AmRest Holdings SE

Stand-alone

Directors' Report

For the year 2014

18 March 2015

Contents

Letter to the shareholders

Dear shareholders,

I am very excited to share with you the results of AmRest's outstanding performance in 2014. For our company it was a culminating period of transition from the phase of portfolio and country expansion to the stage of reaping the benefits of our scale. I am pleased to see AmRest has become a diversified growth platform, operating over 800 restaurants of 7 exceptional brands in 12 countries. Getting to that point wouldn't be possible without the unique "Wszystko Jest Możliwe" culture – our driving force pushing us for operational excellence, ensuring our leadership position in Europe's industry sector and value creation for our shareholders.

Last year we opened 84 new restaurants which – along with strong LFL trends in all our divisions – resulted in 9.3% increase in revenues vs 2013. Significant margin improvement across the board additionally supported our profitability. Consolidated EBITDA of AmRest amounted to PLN 356m in 2014 and was 29.7% higher than last year. Net profit rose 520% to PLN 52m in 2014.

A number of milestones and records were set: in Q3 2014 for the first time in our history consolidated EBITDA broke the barrier of PLN 100m1. The following quarter our focus on margin improvement in core business brought expected results, setting an even higher EBITDA record of PLN 101m.

We also continued fantastic trends in development. Record number of 25 new KFCs opened in Russia, 15 La Tagliatella restaurants added in Spain along with dynamic expansion of Blue Frog in China contributed to building scale in our business. We also celebrated two growth milestones: opening of 300th KFC in Central Europe (CEE) and reaching 800 restaurants globally.

Focus on the core business resulted in significant improvement of margins in Central Europe. Stable positive LFL trends in all brands supported by a number of cost saving initiatives brought tangible effects in all segments. Our core brands – KFC and Pizza Hut followed upward trends leading to historically high EBITDA margins. Burger King turned positive in Q2 2014 and continued increasing profitability. Starbucks also improved its results in three markets. Total EBITDA of CEE division grew by 31.6% during the year, reaching PLN 232m for 2014.

Strong results delivered by Russian division in 2014 proved the strength of AmRest's systems and culture. Despite unfavorable political and economic environment, KFC restaurants maintained double-digit LFL growth (in local currency). Additionally, cost saving initiatives provided modest margin improvement in base business. Although total EBITDA of Russian division in 2014 was under the pressure of higher startup costs related to a record number of openings, we strongly believe that in the long term growing scale of the business will positively affect profitability.

In Spain the positive momentum was maintained as well. Economic revival, with a GDP growth and improving consumer sentiments positively contributed to 2014 results of the Spanish division. Solid LFL growth in both of the brands, outstanding performance of new openings together with improving margins in existing restaurants were the main drivers of profitability improvement. Total EBITDA of the division grew by 13.6% compared to 2013, amounting to PLN 131m. In the meantime EBITDA margin increased to 21.1% and remained the highest in AmRest.

In New Markets division the strategy for 2014 was focused on two areas – improving results of La Tagliatella International and further expansion of highly profitable Blue Frog in China. Implemented cost cutting initiatives together with closure of low performing restaurants resulted in significant loss reduction in La Tagliatella International. At the same time, further development of this brand has been limited to French market, which turned EBITDA positive last year and continued upward trends bringing hope to replicate the success of the Spanish market. 2014 was a year of the fastest expansion in the history of Blue Frog and Kabb. Opening seven new restaurants, entering into three new cities and maintaining strong double-digit LFL growth resulted in 42.9% increase in revenues and significantly higher margins. Outstanding performance of new openings along

[1] Excluding Q4 2012, when EBITDA above PLN 100m was supported by one-off revenue from the sale of Applebee's business

with extremely positive reception of Blue Frog offer among our customers reinforced our belief in huge potential for further expansion in China.

In 2014 AmRest successfully refinanced 2009 bond issue with a new placement of PLN 140m. Attractive pricing was one of the factors behind lower financial costs of the Group. In the meantime our leverage continuously declined and amounted to 2.36 at the end of 2014.

Breakthrough performance in 2014 was possible due to our focus on core brands and markets, where AmRest achieves the highest returns on the capital invested. Such a long-term approach will continue in the upcoming years and is expected to contribute to value creation for our shareholders. Development plans for this year assume maintaining similar pace of new openings as in 2014. Given the potential identified in particular markets, our expansion plan will be focused on Central Europe, Spain and China. In Russia our investment will be limited until political environment stabilizes. Additional growth opportunities have been recently identified in CEE where acquisition of Starbucks chains in Romania and Bulgaria in May 2015 should strengthen our leadership position in the restaurant industry across the region.

In 2014 we also witnessed a great momentum in the stock market. Solid improvement of operational results along with the great potential for the future were highly appreciated by our investors, resulting in the strong upside of our share price during the year. AmRest stock price hit PLN 113.5 in December 2014, which was the highest for almost last 7 years. In 2015 this growing trend continued and PLN 120 share price was achieved in March.

Being extremely proud of the progress we made in 2014, I strongly believe that the best is still ahead of us. I would like to truly thank all of our employees for the heart and soul they put into exceptional customer service in our restaurants. I am sure that highly motivated team of fantastic people, supported by diversified portfolio of exceptional brands will help us walk the path of stable and predictable growth in the upcoming years. There is no question that AmRest has a unique culture which enhances our capability and drives our business. Thank you for "bringing fun to life" and making AmRest a special place to work and dine!

Thank you,

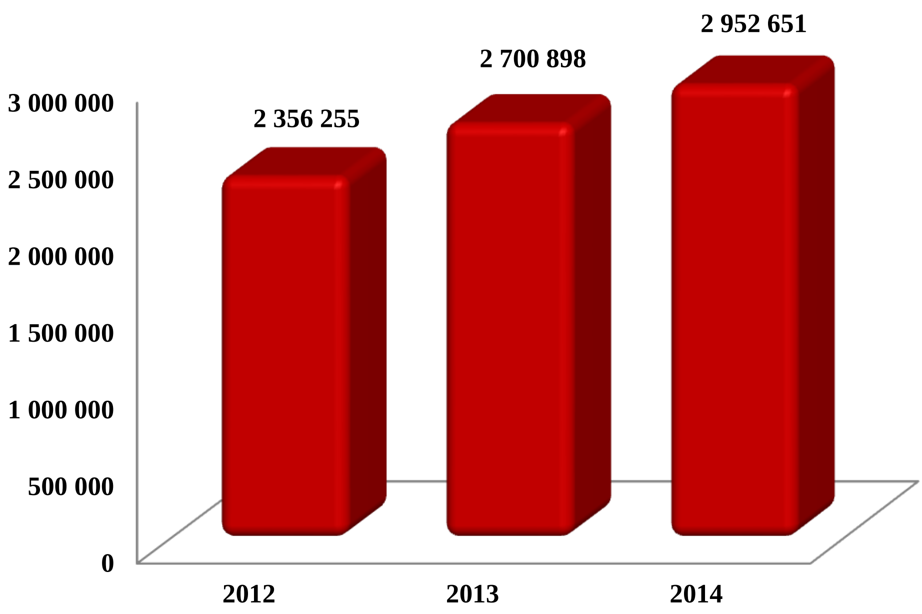
Henry McGovern

Information about financial data in the stand-alone report

AmRest Holdings SE is a holding company and does not run any operations. For this reason any financial data found in this report refers to the AmRest Group.

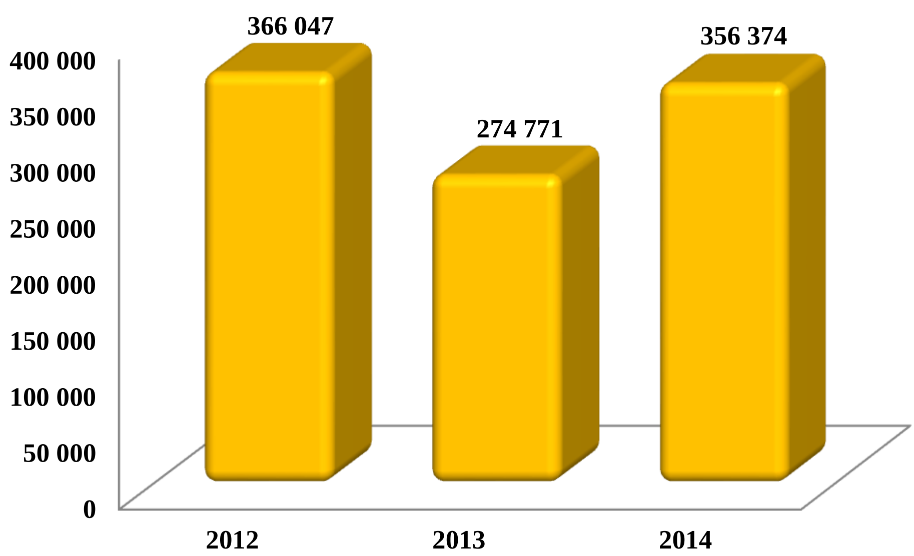
1. Selected financial data

DIAGRAM 1: REVENUES IN 2012-2014 (IN PLN'000)



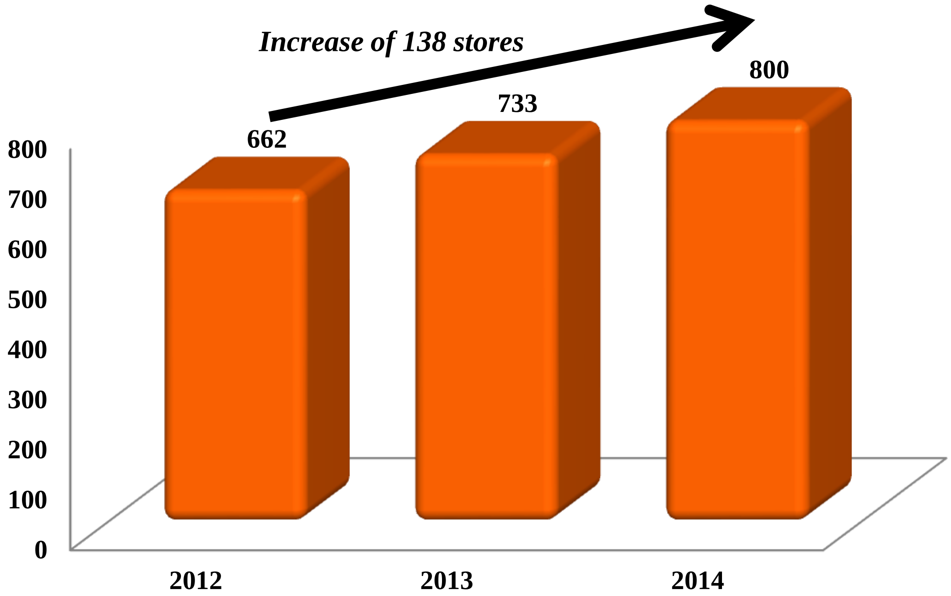
* In connection with the sale of Applebee's assets to Apple American Group II, LLC, the data does not account for the revenues generated by Applebee's restaurants

DIAGRAM 2: EBITDA IN 2012-2014 (IN PLN '000)



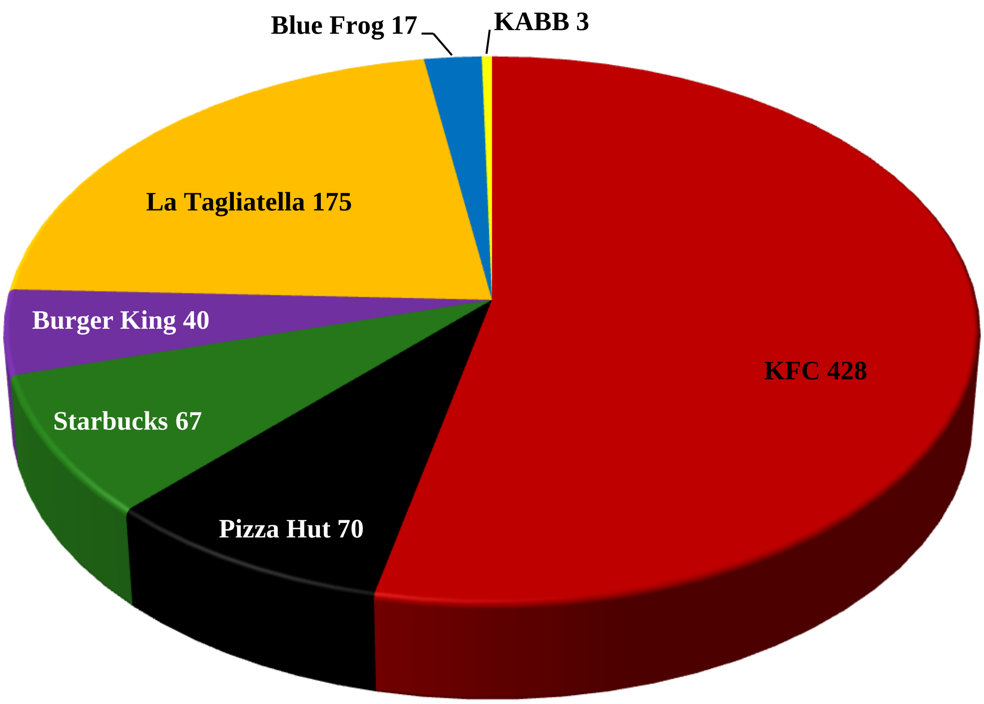
* In connection with the sale of Applebee's assets to Apple American Group II, LLC, the data does not account for the EBITDA generated by Applebee's restaurants

DIAGRAM 3: NUMBER OF AMREST RESTAURANTS IN 2012-2014, BALANCE AS AT 31 DECEMBER 2014



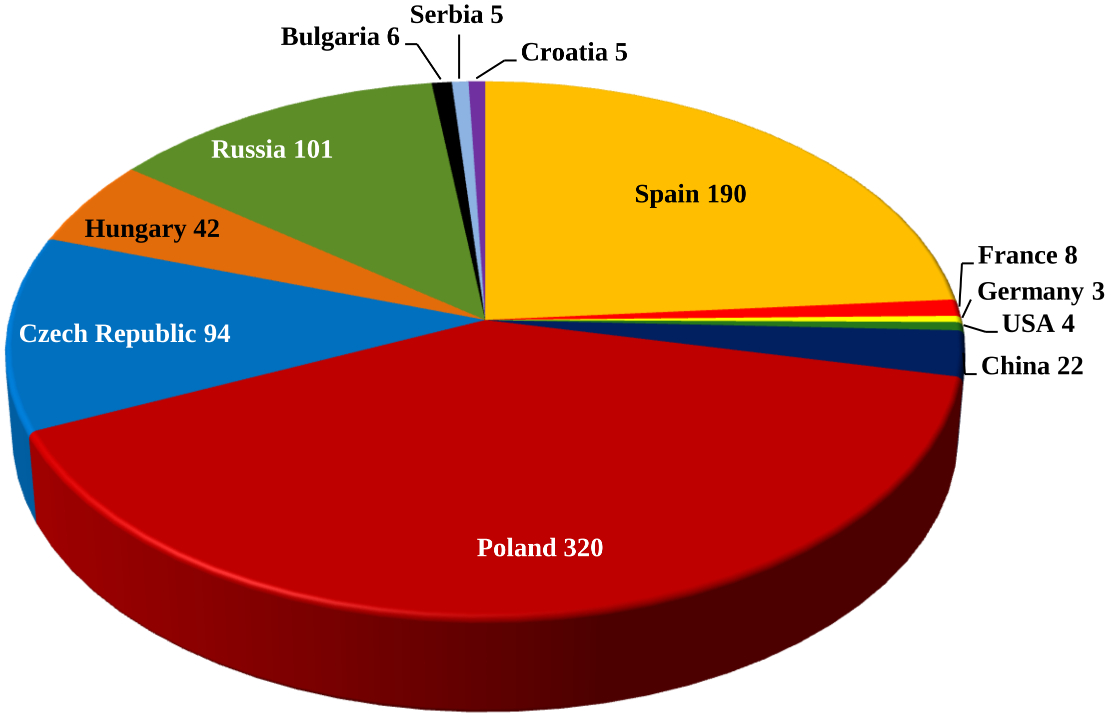
* Including restaurants operated by franchisees of La Tagliatella brand.
The data do not include 103 Applebee's restaurants sold to Apple American Group II, LLC

DIAGRAM 4: NUMBER OF AMREST RESTAURANTS BY BRAND, BALANCE AS AT 31 DECEMBER 2014



* Including restaurants operated by franchisees of La Tagliatella brand

DIAGRAM 5: NUMBER OF AMREST RESTAURANTS BY COUNTRY, BALANCE AS AT 31 DECEMBER 2014



* Including restaurants operated by franchisees of La Tagliatella brand

2. Description of the Company

2.1. Basic services provided by the Group

As at the date of publication of the report, AmRest Holdings SE (“AmRest”) manages 7 restaurant brands in 12 countries of Europe, Asia and North America. Every day 23 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our “Wszystko Jest Możliwe!” (“Everything is possible!”) culture.

AmRest manages its restaurants in two restaurant sectors:

- Quick Service Restaurants — KFC, Burger King, Starbucks
- Casual Dining Restaurants — La Tagliatella, Pizza Hut, Blue Frog, KABB and Stubb’s.

AmRest restaurants provide on-site catering services, take away services, drive-in services at special sales points (“Drive Thru”), and deliveries for orders placed online or by telephone. AmRest restaurant menus include brand dishes prepared from fresh products in accordance with original recipes and with KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog and KABB chain standards.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest Sp. z o.o. and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants in Poland, Czech Republic and Hungary. The La Tagliatella brand is AmRest own brand, which became a part of the portfolio in May 2011. La Tagliatella restaurants are operated both by AmRest and by entities who operate restaurants on a franchise basis leased from the Company. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase agreement of a majority stake in Blue Horizon Hospitality Group LTD.

2.2. Restaurants in the Quick Service Restaurants (QSR) segment

Established in 1952, KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are almost 19 400 KFC restaurants in 115 countries in the world.

In 2014 KFC restaurants operated by AmRest in Central and Eastern Europe observed increase in sales and profits compared to the previous year. Organizational changes related to Balkan markets integration (Bulgaria, Serbia, Croatia) contributed to a significant improvement of profitability also on these smaller markets. Increase in sales in KFC was partially supported by a strategy of strong positioning in „value” segment but also introduction of new and innovative products. Additionally, improvement of economic situation in the region was observed – especially in Czech republic and Hungary.

In 2014 AmRest opened 21 KFC restaurants (14 of which in Poland), including 10 Drive Thrus (some of which are located on highways). Customers showed a great interest also in seasonal stores (e.g. Gdynia Summer Village) and mobile KFC units present in high-traffic locations, like concerts and festivals. During the year part of the existing portfolio was refurbished, which remarkably improved their perception and functionality. AmRest Group also introduced a new image model of restaurants, strongly expressing the essence of the brand i.e. exceptional taste, authenticity and high quality of the meals served as well as locally supplied ingredients. The “open kitchen” model perfectly demonstrates the values mentioned above and became indispensable element of new restaurants.

In the second half of the year KFC Poland expanded into category of home delivery service by adding delivery channel to a number of existing restaurants. Currently over 40 KFC units offer home delivery in most of big cities in Poland, allowing customers to enjoy freshly made chicken meals without leaving home. Given the growing popularity of mobile- and web-ordering it is planned to increase the number of KFC restaurants offering home delivery services.

As a part of constant focus on efficiency improvement and driving the value for the customers, KFC continues implementing Lean Management practices. Current results translates not only into a significantly better margins but – more importantly – elevated satisfaction of the customers. Supported by one of the world's leaders in service quality, KFC introduced an innovative training program aimed to ensure the excellent impression provided to the customers, which will be implemented gradually in 2015.

In 2014 KFC repeated previous years' success and was chosen to the group of the best employers in the retail sector in Central Europe, inter alia for continuing the initiative „able-bodied in AmRest", supporting employment of the disabled. Additionally, the brand is active in the Corporate Social Responsibility Foundation initiatives, supporting children in north-west Poland.

At the date of publication of this report, the Company operated 432 KFC restaurants - 191 in Poland, 68 in the Czech Republic, 96 in Russia, 32 in Spain, 30 in Hungary, 5 in Serbia, 5 in Bulgaria and 5 in Croatia.

The beginnings of the Burger King brand date back to 1954. Burger King ("Home of the Whopper") operates over 14 000 restaurants serving ca. 11 million customers daily in more than 80 countries worldwide. 90% of Burger King restaurants are managed by independent franchisees, many of which are family businesses that have been operating for decades.

In 2014 Burger King recorded increase in revenues comparing to the previous year. Significant improvement of the brand profitability, in particular positive EBITDA margin was definitely a huge success of the brand. In the past year AmRest opened five new Burger King restaurants. Four of them were opened within just four weeks (two on the A4 highway near the German border and two in Wroclaw).

In accordance with the long term strategy of "Better Burgers" Burger King developed its menu in two main segments: „value" and „premium". In mid-2014 restaurants launched a wide selection of burgers under the "King Deals" offer at attractive price of PLN 4.95, thus extending the variety of "value" category. Responding to the needs of price-sensitive customers the brand offered burgers based on beef and chicken meat. The "premium" segment was represented by the limited offers. Among specialties customers could find premium burgers with double portion of meat, cheese or bacon.

In 2014 Burger King customers enjoyed a very interesting concept of "Crazy Days" - a cyclical marketing actions, usually during the last weekend of each month, inspired by the ideas submitted by brand fans. Popularity of "Crazy Days" resulted in increased traffic in restaurants and growing number of transactions.

In 2015 the brand will continue the "Better Burger" strategy along with the "Taste rules" campaign. The main priority will be to increase sales and continue building the brand awareness by the means of TV campaigns and advertisement on the Internet.. Additionally, Burger King will focus on the quality of customer service and hospitality to ensure exceptional experience for customers during their visit in restaurant.

At the date of publication of this report, AmRest operated 40 Burger King restaurants - 32 in Poland, 7 in the Czech Republic and 1 in Bulgaria.

Starbucks is the world leader in the coffee sector with more than 20 000 stores in over 60 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh snacks and desserts. The store designs and their atmosphere refer to the coffee heritage and reflect the culture of the neighbourhood. In 2014 AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Sp. z o.o.) operated Starbucks stores in Poland, Czech Republic and Hungary.

Brand growth strategy assumes increasing the market share in a disciplined manner, by improving sales in existing restaurants and new stores opening.

Overall result for 2014 was very promising. Czech Republic and Hungarian sales exceeded internal assumptions while Poland market remained flat to positive due to relatively high level of competitiveness of the market.

The Starbucks loyalty card has had a good year with over 8% of transactions being paid this way. The expectations for 2015 are to increase this to 10%.

2014 was also marked by the opening of a new market – Brno in Czech Republic. In December AmRest Group opened 19th coffee store in Czech Republic, with sales well over expectations. This showed how the brand had incorporated into the culture and had become one of the desired brands in the market. Brno will see further expansion, as it is a strategy for the brand to open 2-3 stores within a short period of time, to assure good brand presence in a new market.

Expansion strategy for the brand takes into account several stores in all 3 countries (at present the brand has 68 stores). This number will be rapidly increase as the scale starts to lick up and the leverage is visible in sales. Great results from Hungary and Czech Republic put a lot of weight of expansion in those two markets, while in Poland possibilities are continuously evaluated, tackling the strong presence of our competitors.

The brand has increased strongly its appeal. According to Brand Observer study, Starbucks is the preferred brand today in the Czech and Hungarian markets. In Poland it is slightly behind its main competitor but it is expected to gain the leading position within 2 years.

The strategy of the brand is heavily based on building an unique experience in the store. The human connection, the passion for the job and for coffee is what differentiates the brand, people and experience in the store from the competition. The core strength lies in pursuing the commitment to the highest quality coffee transformed into the highest quality beverage delivered to every single customer served in Starbucks stores.

At the date of publication of this report AmRest Coffee companies operated 67 Starbucks cafes (38 in Poland, 19 in the Czech Republic and 10 in Hungary).

2.3. Restaurants in the Casual Dining Restaurants (CDR) segment

La Tagliatella opened its first restaurant in 2003 in a small Spanish village named Reus. Since that moment it has grown into a well-recognized, steady and healthy growing brand, being now a respected leader of the Italian restaurant segment in Spain.

The Spanish economy grew in 2014 with GDP increasing by 1.5%. This has contributed to comparable sales growth in La Tagliatella of +3%, outperforming by far the Casual Dining segment, that after 3 years of decreases for the first time has shown a modest but still relevant increase of +0.7%.

In 2014 La Tagliatella opened 15 new restaurants, 8 of which were franchisees. These positive trends in sales and development were reflected in the financial results that exceeded both last year and internal plan.

Macroeconomic projection for year 2015 continues to be good with GDP growth estimated at 2.5% and decreasing unemployment rate, which is expected to positively impact consumer trends.

La Tagliatella continued with its innovative approach in product development. In 2014 the focus was on the introduction of dishes out of the traditional platforms of pasta and pizza, with emphasis on strengthening antipasti and salads categories. The addition of “Ciabattas a la Palla” was well received by consumers.

On special note in 2014 was the opening of the first free standing restaurant with unique and impactful design that combines the Tuscany tradition in colors and materials with more futuristic approach represented by a crystal cube. The restaurant quickly become point of reference for the city and was built to strongly position the brand. This was deemed a success as the restaurant almost immediately become a top five La Tagliatella in terms of sales. This success opened a new territory for development in the coming years with the ability to position the brand in a unique category.

France continued its franchise development with the signing of two new franchise sites in Perpignan and in Bordeaux to be opened in 2015. These are large restaurants with high sales potential. Bordeaux in particular is a marquee location in a new downtown commercial center called Promenade Sainte Catherine and will feature a 300 m^2 terrace. In equity, the emphasis is on improvement of margins and securing premium locations.

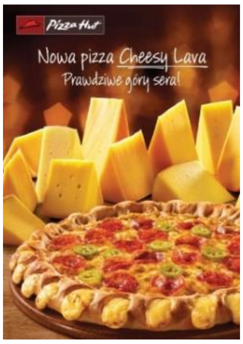
In Germany the operations team worked hard to reduce costs at all levels of the business and build strong sales volume, with a particular success in Cologne which saw 35% increase in revenues. These cost cutting efforts will continue to bear fruit in 2015.

As at the publication date, the portfolio of La Tagliatella consisted of 175 restaurants – 160 in Spain, 9 in France, 3 in Germany, 1 in the USA and 2 in China.

Pizza Hut is one of the biggest chains of casual dining restaurants. Inspired by Mediterranean food, it promotes the idea of sharing quality time with family and friends. It is also the leading casual dining brand in Poland. Strong positioning of Pizza Hut is the effect of consistently realized strategy ”Pizza and much more”, assuming development of the categories of starters, pasta, salads, desserts and beverages while maintaining the expert status in pizza category.

2014 was another year of great performance of Pizza Hut. The strategy of maintaining the leading position in casual dining segment was based on three pillars: product innovation, strong ”value” offer and ”light” menu.

Traditionally, the year began with Pizza Festival – a 5th edition of this extremely popular promo offer. During this long awaited period customers could enjoy the wide variety of pizza flavors served on 3 kinds of dough. All for PLN 24.90. The offer was promoted via TV and radio as well as Internet campaign “Pizza Festival is back!”. Huge interest in the offer painted another great chapter of the Festival, which ensured a strong start into 2014 year.



In March 2014, Pizza Hut menu was enriched with Pizza Cheesy Lava – a specialty with extra cheese in the rim pouring out like lava. Materials in restaurants and TV commercials emphasized the main attribute of this product – a big portion of cheese. This unique offer brought double-digit growth of sales in March and strengthened the perception of Pizza Hut as the expert on innovative pizza forms.

As every year in Pizza Hut, spring and summer was the time of introducing the “lighter” menu and refreshing beverages. In 2014 a new product Pizza Duo appeared in the menu – unique pizza on thin Italian Tuscany dough and the great salad on the top. New flavors of refreshing lemonades – melon and watermelon accompanied Pizza Duo.

In July a new Salad Bar was introduced, enriched with fresh fruits such as: strawberries, watermelon or currant. The offer was very appealing especially to women and increased the frequency of visits in Pizza Hut restaurants.

In September family and kids menu was introduced in Pizza Hut, with the intention of increasing frequency of families visits in the restaurants. Additionally, innovative children corners were built in more than 10 locations to ensure the youngest Pizza Hut guests can fully enjoy the time in Pizza Hut while waiting for their favorite menu items.

In order to further explore the opportunities of new technologies, in autumn Pizza Hut implemented web-ordering platform allowing also for home delivery services from chosen restaurants. The new amenities were well received by customers which was reflected in a significant increase in delivery and take-away transactions.



In November and December Chesse Bites Pizza surrounded with sticks filled with cheese and seasoned with 4 original sprinkles came back to Pizza Hut. This exceptional form of pizza was a customers’ # 1 choice during pre-Christmas time, supporting sales increase and resulting in a very strong finish of the year.

At the date of publication of this report AmRest operated 73 Pizza Hut restaurants - 62 in Poland, 9 in Russia and 2 in Hungary. In 2015 the brand will remain committed to its strategy of selective growth.

Acquisition of the Blue Horizon Hospitality Group in 2012 enriched AmRest's CDR segment brand portfolio with two new brands operating in the China market.

- Blue Frog Bar & Grill — restaurants serving classic American bar and grill cuisine along with Asian inspired favorites in a modern, inviting atmosphere.
- KABB Bistro Bar — premium segment restaurant, serving the favorites of "western cuisine" along with a wide selection of wine and drinks.

2014 was a year of the fastest expansion in the history of Blue Horizon – entering three new markets in Wuxi, Tianjin and Chengdu while strengthening the presence in Shanghai, Beijing and Nanjing. Blue Frog and KABB brands consistency and standards were maintained throughout the growth period with a dedicated focus on the values, team development and operational excellence. The pipeline for 2015 remains even stronger with a dozen additional sites under construction and secured locations in Shanghai, Dalian, Chengdu, Chongqing and Hangzhou.

Year 2014 saw continued strong momentum in the Blue Frog and KABB base business. Same store sales grew by double digits with volume increases continuing to be driven by guest counts. Both brands continued to see very solid distribution across day parts. Strongly anchored in multiple segments of the local community from families to young Chinese professionals, both brands enjoy successful brunch, lunch, afternoon tea, dinner and late night business making the restaurants busy across the whole day. Similarly, as in the previous years, both brands continued to attract customers through themed campaigns: 2014 saw strong responses to events such as the Football World Cup, Halloween, Singles Day and Thanksgiving holidays.

A new Blue Frog menu was launched at the beginning of April adding seasonal favorites from 2013 to the regular menu as well as a new selection of signature burgers while retiring slower moving items. A higher priced Blue Frog appetizer platter designed for groups to share was also introduced. Customer response to these changes was overwhelmingly positive with strong sales of the new items.

The launch of the new menu was accompanied by a cross-channel campaign where customers voted for their favorite new burger. In addition to significant engagement in social media, burger sales increased by 15%. The second half of the year marked the launch of new lunch sets and a very successful seasonal menu across all restaurants. Again, the loyal customer base responded very positively resulting in significant increase in sales mix of these categories.

2014 also saw the expansion of the KABB brand beyond its flagship location in Xintiandi with the opening of two additional restaurants in premium sites in Shanghai. Both restaurants have steadily built on the existing KABB customer base and achieved 4-wall EBITDA break-even within the first six months of operation. Those successful openings further supported the expansion of the brand beyond Shanghai with the next KABB restaurant scheduled to open in Chengdu in the third quarter of 2015.

The team continues to leverage relationships with key developers to build a strong pipeline through 2016. With well-known and proven brands and strong existing relationships with leading mall operators, the Blue Horizon team continues to secure premium, sought-after sites in the first and second tier cities as well as high-street sites in mature trade zones.

The Blue Horizon team continues to build on infrastructure to support robust growth without compromising brand quality. In 2014 both brands implemented a number of tools aimed at improving efficiency and optimizing the business. Some of those included: Local Store Marketing program, new recruitment and selection process, revitalized training system for general staff and managers, inventory and product efficiency tracking tools, labor productivity tracking and scheduling practices. All those programs aim to align the business with one of its Core Values – Operational Excellence – and sustain the consistency and quality alongside with the expansion.

As at the publication date, AmRest owned 18 Blue Frog and 3 KABB restaurants in China.

3. Structure of revenues

In 2014 AmRest Group's revenues increased by PLN 251 753 thousand. The dynamic growth (9.3%) resulted mainly from:

- continued pace of new openings in Central and Eastern Europe (33 restaurants) along with growing sales in comparable restaurants (LFL) – revenues of this division increased by 7.3% compared to 2013;
- dynamic development of brands Blue Frog and KABB (7 openings in 2014) and double-digit LFL growth, which contributed to 44.1% increase in sales in New Markets;
- positive LFL trends in both brands in Spain (La Tagliatella and KFC) and 17 new restaurants added to portfolio in 2014 – revenues of Spanish division increased by 9.2% vs. 2013;
- maintained strong LFL trends in Russia (in local currency) together with a record number of new openings (25 new restaurants) in 2014 – sales revenue in Russian division grew by 5.8% compared to 2013.

TABLE 1. AMREST GROUP'S SALES BY DIVISION

Divisions	2014		2013	
	PLN '000	Share %	PLN '000	Share %
Central and Eastern Europe (CEE)	1 727 723	58.5%	1 609 939	59.6%
Russia	410 858	13.9%	388 205	14.4%
Spain	621 559	21.1%	569 147	21.1%
New Markets	192 511	6.5%	133 607	4.9%
Total	**2 952 651**	**100.0%**	**2 700 898**	**100.0%**

The seasonality of sales and inventories of the AmRest Group is not significant which is typical for the whole restaurant industry. In the CEE region restaurants achieve lower sales in the first half of the year, which is the result of a lower number of days of sales in February as well as relatively less frequent visits of customers in restaurants.

4. Supply chain

In terms of the harvest the year 2014 was very favorable, which enabled the stabilization of prices in the grain market. Beef prices remained at relatively low level due to the previously introduced prohibition of ritual slaughter. Whereas low pork prices were a result of, among others, detecting the cases of African swine fever. Additionally, the market of beef and pork was strongly influenced by the Russian embargo. All of these factors have resulted in a reduction of meat export, excess of this product in the market and thus lower prices.

A similar situation could be observed in the milk market, where increased production in the world, with a limited demand and an embargo imposed by Russia on imports of dairy products from the EU, Norway, USA, Canada and Australia have contributed to a significant drop in prices continued throughout the second half of 2014.

The prices of oilseeds crops were also favorable in past year thanks to abundant harvest. Trends in the chicken market were more unstable. After a period of low prices in the beginning of the year, in May we witnessed rising trend, which reached a peak during the summer, and fortunately turned into declining trend in the second half of 2014.

Thanks to favorable market conditions, trusted business relationships with suppliers and effectively conducted negotiations resulted in concluding the long-term contracts for selected key products, AmRest secured the stable cost of food and packaging.

In 2014, following the distribution strategy in Central Europe, the main distributor in Poland has been changed for Quick Service Logistics Polska Sp. z o.o. Sp. K. It is also worth of mentioning that the work on the creation of the Innovation Center have been completed at the end of last year. The Center is becoming an important element of stimulation of new products development.

The most important assumptions of AmRest purchase strategy for 2015:

- Supporting of new products development within the Innovation Center, based on the latest market trends,
- Cooperation with experts and industry leaders,
- Close cooperation with key suppliers on implementation of technology innovations,
- Broadening the base of suppliers using new, innovative technologies,
- Continued consolidation of purchase activities among the markets.

The list of the largest suppliers of AmRest in 2014:

- Eurocash S.A. — distributor in Poland,
- Quick Service Logistics Czech s.r.o. — distributor in the Czech Republic,
- Quick Service Logistics Polska Sp. z o.o. Sp. K. — distributor in Poland,
- Conway S.A. – distributor in Spain,
- Roldrob S.A. – supplier of chicken products in Poland,
- Drobimex Sp. z o.o. – supplier of chicken products in Poland,
- LDS Disztribútor Szolgáltató Kft. – distributor in Hungary,
- OOO RBD Distribution – distributor in Russia,
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. – supplier of chicken products in Poland,
- Vodnanská drůbež, a.s.– supplier of chicken products in the Czech Republic;
- PPHU Konspol- Bis Sp. z o.o. – supplier of chicken products in Poland.

5. Employment in AmRest

The table below shows employment in the Group in the years 2012–2014.

*TABLE 2. NUMBER OF EMPLOYEES IN AMREST (BALANCE AS AT 31 DECEMBER 2014, 2013, 2012)**

Year	**2014**	**2013**	**2012****
Employment in restaurants	22 198	18 759	15 645
Employment in administration	841	771	634
Total	**23 039**	**19 530**	**16 279**

* The data includes employees employed on short-term service contracts

** The data includes employees related to the operations of the Applebee's restaurant.

6. Changes in the manner of management

6.1. Changes in the Parent Company's Management Board

On November 21st, 2014 the Management Board of AmRest informed that on November 20th, 2014 the Supervisory Board of AmRest adopted a resolutions on appointing Mr. Jacek Trybuchowski to hold the position of AmRest's Management Board Member. The resolution become effective upon its adoption. Mr. Trybuchowski had previously acted as the member of the Company's Management Board since 2008 till 2010.

Mr. Jacek Trybuchowski graduated from University of Szczecin, with master degree in Management and Marketing. Additionally, he studied at West Pomeranian Business School in Szczecin, achieving Bachelor's degree in International Trade.

He started his career at AmRest in 1993, as a student. During past 21 years Mr. Trybuchowski held numerous positions at the Company, ranging from Assistant Manager and General Manager of Pizza Hut, Area Coach of Pizza Hut and KFC, through Supply Director, Align Manager, P&A Manger, Pizza Hut Brand President to Country Manager for Hungary, New Markets Director, Mergers & Acquisition Director and - currently - Russia Division President. He has been involved in Russian market since 2004.

Mr. Trybuchowski actively acts as a Board Member of AmRest Sp. z o.o. and as a Member of the Board of Directors of Blue Horizon Group (AmRest China).

Between 2003 and 2005 he worked for Yum!, primarily in Europe and then became Operational Director of Rostik/KFC in Russia.

On March 13th, 2015 AmRest informed, that due to the expiry in this calendar year of Mr. Wojciech Mroczyński three-year term as AmRest's Management Board Member, the Supervisory Board of AmRest adopted on March 12th, 2015 a resolution on reappointing Mr. Mroczyński to hold the position of the Company's Management Board Member. The resolution became effective upon its adoption.

Mr. Wojciech Mroczyński has a degree in Economics. He graduated from the University of Gdansk, holding a degree in Foreign Trade. Mr. Mroczyński holds an International MBA, granted by Central Connecticut State University. He is also a graduate of Harvard Business School in Boston.

Mr. Mroczyński has an extensive business experience. In 1998-2005 he held management positions at Mondi Packaging Paper Worldwide SA, a company listed on the WSE. In 2003-2005 he was Chief Financial Officer at Mondi.

Mr. Mroczyński has been working for AmRest since 2005. In 2005-2011 he held the position of Chief Financial Officer, Chief Operating Officer and Chief People Officer of AmRest. In 2012 Mr. Mroczyński has taken the position of Chief Strategy Officer.

6.2. Changes in the Parent Company's Supervisory Board

On June 4th, 2014 the Ordinary General Shareholders' Meeting of AmRest, acting on the basis of art. 385 § 1 of the Commercial Companies Code, in connection with art. 9 and art. 53 of the Regulation of the Council (EC) no. 2157/2001 dated October 8th, 2001 on the status of a European Company, §9. 3 of the Company's Memorandum of Association and Resolution of the Company's Ordinary General Shareholders' Meeting No. 12 dated June 30th, 2010 on determining the number of Members of the Supervisory Board, appointed Mr. Henry McGovern for re-term as a Member of the Company's Supervisory Board (Resolution No. 11). The resolution become effective on the date of its adoption.

On June 9th, 2014 the Management Board of AmRest informed that during the Supervisory Board meeting held on July 8th, 2014, the Supervisory Board resolved to reappoint Mr. Henry McGovern as the Chairman of the Supervisory Board. The resolution came into force on the date of its adoption.

On June 9th, 2014 the Management Board of AmRest informed that on the same day it was notified on the resignation of Mr Robert Feuer from the position of Member of AmRest Supervisory Board as of June 4th, 2014.

In reference to the Resolution No. 12 of AmRest Annual General Meeting of June 4th, 2014 on appointment of the Supervisory Board member and received information about the resignation of Mr. Robert Feuer from the Supervisory Board of AmRest, on June 9th, 2014 the Management Board of the Company announced the appointment of Mr. Amr Kronfol as a member of the Supervisory Board of AmRest, effective June 4th, 2014.

Information on the appointed members of the Supervisory Board:

Henry McGovern

Mr. Henry McGovern is a 49 years old citizen of the United States. He holds the role of Chairman of AmRest Holdings SE Supervisory Board since 2008. He is the co-founder of AmRest and its former CEO. Since 1995 McGovern has served as President, initially of American Retail System (ARS) and from 1999 of AmRest. In the years 1993 - 1995, he was a member of the Supervisory Board of ARS. In the previous years, McGovern was CEO of Metropolian Properties International (MPI)- real estate company specializing in commercial property. He currently serves as Vice President of MPI and the President of International Restaurant Investment (IRI).

McGovern studied Biology and Philosophy at Georgetown University and attended the London School of Economics. He is an active member of Young Presidents' Organization.

Amr Kronfol

Amr Kronfol joined Warburg Pincus in 2009 with a focus on consumer and technology businesses in Eastern Europe, Russia and Turkey. Most recently, Mr. Kronfol has been working in the technology, media and telecommunications sectors in the United States.

Mr. Kronfol is involved in helping to manage Warburg Pincus' investments in AmRest, MultiView, GT Nexus, and Liaison International. Prior to joining Warburg Pincus, Mr. Kronfol worked at Merrill Lynch in the Fixed Income Division where he structured and traded agency mortgage-backed securities.

Mr. Kronfol received a B.A. magna cum laude from Princeton University in Computer Science and an M.B.A. from the Wharton School where he was a Palmer Scholar. Mr. Kronfol has been a CFA® charter holder since 2006.

6.3. Composition of the Management and the Supervisory Boards

Management Board

In 2014, the Management Board of AmRest comprised:

- Wojciech Mroczyński
- Mark Chandler
- Drew O'Malley
- Jacek Trybuchowski (starting from November 20th, 2014)

Supervisory Board

In 2014, the Supervisory Board of AmRest comprised:

- Henry McGovern – Chairman
- Per Steen Breimyr
- Raimondo Eggink
- Peter A. Bassi
- Bradley D. Blum
- Joseph P. Landy
- Robert Feuer (until June 9th, 2014)
- Amr Kronfol (starting from June 9th, 2014)

As at the date of publication of this report, the above lists reflect the current composition of the Company's Supervisory Board and Management Board.

6.4. Functional description of the management and supervisory bodies

The Management Board shall manage the Company's affairs and represent it. Each member of the Management Board shall be authorized to represent the Company on his/her own.

The Supervisory Board oversees the affairs of the Company conducted by the Management Board.

The obligations of the Supervisory Board shall comprise inter alia:

- assessment of the report of the Management Board on the Company's operation (Directors' Report) and the financial statements for a given financial year as to their compliance with the books of account and documents as well as the facts;
- assessment of the motions of the Management Board concerning distribution of profit or coverage of losses;
- submitting to the General Shareholders' Meeting of an annual written report on the results of the assessments listed above;
- choosing of a statutory auditor in order to audit the financial statements;
- approval of the annual and long term business plans of the Company.

There are the following Supervisory Board committees in the Company: the Audit Committee and the Remuneration Committee.

7. Financial and asset position of the Group

7.1. Assessment of the Company's results and the structure of its balance sheet

TABLE 3. BASIC FINANCIAL DATA OF AMREST (2014–2013)

in PLN'000, unless stated otherwise	**2014**	**2013**
Sales revenue	2 952 651	2 700 898
Operating profit before depreciation and amortization (EBITDA)	356 374	274 771
Operating margin before depreciation and amortization (EBITDA margin)	*12.1%*	*10.2%*
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)*	381 981	301 429
*Adjusted operating margin before depreciation and amortization (adjusted EBITDA margin)**	*12.9%*	*11.2%*
Operating profit (EBIT)	109 895	17 417
Operating margin (EBIT margin)	*3.7%*	*0.6%*
Net profit (attributable to AmRest shareholders)	51 667	9 945
Net margin	*1.7%*	*0.4%*
Net profit (attributable to AmRest shareholders)**	51 667	-53 537
*Net margin***	*1.7%*	*-2.0%*
Equity	975 642	1 044 524
Return on equity (ROE)	*5.3%*	*1.0%*
*Return on equity (ROE)***	*5.3%*	*-5.1%*
Total assets	2 621 843	2 631 449
Return on assets (ROA)	*2.0%*	*0.4%*
*Return on assets (ROA)***	*2.0%*	*-2.0%*

* Amounts net of costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction) and corrections in indirect taxes.
** Amounts net of PLN 63 482k income from put option settlement in H1 2013.

Definitions:

Operating margin after amortization and depreciation – operating profit before amortization and depreciation (EBITDA) to sales;

Operating margin – operating profit to sales;

Gross margin – profit before tax to sales;

Net profitability – net profit to sales;

Return on equity (ROE) – net profit to average equity;

Return on assets (ROA) – net profit to average assets.

TABLE 4. LIQUIDITY ANALYSIS (IN THE YEARS 2014-2013)

in PLN'000, unless stated otherwise	**2014**	**2013**
Current assets	401 073	415 824
Inventory	51 638	47 197
Short-term liabilities	353 195	500 503
Quick ratio	*0.99*	*0.74*
Current ratio	*1.14*	*0.83*
Cash and cash equivalents	257 171	259 510
Cash ratio	*0.73*	*0.52*
Inventory turnover (in days)	*5.74*	*6.09*
Trade and other receivables	66 345	83 115
Trade receivables turnover (in days)	*8.47*	*9.78*
Operating ratio (cycle) (in days)	*14.21*	*15.88*
Trade and other short-term payables	344 873	335 979
Trade payables turnover (in days)	*36.33*	*42.76*
Cash conversion ratio (in days)	*-22.12*	*-26.89*

Definitions:

Quick ratio – current assets net of inventories to current liabilities;

Current ratio – current assets to current liabilities;

Cash ratio – cash and cash equivalents to current liabilities at the end of the period;

Inventories turnover ratio (in days) – average inventories to sales multiplied by the number of days in the period;

Trade and other receivables turnover ratio (in days) – average trade receivables to sales multiplied by the number of days in the period;

Operating ratio (cycle) (in days) – total of inventories turnover and receivables turnover;

Trade and other payables turnover ratio (in days) – ratio of average trade payables to sales multiplied by the number of days in the period;

Cash conversion ratio – difference between the operating ratio (cycle) and the trade payables turnover ratio.

TABLE 5. DEBT ANALYSIS (IN THE YEARS 2014–2013)

in PLN'000, unless stated otherwise	**2014**	**2013**
Non-current assets	2 220 770	2 215 625
Liabilities	1 646 201	1 586 925
Long-term liabilities	1 293 006	1 086 422
Debt	1 116 384	1 075 697
Share of inventories in current assets (%)	*12.9%*	*11.4%*
Share of trade receivables in current assets (%)	*16.5%*	*20.0%*
Share of cash and cash equivalents in current assets (%)	*64.1%*	*62.4%*
Equity to non-current assets ratio	0.44	0.47
Gearing ratio	0.63	0.60
Long-term liabilities to equity ratio	1.33	1.04
Liabilities to equity ratio	1.69	1.52
Debt/equity	1.14	1.03

Definitions:

Share of inventories, trade receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets;

Equity to non-current assets ratio – equity to non-current assets;

Gearing – liabilities and provisions as at the end of a given period to the balance sheet total;

Long-term liabilities to equity – long-term liabilities as at the end of a given period to the value of equity;

Liabilities to equity – liabilities and provisions as at the end of a given period to the value of equity;

Debt – total long-term and short-term loans and borrowings.

Consolidated sales of AmRest Group increased by 9.3% in 2014 compared with the prior year (from PLN 2 700 898 thousand to PLN 2 952 651 thousand).

Dynamic growth resulted largely from increased scale of business driven by new openings as well as positive LFL trends in each of four divisions of AmRest Group.

The increase in revenues of CEE division was mainly the effect of added sales of the restaurants opened in years 2013-2014 supported by stable LFL growth in all major brands and markets in the region. In 2014 the total revenues in CEE increased by PLN 117 784 thousand (+7.3%).

Dynamic expansion of Blue Frog brand together with double-digit LFL trends contributed to 44.1% growth of total sales in New Markets in 2014 (PLN +58 904 thousand vs LY). The share of New Markets division in total sales of the Group increased to 6,5% in 2014.

Positive sales trends continued also in Spanish division, where sales in comparable restaurants of both La Tagliatella and KFC brands increased over 2014 year. In addition, growing portfolio of restaurants supported 9.2% increase in total revenues for the year (revenues were by PLN + 52 412 thousand higher compared to 2013).

TABLE 6. BASIC FINANCIAL DATA OF AMREST BY DIVISION (2014–2013)

	2014			2013		
		% share in sales	*Margin*		*% share in sales*	*Margin*
Sales	**2 952 651**			**2 700 898**		
Poland	*1 193 706*	*40.4%*		*1 106 752*	*41.0%*	
Czech Republic	*358 919*	*12.2%*		*350 393*	*13.0%*	
Other CEE	*175 098*	*5.9%*		*152 794*	*5.7%*	
Total CEE	1 727 723	58.5%		1 609 939	59.6%	
Russia	410 858	13.9%		388 205	14.4%	
Spain	621 559	21.1%		569 147	21.1%	
New Markets	192 511	6.5%		133 607	4.9%	
EBITDA	**356 374**		12.1%	**274 771**		10.2%
Poland	*164 409*		*13.8%*	*126 158*		*11.4%*
Czech Republic	*52 032*		*14.5%*	*44 545*		*12.7%*
Other CEE	*15 267*		*8.7%*	*5 303*		*3.5%*
Total CEE	231 708		13.4%	176 006		10.9%
Russia	43 217		10.5%	47 815		12.3%
Spain	130 871		21.1%	115 170		20.2%
New Markets	-32 505		-	-56 760		-
USA	-		-	-		-
Not allocated	-16 917		-	-7 460		-
Adjusted EBITDA [*]	**381 981**		12.9%	**301 429**		11.2%
Poland	*171 676*		*14.4%*	*131 847*		*11.9%*
Czech Republic	*54 041*		*15.1%*	*48 216*		*13.8%*
Other CEE	*16 106*		*9.2%*	*7 220*		*4.7%*
Total CEE	241 823		14.0%	187 283		11.6%
Russia	51 154		12.5%	48 009		12.4%
Spain	134 951		21.7%	117 310		20.6%
New Markets	-29 029		-	-44 719		-
USA	-		-	-		-
Not allocated	-16 917		-	-6 454		-
EBIT	**109 895**		3.7%	**17 417**		0.6%
Poland	*74 087*		*6.2%*	*45 892*		*4.1%*
Czech Republic	*24 916*		*6.9%*	*17 629*		*5.0%*
Other CEE	*-2 555*		-	*-6 652*		-
Total CEE	96 448		5.6%	56 869		3.5%
Russia	14 946		3.6%	23 693		6.1%
Spain	86 836		14.0%	72 959		12.8%
New Markets	-71 323		-	-128 644		-
USA	-		-	-		-
Not allocated	-17 012		-	-7 460		-

[*] EBITDA adjusted by costs of new openings (Start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction) and corrections in indirect taxes.

Revenues in Russian division grew by 5.8% in 2014 (PLN + 22 653 thousand vs LY) as a result of strong positive LFL trends (in local currency) and a record number of new openings in Russia. Favorable developments in demand for KFC offer in 2014 were partially offset by the weakening ruble. In local currency revenues in Russian division increased by 26.9% compared to 2013.

AmRest Group's sales in Q4 2014 amounted to PLN 799 592 thousand and were 9.5% higher than LY. The most dynamic growth was observed in New Markets (52.2% increase vs Q4 2013). Revenues in Spain, supported by new openings and growing LFL trends were by 13% above Q4 2013 while CEE division sales grew by 7% in Q4 2014. In Russia revenues for Q4 2014 stayed at LY levels as a result of weak ruble. In local currency sales revenue grew by 31.7% compared to Q4 2013.

The operating profit (EBIT) of AmRest Group for 2014 amounted to PLN 109 895 thousand and was PLN 92 478 thousand higher than LY. Therefore, EBIT margin increased by 3.1pp to 3.7% for the period. Improvement in profitability resulted partially from favorable trends in food prices as well as increased efficiency in supply chain management (cost of sales dropped by 0.3pp). Additionally growing scale of the business along with saving initiatives around general and administrative costs (G&A) increased EBIT margin by 1.3pp. The reduction in costs of assets impairment in the amount of PLN 27 112 thousand in 2014 also positively contributed to EBIT profit. Another important factors of profitability improvement were savings in start-up costs (PLN 9 471 thousand lower vs 2013) and realization of cost reduction initiatives in New Markets.

EBITDA profit of the Group increased by 29.7% compared to 2013, amounting to PLN 356 374 thousand for 2014. EBITDA margin grew by 1.9pp and reached 12.1% for the period. Significant improvement of profits resulted from sustained positive sales trends and consistent margin improvement throughout the year. Q4 2014 was the second consecutive quarter of Group's EBITDA exceeding PLN 100m – PLN 100 865 thousand reached in Q4 2014 was the highest quarterly result in the history of AmRest[2] and translated into EBITDA margin of 12.6% for the quarter. EBITDA adjusted by one-off costs of new openings, costs of mergers and acquisitions and indirect taxes corrections (adjusted EBITDA) amounted to PLN 381 981 thousand in 2014, which was a PLN 80 552 thousand increase over LY. Adjusted EBITDA margin grew by 1.9pp and reached 12.9% in 2014.

Constant focus on development of proven brands resulted in margin improvements in each division of the Group. EBITDA profit realized in CEE amounted to PLN 231 708 thousand and was 31.6% higher than year ago (EBITDA margin up by 2.5pp). Favorable trends in the market of key food supplies supported by optimizing initiatives in distribution chain contributed to reduction of cost of sales. Margin improvement was also supported by further reduction in G&A cost and pre-opening costs of new units (start-up). It is important to note that increase in EBITDA margin was observed in each of four brands operating in CEE. Mature brands i.e. KFC and Pizza Hut reached its historically highest profitability, while Burger King turned profitable in Q2 2014 and maintained positive and growing EBITDA margin throughout the year.

Strong LFL trends continued in Spain and together with outstanding performance of new openings supported further improvement of margins. EBITDA recorded in Spanish division grew by PLN 15 701 thousand over the year to reach PLN 130 872 thousand in 2014 (EBITDA margin strengthened to 21.1% and stayed the highest in AmRest Group). Positive trends in Spanish economy along with growing consumer sentiment create favorable environment for the development of both brands.

The results of Russian division in 2014 were influenced by geopolitical instability in the region as weakening ruble impacted both revenues and profits denominated in Polish zloty. However strong LFL trends (in local currency) together with dynamic development of new restaurants increased the benefits of scale, while number of saving initiatives around cost of sales, cost of labor and maintenance expenses offset the negative impact of external economic factors on margins. EBITDA profit in Russian division amounted to PLN 43 217 thousand in 2014 (PLN 4 598 thousand less than LY). Deterioration of profit was a result of higher start-up cost driven by a record number of new openings in Russia in 2014. Adjusted EBITDA increased in 2014 by PLN 3 145 thousand to PLN 51 154, which resulted in 0.1pp growth of adjusted EBITDA margin to 12.5% in 2014.

In New Market AmRest's focused on dynamic development of Blue Frog chain in China and reduction of losses incurred by La Tagliatella. Strong double-digit LFL trends in Blue Frog and KABB restaurants supported by exceeding expectations performance of newly opened units led to significant increase in margins of Blue

[2] Excluding EBITDA in Q4 2012, which was positively impacted by one-off gains from the sale of Applebee's business in USA

Horizon Group and close to 70% growth of EBITDA profit in 2014. In the meantime results of La Tagliatella brand improved significantly compared to 2013 as a result of cost saving efforts in both G&A and restaurants' expenses. As a result, 2014 EBITDA loss of La Tagliatella brand in New Markets was lower than previously communicated. Total EBITDA loss of New Markets division amounted to PLN 32 505 thousand and was 42.7% lower than year ago. In the opinion of AmRest's management, existing potential for further expansion of Blue Frog brand in China combined with stable development of profitable La Tagliatella chain in France will contribute to long-term improvement of New Markets division's profitability.

As a result of stable and predictable growth of revenues and margins in all division, net profit of AmRest Group amounted to PLN 46 070 thousand in 2014, compared to PLN 5 831 thousand year ago. In addition to above mentioned factors, net profit improvement was supported by reduction in financial costs by PLN 3 791 thousand result from debt refinancing at favorable terms.

As at the end of 2014 the liquidity ratios of AmRest Group improved compared to prior year (current ratio increased to 1.14 as at the end of 2014 compared to 0.83 last year) mainly due to decrease in short-term liabilities to PLN 353 195 thousand (29.4% decrease over the year). The surplus in cash and cash equivalents allows uninterrupted servicing of debt and financing most of the capital expenditures.

The long-term debt ratio of AmRest Group increased to 1.33 as at the end of 2014 compared with 1.04 as at the end of 2013. This was mainly due to issuing AmRest Group bonds amounting to PLN 140 000 thousand on 10th September 2014, for the purpose of refinancing bonds maturing in 2014.

Net debt calculated for contractual covenants as at the end of 2014 amounted to PLN 867 292 thousand. Net debt/EBITDA ratio amounted to 2,36.

7.2. Assessment of future ability to settle incurred liabilities

The Consolidated Financial Statements for the period of 12 months ending 31 December 2014 were prepared in accordance with going concern assumption by the Group in foreseeable future what assumes realization of assets and liabilities throughout the normal terms of Group business operations. The Annual Consolidated Financial Statements do not contain any adjustments that would be necessary in such circumstances. In the opinion of the Management Board, as at the date on which the Consolidated Financial Statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

7.3. Financial instruments in AmRest

AmRest uses the following financial instruments: loans, borrowings, bonds and forward transactions.

At 31 December 2014 the AmRest Group held the following credit lines available for use (in respect of foreign currency loans, their amounts are given in PLN, translated at the NBP rate prevailing on 31.12.2014):

- RBS Bank (Czech) SA – PLN 6 457 thousand (bank overdraft);
- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Rabobank Polska S.A./Bank BGŻ S.A. (Poland) – PLN 200 000 thousand (revolving loan in PLN, tranche D).
- Bank Pekao SA (Poland) – PLN 15 000 thousand (cash pool limit)
- Bank of China (China) – PLN 4 530 thousand (short term loan)

Detailed information on loans, borrowings and bonds as at 31 December 2014 are presented in Note 21 to the Consolidated Financial Statements and in Appendix No. 10 of the Supplement to the Directors' report.

Other financial instruments as at 31 December 2014, are described in Notes 19, 22 and 35 of the Consolidated Financial Statements.

7.4. Structure of key investments and capital expenditure projects

As at 31 December 2014, AmRest's capital expenditure projects amounted to PLN 403 thousand. They are related to SCM s.r.o. shares.

7.5. Description of key domestic and foreign investments

Increases in non-current assets in the years 2014 and 2013 are shown in the table below.

TABLE 7. THE GROUP'S PURCHASES OF NON-CURRENT ASSETS (2014–2013)

In PLN'000	2014	2013
Intangible assets, including:	***18 486***	***18 121***
Trademarks	-	50
Licences for the use of Pizza Hut and KFC trademarks	9 133	6 778
Other intangible assets	9 353	11 293
Fixed assets, including:	***299 797***	***308 589***
Land	6 273	13 495
Buildings	139 399	143 019
Equipment	82 636	112 837
Vehicles	525	979
Other (including fixed assets under construction)	70 964	38 259
Total	**318 283**	**326 710**

Capital expenditure incurred by AmRest Group in 2014 related mainly to the construction of new and the renovation of existing restaurants. Compared to previous year, capital expenditure incurred in 2014 was reduced by PLN 8 427 thousand, mainly as a result of achieved savings in the build costs of new units. In 2014 capital expenditures was financed with cash flows generated on operating activities and with bank loans.

As at the end of 2014, AmRest was operating 800 restaurants (733 as at the end of 2013). In 2014 the Group opened 84 new restaurants, 17 restaurants were closed and 2 are being relocated.

TABLE 8 NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2014

	AmRest	Franchisees	Total
As at the end of 2013	**634**	**99**	**733**
Openings	76	8	**84**
Closings	-15	-2	**-17**
Lasting relocations	-2	0	**-2**
Acquisitions	0	0	**0**
Transformations	-1	1	**0**
Total	**694**	**106**	**800**

As at March 18th, 2014 AmRest operates 808 restaurants.

TABLE 9 NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Country	Brand	31-12-2013	31-03-2014	30-06-2014	30-09-2014	31-12-2014	18-03-2015
Poland		**299**	**305**	**308**	**312**	**320**	**323**
	KFC	179	183	184	188	191	191
	BK	27	28	28	28	32	32
	SBX	35	36	38	38	38	38
	PH	58	58	58	58	59	62
Czech Republic		**89**	**90**	**90**	**92**	**94**	**94**
	KFC	65	66	66	67	68	68
	BK	7	7	7	7	7	7
	SBX	17	17	17	18	19	19
Hungary		**38**	**38**	**39**	**39**	**42**	**42**
	KFC	27	27	28	28	30	30
	SBX	9	9	9	9	10	10
	PH	**2**	**2**	**2**	**2**	**2**	**2**
Russia		**77**	**78**	**80**	**89**	**101**	**105**
	KFC	67	68	70	79	92	96
	PH	10	10	10	10	9	9
Bulgaria		**5**	**5**	**5**	**5**	**6**	**6**
	KFC	4	4	4	4	5	5
	BK	1	1	1	1	1	1
Serbia		**5**	**5**	**5**	**5**	**5**	**5**
	KFC	5	5	5	5	5	5
Croatia		**5**	**5**	**5**	**5**	**5**	**5**
	KFC	5	5	5	5	5	5
USA		**6**	**6**	**6**	**5**	**4**	**1**
	TAG — own restaurants	5	5	5	4	3	0
	TAG — franchised units	1	1	1	1	1	1
Spain		**178**	**179**	**181**	**183**	**190**	**192**
	TAG — own restaurants	53	55	55	56	57	58
	TAG — franchised units	94	94	96	96	101	102
	KFC	31	30	30	31	32	32
France		**8**	**8**	**8**	**8**	**8**	**9**
	TAG — own restaurants	4	4	4	4	4	4
	TAG — franchised units	4	4	4	4	4	5
Germany		**3**	**3**	**3**	**3**	**3**	**3**
	TAG — own restaurants	3	3	3	3	3	3
China		**18**	**19**	**19**	**22**	**22**	**23**
	Blue Frog	11	12	14	17	17	18
	KABB	2	3	3	3	3	3
	Stubb’s	1	0	0	0	0	0
	TAG — own restaurants	4	4	2	2	2	2
India		**2**	**0**	**0**	**0**	**0**	**0**
	TAG — own restaurants	2	0	0	0	0	0
Total AmRest		**733**	**741**	**749**	**768**	**800**	**808**

7.6. Insurance contracts

TABLE 10. INSURANCE CONTRACTS (AS AT THE END OF 2014)

The Insured	Type of insurance	The Insurer
A master property insurance policy for all companies in CEE and Russia division. (in each country a local policy was underwritten by a company from the VIG GROUP or a cooperating company, with reference to the master policy)	All risks property insurance All risks insurance of loss of profit Electronic property policy insurance	TU COMPENSA S.A. Vienna Insurance Group [local policies underwritten by the VIG GROUP companies (excluding Russia) with reference to the master policy]
A general liability insurance policy for operations of all companies in CEE and Russia division. (in Serbia, Croatia and Russia the local policies were issued referring to the MASTER POLICY)	General liability insurance in respect of operations and property with extensions	TU COMPENSA S.A. Vienna Insurance Group [local policies underwritten by VIG GROUP company in Serbia and Croatia and policy underwritten by ACE INSURANCE COMPANY RUSSIA]
A policy underwritten in Spain covering Spain, France and Germany	All risks property insurance All risks insurance of loss of profit General liability cover	AIG
A policy underwritten in Spain covering Spain, France and Germany	Cargo transport Construction All Risk	Tokio Marine HDI
Policy for companies in USA	All risks property insurance General liability cover Automobile Liability Umbrella liability	Travelers Property Casualty Company of America
Policy for companies in USA	Fiduciary, Fidelity, K&R Employment Practices Liability	Travelers Berkley Insurance
Policy for companies in China	All risks property insurance General liability cover Cash insurance	AIG, AXA
Policy for companies in China	Employer liability insurance Group Health Insurance for Employee	CPIC China Life

General liability policy for the authorities of the commercial companies for all Group companies including the USA	D&O insurance	ACE European Group Limited
Motor insurance in Poland	All risks, Third party and Accident insurance	PZU S.A.

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

On April 4th, 2014 the Management Board of AmRest informed about signing on April 3rd, 2014 the distribution agreement ("the Agreement") between AmRest's subsidiaries – AmRest Sp. z o.o. AmRest Coffee Sp. z o.o. ("the Subsidiaries") and Quick Service Logistics Polska Sp. z o.o. sp.k. („QSL", "Distributor").

On the basis of the Agreement QSL will deal with purchasing. warehousing and sale of products for the restaurants operated by the Subsidiaries in Poland.

Estimated value of the contract is PLN 1.5 billion. The Agreement has been signed for a period from September 30th, 2014 to October 4th, 2020.

The agreement provides for the liquidated damages for QSL from the Subsidiaries in the amount of EUR 1 000 000 (one million) in the event of termination of the Agreement for reasons attributable solely to AmRest, in cases indicated in the Agreement, i.e. if the Subsidiaries shall be in arrears with any due payments resulting from indisputable Invoices to the benefit of the Distributor and shall not perform the payment in spite of the implementation of a procedure specified in the Agreement or if the Subsidiaries shall lease or sell the entire enterprise of the Company or in any way lose the ability to manage or administer the enterprise. The liquidated damages, to the payment of which AmRest shall be obliged in order to cover the costs incurred by the Distributor with regard to investing in vehicles and infrastructure necessary to render Services specified in the Agreement, exhaust all claims in respect of termination of the Agreement for reasons attributable solely to AmRest. QSL is not entitled to recover damages exceeding the amount of liquidated damages. After four years of the effective period of this Agreement the liquidated damages shall be lowered to EUR 500 000 and after five years of the effective period of this Agreement AmRest shall be exempted from the liquidated damages.

The Agreement has been considered as significant because of its value. which exceeds 10% of AmRest equity as of December 31st, 2013.

On September 11th, 2014, in regards to the regulatory announcement RB 45/2009 dated 30.12.2009 and RB 13/2010 dated 24.02.2010, the Management Board of AmRest ("the Issuer") informed that on September 10th, 2014 the Company made an early redemption of 13 150 dematerialized bearer bonds of total value PLN 131 500 thousand , including:

- 9 150 bonds AMRE01301214 series, issued on December 30th, 2009 with the maturity date falling on December 30th 2014, with a par value of PLN 10 thousand per one bond and the total nominal value of PLN 91 150 thousand,

- 4 000 bonds AMRE02301214 series, issued on February 24th, 2010, with the maturity date falling on December 30th 2014, with a par value of PLN 10 thousand per one bond and the total nominal value of PLN 40 000 thousand.

The redemption of the bonds resulted in expiry of all rights and obligations arising from them (according to Art. 24 Sec. 1 of the Act on bonds dated June 29th, 1995).

Simultaneously, the Management Board of AmRest informed that on September 10th, 2014 the Company issued bonds aimed to be a part of a plan to diversify sources of financing AmRest's debt. The proceeds will be used for the development of the Company.

AmRest issued 14 000 dematerialized bearer bonds AMRE04100919 series ("the Bonds") at a par value of PLN 10 thousand per one bond and an issue price equaled to 100% of the par value – the total value of issue amounted to PLN 140 000 thousand.

The Bonds have a variable interest rate of 6M WIBOR increased by margin and their maturity date is September 10th, 2019. The interest will be paid semi-annually (on June 30th and December 30th) commencing from December 30th, 2014. The bond issue has not been additionally secured.

The value of AmRest's liabilities as at the last day of the quarter preceding the offer amounted to PLN 1 573 million. It is estimated that the Net Debt/EBITDA ratio for the last 12 months shall not exceed 3.5 until the bonds are repurchased in their entirety.

Information enabling potential bond buyers to assess the effects of the project to be financed with the bond issue proceeds, and the Issuer's ability to perform its obligations under the bonds, will be included in AmRest Annual and Semi-Annual Reports published at Warsaw Stock Exchange and placed on Issuer's website [www.amrest.eu].

On December 9th, 2014 the Management Board of AmRest informed about the resolution passed on December 8th, 2014 by the Management Board of BondSpot S.A., pursuant to § 7 clause 1 of the Regulations of the Alternative Trading System, on introducing the Bonds to the alternative trading system on Catalyst.

On December 16th, 2014 the Management Board of AmRest informed about the registration of the Bonds in the National Depository for Securities ("KDPW"). According to the resolution of the KDPW number 974/14, dated November 20th, 2014 and the announcement of the Operational Department of KDPW dated December 15th, 2014 the date of the registration was December 16th, 2014. The ISIN code assigned to the Bonds is PLAMRST00025.

On December 18th, 2014 the Management Board of AmRest informed about the resolution of Bondspot S.A. regarding setting December 19th, 2014 as the date of the first listing of the Bonds on the alternative trading system on Catalyst.

On December 31st, 2014, in regards to the regulatory announcement RB 45/2009 dated 30.12.2009 and RB 73/2014 dated 11.09.2014, the Management Board of AmRest informed that on December 30th, 2014 the Company made a redemption of 1 850 dematerialized bearer bonds AMRE01301214 series, with a par value of PLN 10,000 per one bond and the total nominal value of PLN 18 500 000. The bonds were issued by AmRest on December 30th, 2009 with the maturity date falling on December 30th 2014. The redemption of the bonds resulted in expiry of all rights and obligations arising from them (according to Art. 24 Sec. 1 of the Act on bonds dated June 29th, 1995).

On February 24th, 2015 the Management Board of AmRest informed that on February 23rd, 2015 the Supervisory Board of AmRest appointed PricewaterhouseCoopers Sp. z o.o., with its seat in Warsaw, Al. Armii Ludowej 14, listed on the list of registered auditors under no. 144, to conduct audit of the stand-alone and consolidated financial statements of the Company and AmRest Holdings SE capital group for 2015, 2016 and 2017. The mentioned entity conducted audit of AmRest's financial statements in 2006 - 2014 period.

On March 5th, 2015 the Management Board of AmRest announced the entering into the Share Purchase Agreement ("SPA"), dated March 4th, 2015, between AmRest Sp. z o.o. („AmRest Poland") and Marinopoulos Coffee SEE B.V. ("Seller"). AmRest Poland acquires 100% shares of S.C. Marinopoulos Coffee Company III S.r.l. ("MCC Romania") and Marinopoulos Coffee Company Bulgaria EOOD ("MCC Bulgaria") at estimated price of ca. EUR 16m. Final purchase price will be determined as at the day of closing of the transaction.

MCC Romania and MCC Bulgaria are sole operators of Starbucks coffee stores. Currently the Seller operates 19 units – 14 in Romania and 5 in Bulgaria. Current development plan assumes opening of 7 new Starbucks locations in Romania by the end of this year. The estimated revenues of MCC Romania and MCC Bulgaria in 2014 amounted to ca. EUR 10m while EBITDA profit is expected at ca. EUR 2m.

The intention of both parties is to finalize the transaction by May 15th, 2015 ("Closing"). Closing will be a subject to conditions preceding, e.g.: consent of the owner of Starbucks brand, landlords' approvals and satisfactory result of due diligence performed on MCC Bulgaria.

The acquisition of MCC Romania and MCC Bulgaria will strengthen the restaurant industry leader position of AmRest in Central and Eastern Europe. The addition of well positioned Starbucks business to AmRest's current portfolio will be accretive to AmRest's margins and shall contribute to value creation for its shareholders.

7.8. Information on significant transactions with related parties concluded by the Issuer or its subsidiaries on terms other than market's conditions

In the reporting period there were no transactions with related parties concluded within the AmRest Group on terms other than market's conditions.

7.9. Major achievements of the Company in the field of research and development

The Company does not conduct research and development activities. Innovative products introduced to the menu of restaurants operated by AmRest are described in sections 2.2 and 2.3 of this Report.

8. The AmRest Holdings SE Group in 2012

8.1. Planned investment activities and assessment of their feasibility

AmRest Group will continue organic expansion in the way that ensures value creation for shareholders. The 80/20 investment strategy assumes allocation of 80% of capital to mature brands yielding the highest returns. In the nearest future it means the primary focus on development of KFC in Central and Eastern Europe, La Tagliatella in Spain and Blue Frog in China.

Expansion of La Tagliatella outside Spain has been limited to France, where the brand has been very well received by the customers and newly opened restaurants perform as good as its Spanish peers. In 2014 La Tagliatella in France broke even and has been constantly improving its profitability throughout the year. In the other markets (USA, Germany, China) development of the brand has been discontinued and operating losses are consistently reduced.

In 2014 AmRest Group continued previously announced plans of expansion in Russia and opened 25 new restaurants. Despite attractive returns from capital invested in Russian division, the Group has decided to significantly limit the scale of new investments in the region until political and economic environment stabilize.

The plan of new openings will be adapted on an on-going basis to the current market conditions and access to attractive locations in each country. Management of the Group is very restrictive and selective in allocation of available capital to ensure minimum 20% IRR on each investment. Company also observes recent developments in the M&A market for the potential acquisition that fit in the strategy of the Group.

The Management Board assumes the long-term growth to be financed mainly with own funds and debt financing.

8.2. External and internal factors which are significant to the Company's development

Listed below are the factors that, in the opinion of the Management Board, had a significant effect on the Company's future development and results.

8.2.1. External factors

The external factors include:

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- trends as to the number of people visiting the restaurants,
- number and location of the competitors' restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees working therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Croatia, Spain, France, Germany, China and the United States,
- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets.

8.2.2. Internal factors

The internal factors include:

- gaining and training the human resources necessary for the development of the existing and new restaurant networks,
- obtaining attractive locations,
- effective launching of new brands and products,
- building an integrated information system.

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

The Management Board of AmRest is responsible for the risk management system and the internal control system as well as for reviewing these systems for operating efficiency. These systems help identify and manage risks which may prevent the execution of the long-term goals of AmRest. However, having these systems in place does not ensure complete elimination of the risk of fraud and violation of the law. The Management Board of AmRest performed a review, an analysis and a ranking of risks to which the Company is exposed. The main current risks and threats have been summarized in this section. AmRest reviews and improves its risk management and internal control systems on an on-going basis.

9.1. Factors remaining outside the Company's control

This risk is related to the effect of factors remaining outside the Company's control on AmRest's development strategy which is based on opening new restaurants. Such factors include: opportunities for finding and securing available and appropriate locations for restaurants, the ability to obtain the permits required by relevant bodies, the possibility of delays in opening new restaurants.

9.2. Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisor or on their consent.

The duration of the franchising agreements related to the KFC, Pizza Hut and Burger King brands is 10 years. AmRest has the option of extending this period for the next 10 years provided that it meets the conditions specified in the franchising agreements and other requirements, including the payment of the related continuation fee.

Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period. In the case of KFC and Pizza Hut restaurants, the first period commenced in 2000, in the case of Burger King, the first period commenced in 2007 with the opening of the first restaurant of this brand.

9.3. Dependency on joint venture partners

AmRest opens Starbucks restaurants through joint venture Companies in Poland, the Czech Republic and Hungary, based on a partnership as part of joint venture agreements. Therefore, some decisions as part of the joint business activities will be dependent on the partners' consent.

The joint venture agreements with Starbucks were concluded for a period of 15 years with a possibility of their extension for the next 5 years upon meeting the specified conditions. Should AmRest fail to comply with the obligation to open and run the minimum specified number of cafés, Starbucks Coffee International, Inc. shall have the right to increase its share in the joint venture companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the joint venture companies.

9.4. No exclusive rights

The franchising agreements concerning the running of KFC, Pizza Hut and Burger King restaurants do not contain provisions on granting AmRest any exclusive rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest restaurants. However, in practice, due to the scale of AmRest's operations (including a well-developed distribution network), the possibility that a competitive operator (to the brands currently operated by the Company) should appear who would be able to effectively compete with the AmRest Group restaurants is relatively limited.

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

9.5. Rental agreements and continuation options

Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental (assuming that all continuation options are exercised, on specified terms, and not including contracts which are subject to periodic renewal, unless they are terminated, and contracts concluded for an indefinite period). A number of rental contracts grant AmRest the right to prolong the contract provided that the Company complies with the terms of rental. Regardless of whether the terms are complied with or not, there is no guarantee that AmRest will be able to prolong a rental contract on terms satisfactory from the point of view of business practice. If this is not possible a potential loss of important restaurant locations may have an unfavourable effect on AmRest's operating results and its business activities.

Moreover, in certain circumstances AmRest may make a decision to close a given restaurant and terminating the relevant rental contract on cost effective terms may prove impossible. This situation may also have an adverse effect on the business activities and operating results of the Company. Closing any of the restaurants is subject to approval by the franchisor and it is not certain that such approval will be obtained.

In the case of Russian and Chinese restaurants acquired by AmRest accordingly in July 2007 and December 2012, the average term of the rental contracts is relatively shorter compared with AmRest restaurants in the remaining countries. This results from the specific nature of the Russian market.

9.6. Risk related to the consumption of food products

Consumer preferences may change in connection with doubts arising as to the healthful properties of chicken which is the main ingredient in KFC menu, or as a result of unfavourable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health as a result of eating in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog and KABB, and as a result of revealing unfavourable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees of KFC, Pizza Hut, Burger King, Starbucks, La Tagliatella, Blue Frog and KABB, health-related issues and issues related to the functioning patterns of one or more restaurants run both by AmRest and the competition. The above-mentioned risk is limited by using the highest quality ingredients in AmRest restaurants, which come from reliable and reputable suppliers, compliance with strict quality control and hygiene standards and the use of top modern equipment and processes which ensure the absolute safety of the meals.

9.7. Risk related to keeping key personnel in the Company

The Issuer's success depends to some extent on the individual effort of selected employees and key members of management. The methods of remunerating and managing human resources developed by the Issuer help ensure a low rotation of the key personnel. Additionally, the career planning system supports preparing successors ready to execute tasks in key positions. The Issuer believes it will be able to replace its key personnel. Regardless of that, their loss may have a short-term adverse effect on the business activities and operating results of the Issuer.

9.8. Risk related to labour costs of restaurant employees and employing and keeping professional staff

Running catering activities on such a large scale as the Issuer does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Due to the fact that salaries in Poland, the Czech Republic and Hungary (including in the catering sector) are still decidedly lower than in other European Union countries, there is a risk of outflow of qualified staff and thus a risk of the Company being able to ensure the appropriate staff necessary for providing the highest quality catering services. In order to avoid the risk of losing qualified staff it may be necessary to gradually increase the salary rates, which may have an adverse effect on the financial standing of the Issuer.

9.9. Risk related to limited access to foodstuffs and the variability of their cost

The Issuer’s situation is also affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Company cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavourable weather conditions, changes in legal regulations or withdrawing some foodstuffs from trading. Also the increased demand for certain products accompanied by limited supply may lead to difficulties in obtaining them by the Company or to price increases for those products. Both the deficits and product price increases may have an adverse effect on the Group‘s results, operations and financial standing. In order to mitigate this risk (among others) AmRest Sp. z o.o. concluded a contract with SCM Sp. z o.o. for the provisions of services comprising intermediation and negotiating terms of delivery to restaurants, including negotiating terms of distribution agreements.

9.10. Risk related to developing new brands

AmRest has operated the Burger King, Starbucks, La Tagliatella, Blue Frog and KABB brands for a relatively short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by customers.

9.11. Risk related to opening restaurants in new countries

Opening or taking over restaurants operating in a new geographical and political area involves the risk of varying consumer preferences, a risk of insufficient knowledge of the market, the risk of legal restrictions arising from local regulations and the political risk of these countries.

9.12. Currency risk

The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in the individual Capital Group companies. The Company adjusts its currency portfolio of debt to the geographical structure of its profile of activities. Additionally, AmRest uses forward contracts to secure transaction risks on a short term basis.

9.13. Risk related to the current geopolitical situation in the Ukraine and Russia

Russia is one of the largest markets for AmRest. The recent geopolitical and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Ruble, higher interest rates, reduced liquidity and consumer confidence. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the supply chain, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations however it is being monitored in order to adjusts strategic intentions and operational decisions, which will minimize business risks.

9.14. Risk of increased financial costs

The Issuer and its subsidiaries are exposed to the significant adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating and fixed interest rates. The interest rates of bank loans and borrowings and issued bonds is based on floating reference rates which are updated over periods shorter than one year. Interest on financial assets with fixed interest rates is fixed over the entire period to maturity of these instruments. Additionally, the Issuer and its subsidiaries may, as part of the interest rate hedging strategy, enter into derivative and other financial contracts the valuation of which is significantly affected by the level of reference rates.

9.15. Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds.

As at 31 December 2014, the Company has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

9.16. Risk of economic slowdowns

Economic slowdown in the countries where AmRest runs its restaurants may affect the level of consumption expenditure on these markets, which in turn may affect the results of the AmRest restaurants operating on these markets.

9.17. Risk related to seasonality of sales

The seasonality of sales and inventories of AmRest is not significant, which is typical for the restaurant industry. On the European market restaurants record lower sales in the first half of the year, mainly due to the lower number of sale days in February and the relatively less frequent visits to restaurants.

9.18. Risk of computer system breakdowns and temporary breaks in serving customers in network restaurants

A potential partial or complete loss of data in connection with computer system breakdowns or damage or loss of key tangible fixed assets of the Company might result in temporary interruptions in serving customers in restaurants, which might have an adverse effect on the Group's financial results. In order to minimize this risk, the Issuer has implemented appropriate procedures in order to ensure the stability and reliability of IT systems.

10. The Company's development trends and strategy

AmRest's strategy is to leverage its unique "Wszystko Jest Możliwe" culture, international capability and superior brand portfolio to grow scalable (min. USD 50m annual sales) and highly profitable (min. 20% IRR) restaurants globally.

In the upcoming years Company plans to maintain the current pace of expansion as, in the opinion of Management Board, potential of the markets in which it operates is significantly above existing number of restaurants. Additionally, the existing scale of the business allows for the undisturbed financing of the expansion.

AmRest's investment activities are focused mainly on development of proven brands in the markets with the highest returns on capital. In the current market conditions significant potential is associated with Central and Eastern Europe with its leading brands achieving historically highest profitability as well as Spain, where both existing and newly opened restaurants benefit from economic revival. In addition, there is a huge potential in expansion of Blue Frog chain in China – one of the most profitable brand in AmRest's portfolio. Growing interest among the customers together with outstanding performance of new openings bode well for the future development of this brand.

11. Management Representations

11.1. Correctness and fairness of the presented financial statements

To the best knowledge of the Management Board of AmRest Holdings SE, the Annual Financial Statements and the comparative figures presented in the Annual Financial Statements of AmRest Holdings SE have been prepared in accordance with the binding accounting policies and they give a true, fair and clear view of the financial position of AmRest Holdings SE and its results. The Annual Directors' Report included in this document provides a true image of the development and achievements and the situation of AmRest Holdings SE, including a description of the key risks and threats.

11.2. Selection of the registered audit company

The entity authorized to audit the financial statements, PricewaterhouseCoopers Sp. z o.o., which carried out the annual audit of the Annual Financial Statements of the AmRest Group has been selected in compliance with the provisions of the law. Both the entity and auditors conducting the audit met the requirements necessary to enable them to issue an unbiased and independent audit opinion, in accordance with the relevant laws. The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on 6 June 2012 and was valid until 31 December 2014.

As mentioned in section 7.7 of this report, on February 23rd, 2015 the Supervisory Board of AmRest appointed PricewaterhouseCoopers Sp. z o.o. to conduct audit of the stand-alone and consolidated financial statements of the Company and AmRest Holdings SE capital group for 2015, 2016 and 2017.

TABLE 11. REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

	For the period:	
PLN '000	**from 01.01.2014 to 31.12.2014**	**from 01.01.2013 to 31.12.2013**
PricewaterhouseCoopers Sp. z o.o.	**540**	**620**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	274	354
- review of financial statements	156	156
Other contracts	110	110
Other companies from the PricewaterhouseCoopers group	**974**	**1 142**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	909	1 131
- tax advisory services	-	-
- other services	65	11

Wrocław, March 18th, 2015

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member

Jacek Trybuchowski
AmRest Holdings SE
Board Member