

AmRest Holdings N.V.
Company Financial Statements as at and for the twelve months
ended 31 December 2006

PRICEWATERHOUSECOOPERS

Initiated on behalf of
PricewaterhouseCoopers
Accountants N.V.
for identification purposes only
Rotterdam

2/5-07

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General

The Company is a public limited company incorporated under the laws of The Netherlands and acts as a holding company.

Amrest Holdings N.V. was established as a joint stock company in October 2000 in the Netherlands. The Company's head office is located in Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The company's financial statements have been drawn up in accordance with Dutch GAAP (Part 9 of Book 2 of The Netherlands Civil Code). In doing so, the company made use of the possibility to apply the accounting policies (including the policies for the presentation of financial instruments as equity or loan capital) used in the consolidated financial statements to the company financial statements, as provided in Section 362 (8) of Book 2 of the Netherlands Civil Code.

On 27 April 2005, the shares of AmRest Holdings N.V. commenced trading on the Warsaw Stock Exchange ("WSE") in Poland.

Prior to 27 April 2005, the Company was jointly owned and controlled by International Restaurant Investments, LLC ("IRI") of the United States and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") of the Netherlands. Before the initial public offering each shareholder possessed a 50% ownership.

IRI is a wholly-owned subsidiary of American Retail Concepts, Inc. of the United States ("ARC"), whereas KFC BV is a wholly-owned subsidiary of Yum! Brands, Inc. ("YUM!") of the United States.

In conjunction with the listing of the Company's shares on the WSE, YUM! sold all of its shares in the Company and is no longer a shareholder. Moreover, IRI also sold part of its shares as a result of the Company's IPO on the stock exchange.

As at 31 December 2005 and 31 December 2006 the Company's largest shareholder remains IRI holding about 40% of voting rights and shares.

The principal activity of the Company is being a holding company for subsidiaries in Poland and Czech Republic. In addition indirect interest is held in other group companies via these subsidiaries. The Company's subsidiaries operate Kentucky Fried Chicken („KFC") and Pizza Hut franchised restaurants, and solely in Poland „Ice*Land" ice cream outlets, „Rodeo Drive" and „Freshpoint" restaurants.

The table below presents a summary of subsidiaries included within the group of the Company (the "Group") at 31 December 2006:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
American Restaurants Sp. z o.o.	Wroclaw, Poland	Operating Pizza Hut and KFC restaurants in Poland	AmRest Holdings N.V.	100.00 %	December 2000
American Restaurants s.r.o.	Prague, Czech Republic	Operating Pizza Hut and KFC restaurants in the Czech Republic	AmRest Holdings N.V.	100.00 %	December 2000
American Restaurants Kft	Budapest, Hungary	Operating Pizza Hut and KFC restaurants in Hungary	American Restaurants Sp. z o.o.	100.00 %	30 June 2006
Galeria Arka Sp. z o.o.	Warsaw, Poland	Lessee of a location where a restaurant is planned to be opened	American Restaurants Sp. z o.o.	100.00 %	March 2005
Amrest Ukraina t.o.w.	Kiev, Ukraine	Established to develop and operate Pizza Hut restaurants in the Ukraine	American Restaurants Sp. z o.o.	100.00 %	December 2005
International Fast Food Polska Sp. z o.o.	Wroclaw, Poland	No current activities	American Restaurants Sp. z o.o.	100.00 %	January 2001
Pizza Hut s.r.o.	Prague, Czech Republic	No current activities	American Restaurants s.r.o. American Restaurants Sp. z o.o.	99.973% 0.027%	December 2000
Fried Chicken s.r.o. (former miklik's food s.r.o.)	Prague, Czech Republic	No current activities	Pizza Hut s.r.o.	100.00%	May 2005
Grifex I Sp. z o.o.*	Wroclaw, Poland	Operates a childrens' activity centre in Warsaw which includes a KFC restaurant	American Restaurants Sp. z o.o.	48.00 %	September 2003

* despite the fact that the Group holds a 48% of voting rights and ownership interest it consolidates the Company as a subsidiary, since on the basis of agreements with the main shareholder, it has the right to control the Company's operating and financial activities

The above companies are considered to be related parties to the Company.

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The table below presents a summary of associates included within the Group at 31 December 2006:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of initial investment
Worldwide Communication Services LLC	Nevada, USA	Marketing activity for the Group	American Restaurants Sp. z o.o.	33.33 %	October 2003
Global Communication Services Sp. z o.o. in liquidation	Warsaw, Poland	No current activities	Worldwide Communication Services LLC	33.33 %	May 2002
Synergy Marketing Partners Sp. z o.o.	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC.	26.66%	May 2002
Red 8 Communications Group Sp. z o.o. *	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC	17.33%	May 2002
Synergy Marketing Partners s.r.o.	Prague, Czech Republic	Marketing activity for the Group	Synergy Marketing Partners Sp. z o.o.	24.00%	Established February 2005
SCM Sp. z o.o.	Chotomów, Poland	Restaurant supply services provided to the Group	American Restaurants Sp. z o.o.	45.00%	April 2005

* The Group holds indirectly 17.33% of voting rights and ownership in Red 8 Communications Group Sp. z o.o. It has significant influence over this company as it is a subsidiary of the associate - Worldwide Communication Services LLC which holds 52% of voting rights in that company.

The above companies are considered to be related parties to the Company.

Other related parties

As at 31 December 2006 the Group's largest and key shareholder remains IRI of the United States. IRI is a wholly-owned subsidiary of ARC of the United States. These companies are related parties. ARC was founded by Donald M. Kendall, Sr., Donald M. Kendall, Jr. and Christian R. Eisenbeiss, who serve as Supervisory Board members of the Group and Henry J. McGovern who is a Management Board member and the senior executive managing the operating businesses in Poland and the Czech Republic.

YUM! ceased being a related party on 27 April 2005 upon listing of the Group on WSE.

Future outlook

The management is of the opinion that the present level of activities will be maintained during the next financial year.

The financial statements are presented in US Dollars rounded to the nearest thousand

Amsterdam, 8 May 2007

Board of directors

H.J. McGovern

W.G. Mroczynski

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Balance sheet as at 31 December 2006

Before appropriation of profit

(Expressed in USD)	Notes	31 December 2006	31 December 2005 (restated)
		x1,000	x1,000
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	1	55.462	42.382
Loans to related parties	2	-	-
<i>Total fixed assets</i>		<u>55.462</u>	<u>42.382</u>
Current assets			
Cash at banks		59	90
<i>Total current assets</i>		<u>59</u>	<u>90</u>
Current liabilities (due within one year)			
Accruals and deferred income	3	29	195
Amounts due to related parties	4	-	312
<i>Total current liabilities</i>		<u>29</u>	<u>507</u>
Assets less current liabilities		55.492	41.965
Long term liabilities (due after one year)			
Loans from related parties	5	-	627
Provisions	1	1.172	3.396
Net asset value		<u><u>54.320</u></u>	<u><u>37.942</u></u>
Capital and reserves	6		
Paid up and called up share capital		178	160
Share premium account		38.304	38.144
Other reserves		(343)	(7.501)
Translation reserve		3.814	(19)
Result of the year		12.367	7.158
<i>Total shareholder's equity</i>		<u><u>54.320</u></u>	<u><u>37.942</u></u>

Profit and loss account for the year 2006

(Expressed in USD)	2006	2005 (restated)
	x1,000	x1,000
Profit of participating interest after tax	10.069	8.058
Other results after tax	2.298	(900)
Net profit	<u><u>12.367</u></u>	<u><u>7.158</u></u>

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A condensed company income statement is presented in accordance with Section 402 of Book 2 of the Netherlands Civil Code.

The financial statements are presented in US Dollars rounded to the nearest thousand. Due to the fact that the Company values its subsidiaries at net equity value (see below accounting policies for financial fixed assets), items included in the financial statements of each of the Group's entities are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. Functional currency of the Polish operations is the Polish Zloty (PLN), the functional currency of the Czech operations is the Czech Crown (CZK), while the functional currency of the Hungarian operations is the Hungarian Forint (HUF).

Basis of presentation

The company annual accounts have been drawn up in accordance with Dutch GAAP (Part 9 of Book 2 of the Netherlands Civil Code).

In doing so, the company made use of the possibility to apply the accounting policies used in the consolidated financial statements to the company financial statements, as provided in Section 362 (8) of Book 2 of the Netherlands Civil Code.

The accounting policies in the company financial statements are the same as those applied in the consolidated financial statements.

The policies stated in the consolidated financial statements are applied, unless stated otherwise.

If not specifically stated otherwise, except for shares in subsidiaries, assets and liabilities are stated at the amounts at which they were acquired or incurred.

The principles of valuation and determination of result remain unchanged compared to the prior year.

These financial statements are prepared on a going concern basis.

Financial fixed assets

The Company values its subsidiaries at net equity value. Profits made and losses incurred by these entities will be reflected in the Company's profit and loss account and equity transaction directly in equity.

Net asset value is calculated using the accounting policies applied for consolidated financial statements (EU IFRS)

Subsidiaries interests with an equity deficit are carried at nil.

A provision is formed if and when the Company is fully or partially liable for the debts

of the subsidiaries interest, or has the firm intention to allow the subsidiaries interest to pay its debts.

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	31 December 2006	31 December 2005
	x1,000	x1,000
Balance sheet		
1 Shares in subsidiaries		
<u>Name</u>		<u>Owned</u>
	<u>Domicile</u>	<u>(Prior year)</u>
American Restaurants Sp.z.o.o.	Wroclaw, Poland	100% (100%)
American Restaurants s.r.o.	Prague, Czech Republic	100% (100%)
	55.462	42.382
	-	-
	<u>55.462</u>	<u>42.382</u>

The Company valued its participations at net equity value. Profits made and losses incurred by these entities are reflected in the profit and loss account.

The negative net equity value of American Restaurants s.r.o. has been deducted from the loan and interest receivable from that subsidiary. For the surplus of the negative net equity value a provision has been made.

Movements in the interests in American Restaurants Sp.z.o.o. (x1,000) have been as follows:

Balance as per 1 January (previously reported)	42.006	19.276
c) correction for presentation accelerated amortization for Czech restaurants (note 7)	376	-
Balance as per 1 January (adjusted)	42.382	19.276
Acquisitions/contributions	-	19.930
Share in result	7.450	7.856
SOP	160	-
Translation	5.470	-
Decrease provision (receivable from) subsidiary	-	(4.680)
Balance as per 31 December	<u>55.462</u>	<u>42.382</u>

Movements in the interests in American Restaurants S.r.o. (x1,000) have been as follows:

Balance as per 1 January (previously reported)	(10.071)	(13.011)
a) correction for accounting treatment for lease arrangement (note 7)	(168)	(144)
b) correction for presentation accelerated amortization for Czech restaurants (note 7)	(376)	-
c) correction for accounting capitalisation of development costs relating in Czech Group (note 7)	233	-
Balance as per 1 January (adjusted)	(10.382)	(13.155)
Acquisitions/contributions	-	-
Share in result	2.619	202
Translation	(1.619)	3
Decrease provision (receivable from) subsidiary	-	2.568
Balance as per 31 December	<u>(9.382)</u>	<u>(10.382)</u>

Because of the negative value of the investment in American Restaurants s.r.o.:

- the loan granted to American Restaurants s.r.o. (see note 2) with unpaid interests of 8 210 TUSD has been written off to nil
- the additional provision of 1 172 TUSD has been recognised

Movements in the provision (x1,000) have been as follows:

Balance as per 1 January	(3.085)	(13.011)
a) correction for accounting treatment for lease arrangement (Note 7)	(168)	(144)
b) correction for presentation accelerated amortization for Czech restaurants (note 7)	(376)	-
c) correction for accounting capitalisation of development costs relating in Czech Group (note 7)	233	-
Balance as per 1 January (adjusted)	(3.396)	(13.155)
Share in result	2.619	202
Loans to related party	-	6.828
Interest on loans to related parties	303	158
Payment interest in 2006	(294)	-
Currency exchange rate differences	1.215	-
Translation	(1.619)	3
Decrease provision subsidiary	-	2.568
Balance as per 31 December	<u>(1.172)</u>	<u>(3.396)</u>

- 2 The loan granted to American Restaurants s.r.o. with unpaid interests of 8 210 TUSD has been netted with the provision made for the negative net equity value of American Restaurants s.r.o. (note 1).

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	31 December 2006	31 December 2005
	x1,000	x1,000
3 Accruals and deferred income		
Tax advisory fee	11	15
Audit fee	15	32
Administration and Management fee	3	6
Capital tax payable	-	130
Other financial fee	-	12
Other payables	-	-
	<u>29</u>	<u>195</u>
4 Amounts due to related parties		
IRI	-	157
Yum!	-	155
	<u>-</u>	<u>312</u>
5 Loans from related parties		
IRI	-	373
Yum!	-	254
	<u>-</u>	<u>627</u>

On 1 April 2006, waiver of loans from IRI and YUM! came into force, based on loan waiver agreements signed by IRI and dated September 4th, 2006. The agreements covered loans granted to the Group by IRI and YUM! in previous years. As loans were waived, the Company recognised in current period a profit in the amount of 1 096 TUSD which was presented as other results after tax.

6 Capital and reserves

The authorised share capital of the Company amounts to EUR 150,000 divided into 15,000,000 shares of EUR 0.01 each. Issued and paid up are 13,500,000 shares of EUR 0.01.

The management proposes to add the unappropriate results to the other reserves.

x1,000	Share capital	Share premium	Translation reserve	Other reserves	Unappropriated results
Balance as per 01.01.2005 (previously reported)	137	12.727	(48)	(10.939)	3.582
a) correction for accounting treatment for lease arrangement	-	-	-	-	(144)
Balance as per 01.01.2005 (restated)	137	12.727	(48)	(10.939)	3.438
Paid-in / (repaid) up to 31 Dec	45	25.933	-	-	-
IPO costs	-	(1.248)	-	-	-
Transfer	-	-	-	3.438	(3.438)
Stock Option Plan (Note 8)	-	732	-	-	-
Translation	(22)	-	29	-	-
Result for the period	-	-	-	-	7.158
Balance as per 01.01.2006	<u>160</u>	<u>38.144</u>	<u>(19)</u>	<u>(7.501)</u>	<u>7.158</u>
Balance as per 01.01.2006 (previously reported)	160	37.412	(26)	(7.357)	7.688
a) correction of Stock Option Plan (Note 8)	-	732	-	-	(732)
b) correction for accounting treatment for lease arrangement	-	-	3	(144)	(27)
c) correction for accounting capitalisation of development costs relating in Czech Group	-	-	4	-	229
Balance as per 01.01.2006 (restated)	160	38.144	(19)	(7.501)	7.158
Transfer	-	-	-	7.158	(7.158)
Stock Option Plan (Note 8)	-	160	-	-	-
Translation	18	-	3.833	-	-
Result for the period	-	-	-	-	12.367
Balance as per 31.12.2006	<u>178</u>	<u>38.304</u>	<u>3.814</u>	<u>(343)</u>	<u>12.367</u>

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7 Correction of accounting treatment

a) correction for accounting treatment for lease arrangement

In 2005, the leasing contract for land and building related to one of the restaurants located in Czech Republic was inappropriately accounted for as operating lease. This agreement meets the criteria of finance lease and should be classified as such. This adjustment had influence the following positions previously published in the financial statement:

	12 months ended 31 December 2005
Decrease of other reserves	144
Increase of provision -subsidiary (investments in American Restaurants s.r.o.)	(168)
Increase of translation reserve	(3)
Decrease of profit for the period - results of subsidiaries	27
	<u>-</u>

b) correction for accounting liability related with Stock Option Plan (SOP)

In 2005, Company did not recognise stock option plans in co-only accounts. This adjustment had influence the following positions previously published in the financial statement:

	12 months ended 31 December 2005
Increase of share premium	732
Decrease profit for the period - results of subsidiaries	(732)
	<u>-</u>

c) correction for presentation of accelerated depreciation for Czech restaurants

In 2005, the accelerated amortization for two Czech depreciation was showed in Polish financial statements. Correct presentation has influence the following positions previously published in the financial statement:

	12 months ended 31 December 2005
Increase of investments in American Restaurants Sp. z o.o.	376
Increase of provision -subsidiary (investments in American Restaurants s.r.o.)	(376)
	<u>-</u>

d) correction for accounting capitalisation of development costs relating in Czech Group

In 2005, the capitalization of development costs relating to Czech Group was not taken to estimation result in American Restaurants s.r.o. This adjustment had influence the following positions previously published in the financial statement :

	12 months ended 31 December 2005
Decrease of provision	233
Increase profit for the period - results of subsidiaries	(229)
Increase of translation reserve	(4)
	<u>-</u>

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8 Share options schemes

Stock option plan 1

The Plan was set up in 1999 and initially settled in cash. It related to the Group's key employees. Upon the Group's IPO on 27 April 2005, the plan was converted to settled in shares instead of cash. Additionally all obligations under the plan were assumed by ARC. ARC assumed responsibility for the option settlements with employees (vested and not vested upon IPO).

Stock option plan 2

In April 2005, the Group established an employee stock option plan for key employees, settled in shares. The total number of shares to which options are granted is determined by the Board but cannot exceed 3% of the total outstanding shares. In addition, the number of shares acquired by employees from options exercised is limited to 200,000 annually. Under the plan, the Company, upon prior Board approval, is entitled to determine among other matters, participating employees, number of options granted and the grant date. The option price and the vesting period will generally be the closing share price at the option grant date and carry either a 3 or 5 year vesting period. The stock option plan was approved by the Board of Directors. The terms and conditions of the grants are as follows:

Grant date	Number of options granted	Vesting conditions	exercise price in PLN	Contractual life of options		
Plan 1						
at 30 April 1999	75 250	5 years, graded, 20% per year	6.4	10 years		
at 30 April 2000	53 750	5 years, graded, 20% per year	25.6	10 years		
at 30 April 2001	76 300	5 years, graded, 20% per year	25.6	10 years		
at 30 April 2002	74 600	5 years, graded, 20% per year	16.0	10 years		
at 30 April 2003	55 100	5 years, graded, 20% per year	16.0	10 years		
at 30 April 2004	77 800	5 years, graded, 20% per year	19.2	10 years		
Total	412 800					
Plan 2						
At 30 April 2005	79 300	5 years, graded, 20% per year	24.0	10 years		
At 30 April 2006	75 000	5 years, graded, 20% per year	48.4	10 years		
Total	154 300					
		2006		2005		
	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1
Outstanding beginning of the period	PLN 20.6	79 300	203 900	PLN 18.9	-	342 210
Exercised during the period	PLN 18.3	-	(9 140)	PLN 18.5	-	(138 310)
Forfeited during the period	PLN 19.7	(2 900)	(12 560)	-	-	-
Granted during the period	PLN 48.4	75 000	-	PLN 24.2	79 300	-
Outstanding, end of the period	PLN 26.9	151 400	182 200	PLN 20.6	79 300	203 900
Exercisable at the end of the period	PLN 20.0	15 760	146 660	PLN 19.5	-	146 773

Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors

The Company has two (previous year: two) managing directors, which receive no remuneration.

The Company has six (previous year: six) supervisory directors.

Remuneration to Managing directors and Supervisory Board are paid by American Restaurants Sp. z o.o.

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Transactions with key management personnel

Key management (members of the management board of AmRest Holdings N.V.) remuneration is as follows:

	12 months ended 31 December 2006	12 months ended 31 December 2005
H.J. McGovern	450	345
W.G.Mroczyński	184	54
P.Whiskared-Węgorzewski		209
	634	608

Key management also participated in share options programs.

Share based payment expense which relates to key management amounted to:

	12 months ended 31 December 2006	12 months ended 31 December 2005
H.J. McGovern	20	7
W.G.Mroczyński	5	
	25	7

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 USD 1 807 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 USD 23 thousand.

At 31 December 2006 there were no commitments to former employees.

Amsterdam, 8 May 2007

Board of directors

H.J. McGovern

W.G. Mroczynski

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Other information

Appropriation of results

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal and/or statutory reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

Audit of accounts

The auditor's report is set forth on the following page.

Subsequent events

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

To the shareholders of
AmRest Holdings N.V.

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Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of AmRest Holdings N.V., Rotterdam as set on pages 48 to 112. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AmRest Holdings N.V. as at 31 December 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of AmRest Holdings N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 8 May 2007

PricewaterhouseCoopers Accountants N.V.



N.W. Over de Vest RA