

## **AmRest Holdings SE Group**

**Independent Registered Auditor's Report**

**Consolidated Financial Statements**

**Report on Group's operations**

**Registered Auditor's Report on the audit of the consolidated financial statements**

**For the year from 1 January to 31 December 2016**

### **Content:**

**Independent Registered Auditor's Report**

prepared by PricewaterhouseCoopers Sp. z o.o.

**Consolidated Financial Statements**

prepared by AmRest Holdings SE Group

**Report on Group's operations**

prepared by Management Board of AmRest Holdings SE

**Registered Auditor's Report on the audit of the consolidated financial statements**

prepared by PricewaterhouseCoopers Sp. z o.o.

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# **AmRest Holdings SE Group**

## **Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016**



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**Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016**

**To the General Shareholders' Meeting and the Supervisory Board of AmRest Holdings Spółka Europejska**

**This report contains 16 consecutively numbered pages and consists of:**

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**AmRest Holdings SE Group**  
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**statements for the year from 1 January to 31 December 2016**

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**I. General information about the Group**

- a. AmRest Holdings Spółka Europejska (“the Parent Company”) with its seat in Wrocław, plac Grunwaldzki 25-27 Street is the parent company of the AmRest Holdings SE Group (“the Group”).
- b. AmRest Holdings Spółka Europejska (“the Parent Company”) was established in the Netherlands in October 2000 as joint-stock company. On 19 September 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Parent Company to a European Company (Societas Europaeae) and of its name to AmRest Holdings Spółka Europejska. On 22 December 2008, the Parent Company was entered in the Register of Businesses maintained by the District Court for Wrocław-Fabryczna VI Business Department of the National Court Register, with the reference number KRS 0000320252. The Court also registered the changes in the Memorandum of Association of the Parent Company relating to the transfer of the registered office of Parent Company to Poland.
- c. On 16 January 2009 the Parent Company was assigned a tax identification number (NIP) 101-00-02-998 for the purpose of making tax settlements. On 5 January 2009 the Parent Company was assigned a REGON number 020891041 for statistical purposes.
- d. As at 31 December 2016 and at the report signing date the Parent Company's share capital amounted to EUR 212,138.93 and consisted of 21,213,893 shares, with a nominal value of EUR 0.01 each. Consolidated equity as at 31 December 2016 was positive and amounted to PLN 1,376,610 thousand.
- e. As at 31 December 2016 and at the report signing date, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
FCapital Dutch B.V.	13,121,152	442	ordinary	61.85
Nationale-Nederlanden OFE	2,034,893	68	ordinary	9.60
Gosha Holding S.à.r.l.	1,242,056	42	ordinary	5.85
Others	4,815,792	162	ordinary	22.70
	<b>21,213,893</b>	<b>714</b>		<b>100.00</b>

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**I. General information about the Group (cont.)**

As at 31 December 2015, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
FCapital Dutch B.V.	6,726,790	227	ordinary	31.71
Nationale-Nederlanden	2,539,429	85	ordinary	11.97
Otwarty Fundusz Emerytalny PZU Powszechna	2,779,734	94	ordinary	13.10
Towarzystwo Emerytalne Aviva Otzwarty Fundusz Emerytalny	2,100,000	71	ordinary	9.90
Others	7,067,940	237	ordinary	33.32
	<b>21,213,893</b>	<b>714</b>		<b>100.00</b>

f. In the audited year, the Group's operations comprised operating, through its subsidiaries in Poland, the Czech Republic, Hungary, Russia, Serbia, Croatia, Bulgaria, Romania, Slovakia, Germany and Spain, on the basis of franchise agreements of Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants. On the territory of Spain, France, Germany and China, restaurant operations under private brands La Tagliatella, Trastevere and il Pastificio are conducted on basis of franchise agreements through parties unrelated with the Group and through own restaurants, using the central kitchen which produces and distributes products to the whole network, of the above-mentioned private brands. Additionally, on the territory of China, restaurant operations under private brands Blue Frog and KABB.

g. During the audited year, the Management Board of the Parent Company comprised:

- Mark Chandler Member of the Management Board,
- Drew O'Malley Member of the Management Board,
- Wojciech Mroczyński Member of the Management Board,
- Jacek Trybuchowski Member of the Management Board,
- Oksana Staniszewka Member of the Management Board,
- Olgierd Danielewicz Member of the Management Board.

On January 31, 2017 Mr. Jacek Trybuchowski resigned from the function of the member of AmRest Management Board, effective February 1st, 2017.

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**I. General information about the Group (cont.)**

h. As at 31 December 2016, the AmRest Holdings SE Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
AmRest Holdings SE	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	Unqualified opinion for the statutory purposes.	31 December 2016
AmRest Acquisition Subsidiary Inc.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest TAG S.L.U.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Auditores, S.L.	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRestavia S.L.U.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Restauravia Grupo Empresarial S.L.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Auditores, S.L.	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest HK Ltd	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Blue Horizon Hospitality Group PTE Ltd.	Subsidiary (67.56%)	Full	PricewaterhouseCoopers Zhong Tian LLP	As of the date of the report the statutory opinion was not issued.	31 December 2016
Bigsky Hospitality Group Ltd	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
New Precision Ltd	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
Horizon Group Consultants (BVI)	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Sp. z o.o.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Sp. z.o.o	Unqualified opinion for the statutory purposes.	31 December 2016
AmRest s.r.o.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Sp. z o.o	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Kft.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Könyvvizsgáló Kft.	As of the date of the report the statutory opinion was not issued.	31 December 2016

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**I. General information about the Group (cont.)**

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
AmRest Coffee Sp. z o.o.	Subsidiary (82.00%)	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified opinion for the statutory purposes.	31 December 2016
AmRest EOOD	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Audit OOD	As of the date of the report the statutory opinion was not issued.	31 December 2016
OOO AmRest	Subsidiary (100.00%)	Full	AO PricewaterhouseCoopers Audit	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Coffee s.r.o.	Subsidiary (82.00%)	Full	PricewaterhouseCoopers Audit s.r.o.	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Kávészó Kft.	Subsidiary (82.00%)	Full	PricewaterhouseCoopers Könyvvizsgáló Kft	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest d.o.o.	Subsidiary (60.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest LLC	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Restauravia Food S.L.U.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Auditores, S.L.	As of the date of the report the statutory opinion was not issued.	31 December 2016
Pastificio Service S.L.U.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Auditores, S.L.	As of the date of the report the statutory opinion was not issued.	31 December 2016
Pastificio Restaurantes S.L.U.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Auditores, S.L.	As of the date of the report the statutory opinion was not issued.	31 December 2016
Pastificio S.L.U.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Restaurant Management Co. Ltd	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Adria d.o.o.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest GmbH*	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest SAS	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016

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**I. General information about the Group (cont.)**

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
AmRest Adria 2 d.o.o.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Frog King Food&Beverage Management Ltd.	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
Blue Frog Food&Beverage Management Ltd.	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
Shanghai Kabb Western Restaurant Ltd.	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Skyline GmbH	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Kai Zhen Food and Beverage Management (Shanghai) Ltd.	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Coffee EOOD	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Audit OOD	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Coffee s.r.l.	Subsidiary (100.00%)	Full	PricewaterhouseCoopers Servicii S.R.L	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Coffee SK s.r.o.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Capital Zrt.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Finance Zrt.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
La Tagliatella International Kft.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
La Tagliatella Financing Kft.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
La Tagliatella SAS	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest FSVC, LLC	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016

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**I. General information about the Group (cont.)**

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
SCM Sp. z o.o.	Subsidiary (51.00%)	Full	PricewaterhouseCoopers Sp. z o.o.	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Work Sp. z o.o.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Subsidiary (100.00%)	Full	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	As of the date of the report the statutory opinion was not issued.	31 December 2016
AmRest DE Sp. z o.o. & Co. KG	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
The Grill Concept S.L.U.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
AmRest Kaffee Sp. z o.o.	Subsidiary (100.00%)	Full	The Company was not subject to an audit	-	31 December 2016
Kai Fu Restaurant Management (Shanghai) Co., Ltd.	Subsidiary (67.56%)	Full	The Company was not subject to an audit	-	31 December 2016
Activita Sp. z o.o.	Subsidiary (51.00%)	Full	The Company was not subject to an audit	-	31 December 2016

\*On 25 November 2016 the Management Board of Amrestavia, S.L.U. decided to liquidate the company AmRest GmbH

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**I. General information about the Group (cont.)**

i. During the financial year, the following changes took place in the scope of consolidation:

- acquisition of the The Grill Concept S.L.U.,
- acquisition of the AmRest Coffee Deutschland Sp. z o.o. & Co. KG,
- acquisition of the AmRest Kaffee Sp. z o.o.,
- acquisition of the AmRest DE Sp. z o.o. & Co. KG,
- acquisition of the Kai Fu Restaurant Management (Shanghai) Co., Ltd.,
- liquidation of Da Via, LLC,
- liquidation of La Tagliatella - Crown Farm, LLC,
- merger of Tagligat S.L.U i Pastificio Service S.L.U,
- liquidation of Pizzarest S.L.U,
- liquidation of La Tagliatella Asia Pacific Ltd,
- sale of AmRest Ukraina t.o.w.

In 2016, the Group increased its shareholdings in the following subsidiaries:

- Blue Horizon Hospitality Group PTE Ltd. from 62.33% to 67.56%,
- Bigsky Hospitality Group Ltd from 62.33% to 67.56%,
- New Precision Ltd from 62.33% to 67.56%,
- Frog King Food&Beverage Management Ltd. from 62.33% to 67.56%,
- Kai Zhen Food and Beverage Management (Shanghai) Ltd. from 62.33% to 67.56%,
- Blue Frog Food&Beverage Management Ltd. from 62.33% to 67.56%,
- Horizon Group Consultants (BVI) from 62.33% to 67.56%,
- Shanghai Kabb Western Restaurant Ltd. from 60.77% to 67.56%.

j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.



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**AmRest Holdings SE Group**  
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**II. Information about the audit**

- a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Katarzyna Ignaszak (no. 11715).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 1/02/2015 of the Supervisory Board of AmRest Holdings Spółka Europejska dated February 23, 2015 in accordance with paragraph 12 p.1d of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated June 18, 2015, in the following periods:
  - interim audit from 15 October 2016 to 25 November 2016,
  - final audit from 23 January 2017 to 16 March 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

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**III. The Group's results, financial position and significant items of the consolidated financial statements**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2016 (selected lines)**

	31.12.2016 PLN '000	31.12.2015* PLN '000	Change		Structure	
			PLN '000	(%)	31.12.2016 (%)	31.12.2015* (%)
<b>ASSETS</b>						
Non-current assets	2,852,157	2,327,639	524,518	22.5	82.9	81.7
Current assets	588,806	522,163	66,643	12.8	17.1	18.3
<b>Total assets</b>	<b>3,440,963</b>	<b>2,849,802</b>	<b>591,161</b>	<b>20.7</b>	<b>100.0</b>	<b>100.0</b>
<b>LIABILITIES AND EQUITY</b>						
Equity	1,376,610	1,104,074	272,536	24.7	40.0	38.7
Long-term liabilities	1,216,727	1,180,182	36,545	3.1	35.4	41.5
Short-term liabilities	847,626	565,546	282,080	49.9	24.6	19.8
<b>Total liabilities and equity</b>	<b>3,440,963</b>	<b>2,849,802</b>	<b>591,161</b>	<b>20.7</b>	<b>100.0</b>	<b>100.0</b>

\* The adjustment resulted from final purchase price allocation process of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)

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**III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)**

**CONSOLIDATED INCOME STATEMENT**  
**for the year from 1 January to 31 December 2016 (selected lines)**

			Change		Share in revenues	
	2016 PLN '000	2015* PLN '000	PLN '000	(%)	2016 (%)	2015* (%)
Revenue from restaurants, franchise and other operations	4,207,369	3,338,740	868,629	26.0	100.0	100.0
<b>Profit from operations</b>	<b>268,174</b>	<b>195,743</b>	<b>72,431</b>	<b>37.0</b>	<b>6.4</b>	<b>5.9</b>
<b>Profit before tax</b>	<b>223,470</b>	<b>162,283</b>	<b>61,187</b>	<b>37.7</b>	<b>5.3</b>	<b>4.9</b>
<b>Net profit</b>	<b>190,744</b>	<b>157,339</b>	<b>33,405</b>	<b>21.2</b>	<b>4.5</b>	<b>4.7</b>

\* The adjustment resulted from final purchase price allocation process of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year from 1 January to 31 December 2016 (selected lines)**

			Change		Share in revenues	
	2016 PLN '000	2015* PLN '000	PLN '000	(%)	2016 (%)	2015* (%)
<b>Net profit</b>	<b>190,744</b>	<b>157,339</b>	<b>33,405</b>	<b>21.2</b>	<b>4.5</b>	<b>4.7</b>
Other net comprehensive income	95,526	(21,668)	117,194	(540.9)	2.3	(0.6)
<b>Total comprehensive income</b>	<b>286,270</b>	<b>135,671</b>	<b>150,599</b>	<b>111.0</b>	<b>6.8</b>	<b>4.1</b>

\*\* The adjustment resulted from final purchase price allocation process of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)



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**III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)**

**Selected ratios characterizing the Group's financial position and results**

The following ratios characterize the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	<b>2016</b>	<b>2015*</b>	<b>2014</b>
Asset ratios			
- receivables turnover	4 days	4 days	5 days
- inventory turnover	7 days	7 days	7 days
Profitability ratios			
- net profit margin	4.5%	4.7%	1.6%
- gross margin	6.2%	5.6%	4.4%
- return on capital employed	15.4%	15.6%	4.6%
Liability ratios			
- gearing	60.0%	61.3%	62.8%
- payables turnover	19 days	19 days	18 days
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Liquidity ratios			
- current ratio	0.7	0.9	1.1
- quick ratio	0.6	0.8	1.0

\* calculations based on restated data

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

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**III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)**

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Group's total assets amounted to PLN 3,440,963 thousand. During the year total assets increased by PLN 591,161 thousand, i.e. by 20.7%, which was mainly a result of acquisition of Starbucks Coffee Deutschland Ltd & Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG). Total value of acquired assets at the acquisition date amounted to PLN 193,032 thousand. This increase was financed mainly by generated net profit of PLN 190,744 thousand, an increase in trade and other accounts payable of PLN 153,155 thousand and an increase in short-term interest-bearing loans and borrowings of PLN 133,837 thousand.
- The gross value of property, plant and equipment at the end of audited financial year amounted to PLN 2,657,573 thousand and comprised mainly of buildings and expenditure on development of restaurants in the amount of PLN 1,540,341 thousand and machinery and equipment in the amount of PLN 815,713 thousand. The increase in the gross value of property, plant and equipment of PLN 528,515 thousand, i.e. 24.8% resulted mainly from opening of 146 new restaurants in 2016 (14 restaurants closed) along with increase of scale of Group operations.
- Goodwill (gross) amounted PLN 770,632 thousand at the end of audited financial year. The increase in goodwill (gross) by PLN 183,879 thousand, i.e. 31.3% was mainly due to initial settlement of acquisition of Starbucks Coffee Deutschland Ltd & Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG).
- The Group's structure of liabilities have changed. The gearing ratio decreased from 61.3% at the end of the previous year to 60.0% at the end of the current year. The average payables turnover ratio did not changed and amounted to 19 days.
- The Group's total revenue from continued operations amounted to PLN 4,207,369 thousand and increased by PLN 868,629 thousand, i.e. by 26.0% compared with the previous year, which resulted from consolidating revenue generated by AmRest Coffee Deutschland acquired in 2016 (PLN 356,998 thousand), as well as from increase of scale of Group operations. Sales revenue comprised revenue from restaurant, franchise and other operations. The highest share in revenue is generated from the Group's main markets, i.e. in countries from Central-Eastern Europe (53.6% of the total revenue) and Western Europe (28.8% of the total revenue).
- The cost of food and materials used was the largest item of operating expenses and amounted to PLN 1,358,580 thousand in the audited year, which constituted 34.5% of operating expenses. The cost of food and materials used has increased by PLN 240,105 thousand, i.e. by 21.5% compared with the previous year, mainly due to increase of scale of Group operations.

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

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**III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)**

- Profitability measured with gross profit amounted to 6.2% and was 0.6 percentage point lower than in the previous year. The change in the Group's profitability was primarily due to increase of scale of Group operations and achieving higher cost-effectiveness.
- The Group's liquidity has changed. At the end of audited year, the current and quick ratios amounted to 0.7 (2015: 0.9) and 0.6 (2015: 0.8) respectively.

The consolidated financial statements have been prepared on the assumption that the Group will continue in operation as a going concern.



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**IV. The independent registered auditor's statements**

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The calculation of goodwill arising in the audited year and its recognition in the consolidated financial statements complied in all material respects with IFRS as adopted by the European Union.
- d. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
- e. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- h. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- i. The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 7 June 2016 and filed with the National Court Register in Wrocław on 1 July 2016.
- j. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.
- k. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.



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**V. Final information**

This report has been prepared in connection with our audit of the consolidated financial statements of the AmRest Holdings SE Group having AmRest Holdings Spółka Europejska, plac Grunwaldzki 25-27, Wrocław, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 16 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 16 March 2017 to the General Shareholders' Meeting and the Supervisory Board of AmRest Holdings Spółka Europejska, that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Katarzyna Ignaszak

Group Registered Auditor, Key Registered  
Auditor  
No. 11715

Wrocław, 16 March 2017



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