Distribution Agreement the Distributor is entitled only to a fee computed as defined in an appendix to the Agreement (Distribution Fee), paid to the Distributor by American Restaurants Sp. z o.o., the Franchisees and the External Franchisees. By virtue of the annex, the Distribution Fee was reduced from August 1st 2006 and the Agreement term was extended by two years, i.e. until August 1st 2008. The parties agreed to discuss the option to extend the Agreement no later than thirteen months prior to its expiry. Unless by December 1st 2007 the parties agree in writing to extend its term, the Agreement will automatically expire on August 1st 2008. For a description of the Distribution Agreement see Section 9.2.1. of the Prospectus.

2) Annex to the Credit Facility Agreement with ABN AMRO

On October 30th 2006, Annex No. 2 to the Loan Agreement of April 4th 2005 between AmRest Holdings N.V., American Restaurants Sp. z o.o., American Restaurants s.r.o. and ABN AMRO Bank N.V. was signed. Pursuant to he Annex, the credit facility limit was reduced to PLN 96m, mainly by reducing the Tranche B limit to PLN 20m. Under the Annex, Tranche B is available until March 31st 2009. Concurrently, December 31st 2006 was set as the final repayment date for of the part of Tranche A available to American Restaurants Sp. z o.o., in the amount of PLN 3m, whereas the final repayment date of the part of Tranche A made available to American Restaurants s.r.o., amounting to CZK 518m, was postponed until March 31st 2013. The amounts drawn by American Restaurants s.r.o. will be repaid in equal quarterly instalments starting from March 31st 2008. The Credit Facility Agreement was described in Current Report No. 6/2005 of April 5th 2005.

3) Development Agreement with Burger King

On March 8th 2007, AmRest concluded a development agreement with Burger King Europe GmbH. The Parties to the Agreement are as follows: American Restaurants Sp. z o.o. of Wrocław, Poland ("Developer"), and Burger King Europe GmbH of Zug, Switzerland ("BKE"). Under the Agreement the Developer has a non-exclusive right to open and operate on a franchise basis Burger King restaurants in Poland ("Development Area").

The Developer has a right of first refusal in relation to any new Burger King restaurant in Poland proposed to be developed by BKE itself or through a third party, with the exception of certain institutional locations. AmRest Holdings N.V. ("Guarantor") has guaranteed to BKE that the Developer will perform all it obligations under the Development Agreement. The Development Agreement was concluded for the period of 5 years from the Agreement date. Development Agreement provides, among other things, that:

a) During the 2 years after the first opening of a Burger King restaurant by Developer, BKE shall contribute an amount of 2.5% of the calendar monthly Gross Sales of all Burger King restaurants operated by Developer to the advertising and sales promotion fund mentioned in the Franchise Agreement. During the third year after the first opening of a Burger King restaurant by Developer, BKE shall contribute an amount of 2% of the calendar monthly Gross Sales of all Burger King Restaurants operated by Developer to the advertising and sales promotion fund.

b) During the initial 5 years term the initial franchise fee payable by Developer shall be $25,000 for each Burger King restaurant with a franchise agreement providing for a term of 10 years (plus a further renewal franchise fee of $ 25,000 in case of a 10 years renewal of the franchise agreement at the Developer's option). The initial franchise fee shall be reduced by 50 % for the development of each Burger King restaurant which exceeds the number of Burger King restaurants to be developed and opened by Developer according to the development schedule.

c) The Developer agrees to open and operate Burger King restaurants in strict accordance with the development schedule which includes the minimal numbers of openings in each development year as defined in the Development Agreement.

d) The Developer oblige to comply with the development procedures and requirements as set forth in the Development Agreement. The development procedures includes, among other things, the franchise approval and the site approval.

e) The Developer and the Guarantor shall at all times maintain in strict confidence BKE's operational manuals, marketing information and methods, and all information and knowledge relating to the methods of operating and the functional know-how relating to Burger King restaurants revealed by BKE to the Developer.

f) Developer is responsible for all losses, damages and/or contractual liabilities to third parties arising out of or relating to any of the obligations, undertakings, promises and representations of Developer under this agreement, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

4) Framework Conditions of Franchise Agreements with Burger King

On March 9th 2007, AmRest published information concerning framework terms and conditions of the Franchise Agreements concluded with Burger King Europe GmbH each time a new Burger King restaurant is opened. The parties to the Agreement will be American Restaurants Sp. z o.o. of Wrocław (as the Franchisee) and Burger King Europe GmbH of Zug, Switzerland (as the Franchisor). Under the Agreement, the Franchisee is granted the licence for the use of Burger King's registered trademarks and the Burger King system for the purpose to operate Burger King restaurants. AmRest Holdings N.V. (the Guarantor) guarantees to the Franchisor that the Franchisee will perform all its obligations under the Franchise Agreement. The licence is granted for 10 years from the date on which a given restaurant is launched. The Franchisee has the right to extend the Agreement for another 10 years upon the fulfilment of certain conditions. The Franchise Agreement provides, among other things, that:

a) Franchisee must comply strictly with all Burger King requirements concerning building and premises, signs, equipment, menu, service, hygiene, uniforms, advertising and promotional materials, sources of supply etc.

b) Franchisee must pay monthly continuing fees to the Franchisor equal to 5% of the Gross Sales of the Burger King restaurant operated by Franchisee.

c) Franchisee must pay monthly continuing advertising and sales promotion fees equal to 5% of the Gross Sales of the Burger King restaurant operated by Franchisee.

d) Employees of Franchisee must participate in initial and ongoing training programs as specified by the Franchisor.

e) Franchisee, during the term of the agreement, shall not directly or indirectly engage in the operation of any restaurant, except as licensed by Franchisor, which utilizes or duplicates the Burger King business.

f) Franchisee must comply with all of the other requirements and restrictions set out in the Franchise Agreement.

5) Major Insurance Agreements Concluded in 2006 by the AmRest Group Companies:

a) American Restaurants Sp. z o.o.:
   - One-year insurance policy against liability for damages and product liability – concluded with T.U. Allianz Polska S.A.
   - One-year property insurance policy (covering property, electronic equipment and loss of earnings) – concluded with T.U. Allianz Polska S.A.

b) American Restaurants s.r.o.:
   - One-year insurance policy against liability for damages and product liability – concluded with UNIQA Pojišťovna, A.S.
   - One-year property insurance policy (covering property and loss of earnings) – concluded with UNIQA Pojišťovna, A.S.

c) American Restaurants, kft:
   - One-year insurance policy against liability for damages and product liability – concluded with UNIQA Biztosító Zrt.
   - One-year property insurance policy (covering property) – concluded with UNIQA Biztosító Zrt.

Appendix 2 – Related Party Agreements

1) On February 3rd 2006, American Restaurants Sp. z o.o., a subsidiary, acquired 10% of shares in SCM Sp. z o.o., with a par value of PLN 10,000, thereby increasing its shareholding to 45%. Under the agreement of April 29th 2005, SCM Sp. z o.o. provides to American Restaurants Sp. z o.o. services which consist in intermediation and negotiation of terms of supplies for the restaurants, including the negotiation of terms of distribution agreements. In consideration for the services received, American Restaurants Sp. z o.o. is to pay fees of 1.5% of the value of ordered products or 2% of the value of ordered restaurant equipment. Under the agreement SCM is to be the sole provider of this type of services to American Restaurants Sp. z o.o. The agreement was concluded for six years, with an option to extend its term upon a written notice. Under the agreement, American Restaurants Sp. z o.o. agreed to order products and equipment of the minimum value of EUR 27.5m in each 12 months during the agreement term. The services are to be provided on an SLA basis, which means that American Restaurants Sp. z o.o. may terminate the agreement if the quality of services deteriorates in relation to the standards stipulated in the agreement. The estimated value of the agreement over its term is PLN 10.5m.

2) April 1st 2006 was the effective date of release of the Company from debt under agreements on release from debt received on August 4th 2006 from the Company's shareholder, International Restaurants Investments, LLC ("IRI"). The agreements cover loans advanced in previous years for a total of USD 818 thousand and EUR 38 thousand along with accrued interest. These amounts also include long-term loans granted by Yum! With effect from April 1st 2006, Yum! transferred its receivables under these loans onto IRI. The release from debt obligations increased the Company's financial income by PLN 3,396 thousand, which had a positive effect on the net profit recorded by the Company in the second quarter and the full year 2006.

3) On June 30th 2006, AmRest (the Buyer) and Central European Franchise Group, Ltd (the Seller) concluded an agreement whereby AmRest acquired 100% of shares in Kentucky System Kft. of Budapest (in September 2006, the company's name was changed to American Restaurants, Kft). The selling price was USD 6.5m. Following the purchase of all shares in Kentucky System, AmRest came to own 13 Pizza Hut restaurants and four KFC restaurants in Hungary. The execution of the agreement represents an important step towards the implementation of the AmRest Group's strategy aimed at strengthening its market position in Central and Eastern Europe. The acquisition of restaurants in Hungary provides an opportunity for further expansion through the development of existing and new restaurant chains on the Hungarian market. See Note 3 for more details of the transaction.

4) On September 22nd 2006, American Restaurants Sp. z o.o. and American Restaurants Kft. concluded a loan agreement. By virtue of an annex of December 20th 2006, the maximum loan amount was increased from PLN 3m to PLN 15m. The Parties also agreed to postpone the repayment date from December 31st 2006 to December 31st 2007.

5) On October 30th 2006, American Restaurants Sp. z o.o., the Company's subsidiary, acquired 1,000 shares in Doris 2006 Sp. z o.o. with a par value of PLN 50 per share, representing 100% of this company's share capital. The total price of the shares was PLN 490,000. Doris 2006 Sp. z o.o. is the lessee of premises located at ul. Chmielna 2 in Warsaw. The lease agreement provides for the possibility of conducting catering business on the premises. AmRest intends to open one of its restaurants at this location. See Note 3 for more details of the transaction.

6) On December 22nd 2006, a Cash Pooling Agreement was concluded with ABN AMRO Bank (Polska) S.A. of Warsaw. Apart from AmRest, the parties to the agreement also included the following subsidiaries: American Restaurants Sp. z o.o., American Restaurants s.r.o. and Galeria Arka Sp. z o.o. The agreement was concluded to increase the efficiency of cash management by the members of the AmRest Group. The agreement was concluded for an indefinite period and may be terminated by either party subject to a 30 days' notice period.