Consolidated Financial Statements for the year ended 31 December 2019

AmRest Holdings SE

28 February 2020

AmRest

Contents

(all figures in EUR millions unless stated otherwise)

Consolidated income statement for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018 *(restated*)*
Continuing operations			
Restaurant sales		1 855.6	1 460.6
Franchise and other sales		105.9	86.3
Total revenue	6,9	**1 961.5**	**1 546.9**
Restaurant expenses:			
Food and merchandise		(523.8)	(416.8)
Payroll, social security and employee benefits		(469.6)	(357.2)
Royalties		(88.6)	(74.6)
Occupancy and other operating expenses		(560.3)	(451.3)
Franchise and other expenses		(73.7)	(62.3)
General and administrative expenses		(147.3)	(115.1)
Total operating costs and losses	10	**(1 863.3)**	**(1 477.3)**
Net impairment losses on financial assets	12	(4.1)	(1.5)
Net impairment losses on other assets	12	(35.4)	(8.0)
Other operating income/expenses	11	46.9	11.5
Profit from operations		**105.6**	**71.6**
Finance income	13	33.8	2.7
Finance costs	14	(46.0)	(16.8)
Profit before tax		**93.4**	**57.5**
Income tax expense	15	(26.5)	(16.2)
Profit for the period		**66.9**	**41.3**
Attributable to:			
Shareholders of the parent		65.1	43.0
Non-controlling interests		1.8	(1.7)
Profit for the period		**66.9**	**41.3**
Basic earnings per ordinary share in EUR	30	0.30	0.20
Diluted earnings per ordinary share in EUR	30	0.29	0.20

** The comparative data were restated as a result of an reclassification adjustment described in note 44.*
Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018
Profit for the period		**66.9**	**41.3**
Other comprehensive income	27		
Exchange differences on translation of foreign operations		9.0	(9.5)
Net investment hedges		1.7	(4.2)
Income tax related to net investment hedges		(0.3)	0.9
Total items that may be reclassified to the income statement		10.4	(12.8)
Other comprehensive income/(loss) for the period		**10.4**	**(12.8)**
Total comprehensive income for the period		**77.3**	**28.5**
Attributable to:			
Shareholders of the parent		75.7	30.4
Non-controlling interests		1.6	(1.9)

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(all figures in EUR millions unless stated otherwise)

Consolidated statement of financial position at 31 December 2019

	Note	31 December 2019	31 December 2018 *(restated*)*
Assets			
Property, plant and equipment	16	584.9	501.4
Right-of-use assets	17	852.7	-
Goodwill	19	350.2	356.9
Intangible assets	18	253.5	261.2
Investment properties		5.2	5.2
Financial assets measured at fair value	21	76.2	26.9
Other non-current assets	22	25.1	27.1
Deferred tax assets	15	22.4	21.3
Total non-current assets		**2 170.2**	**1 200.0**
Inventories	23	29.9	25.7
Trade and other receivables	24, 39	104.6	55.5
Corporate income tax receivables		4.8	7.2
Other current assets	25	19.3	35.0
Cash and cash equivalents	26	106.2	118.4
Total current assets		**264.8**	**241.8**
Total assets		**2 435.0**	**1 441.8**
Equity			
Share capital		22.0	22.0
Reserves		178.3	206.1
Retained earnings		296.6	231.5
Translation reserve		(29.7)	(38.9)
Equity attributable to shareholders of the parent		**467.2**	**420.7**
Non-controlling interests	27	9.5	9.9
Total equity	27	**476.7**	**430.6**
Liabilities			
Interest-bearing loans and borrowings	31, 39	656.0	655.8
Lease liabilities	17	719.4	1.8
Employee benefits liability	33	0.6	1.7
Provisions	34	22.8	15.5
Deferred tax liability	15	51.4	49.5
Other non-current liabilities		9.2	27.0
Total non-current liabilities		**1 459.4**	**751.3**
Interest-bearing loans and borrowings	31, 39	64.1	6.0
Lease liabilities	17	144.7	0.6
Trade and other accounts payable	36	279.5	243.0
Corporate income tax liabilities		10.6	10.3
Total current liabilities		**498.9**	**259.9**
Total liabilities		**1 958.3**	**1 011.2**
Total equity and liabilities		**2 435.0**	**1 441.8**

** The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*
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(all figures in EUR millions unless stated otherwise)

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018
Cash flows from operating activities			
Profit before tax from continued operations		93.4	57.5
Adjustments for:			
Amortisation/ Depreciation		249.3	92.1
Net interest expense		43.0	11.7
Foreign exchange result		(1.5)	0.9
Result on disposal of property, plant and equipment and intangibles		1.6	(2.7)
Result on disposal of Pizza Portal	8	(37.1)	-
Impairment of non-financial assets		35.4	8.0
Share-based payments		(9.6)	6.7
Fair value measurement of financial assets		(31.7)	(1.9)
Other		(0.6)	-
Working capital changes:	26		
Change in trade and other receivables		(28.7)	(6.0)
Change in inventories		(3.9)	(1.9)
Change in other assets		(1.7)	(5.0)
Change in payables and other liabilities		32.7	19.8
Change in provisions and employee benefits		6.3	0.5
Income tax paid		(21.2)	(15.9)
Net cash from operating activities		**325.7**	**163.8**
Cash flows from investing activities			
Net cash outflows on acquisition	7	(24.1)	(246.5)
Purchase of financial assets measured at fair value		-	(25.0)
Proceeds from the sale of property, plant and equipment, and intangible assets		0.4	12.0
Purchase of property, plant and equipment		(182.7)	(151.0)
Purchase of intangible assets		(13.6)	(10.5)
Net cash used in investing activities		**(220.0)**	**(421.0)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		0.9	0.8
Repurchase of treasury shares	27	(0.9)	(9.5)
Payments on settlement of employee stock options in cash		-	(0.6)
Proceeds from shares issued net of transaction cost		-	69.0
Proceeds from loans and borrowings	31	71.6	282.7
Repayment of loans and borrowings	31	(15.8)	(90.0)
Payments of lease liabilities including interests paid		(148.3)	0.4
Interest paid	31	(17.9)	(13.8)
Interest received		0.5	0.8
Dividends paid to non-controlling interest owners	28	(1.4)	-
Transactions with non-controlling interest		(5.8)	2.1
Net cash from financing activities		**(117.1)**	**241.9**
Net change in cash and cash equivalents		**(11.4)**	**(15.3)**
Effect of foreign exchange rate movements		(0.8)	2.5
Balance sheet change of cash and cash equivalents		(12.2)	(12.8)
Cash and cash equivalents, beginning of period		118.4	131.2
Cash and cash equivalents, end of period	26	**106.2**	**118.4**

Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of changes in equity for the year ended 31 December 2019

		Attributable to the shareholders of the parent						
2019		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**
Profit for the period		-	-	65.1	-	**65.1**	1.8	**66.9**
Other comprehensive income		-	1.4	-	9.2	**10.6**	(0.2)	**10.4**
Total comprehensive income		-	**1.4**	**65.1**	**9.2**	**75.7**	**1.6**	**77.3**
Transaction with non-controlling interests		-	(5.1)	-	-	**(5.1)**	(2.0)	**(7.1)**
Total transactions with non-controlling interests	27	**-**	**(5.1)**	**-**	**-**	**(5.1)**	**(2.0)**	**(7.1)**
Deferred payment in shares	27	-	(13.0)	-	-	**(13.0)**	-	**(13.0)**
Purchases of treasury shares		-	(0.9)	**-**	**-**	**(0.9)**	**-**	**(0.9)**
Share based payments	27	-	(10.2)	-	-	**(10.2)**	-	**(10.2)**
Total distributions and contributions		**-**	**(24.1)**	**-**	**-**	**(24.1)**	-	**(24.1)**
As at 31 December		**22.0**	**178.3**	**296.6**	**(29.7)**	**467.2**	**9.5**	**476.7**

		Attributable to the shareholders of the parent						
2018		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January		**0.2**	**152.3**	**188.5**	**(29.6)**	**311.4**	**8.9**	**320.3**
Profit for the period		-	-	43.0	-	**43.0**	(1.7)	**41.3**
Other comprehensive income		-	(3.3)	-	(9.3)	**(12.6)**	(0.2)	**(12.8)**
Total comprehensive income		**-**	**(3.3)**	**43.0**	**(9.3)**	**30.4**	**(1.9)**	**28.5**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	0.8	**0.8**
Transaction with non-controlling interests		-	-	-	-	**-**	2.1	**2.1**
Total transactions with non-controlling interests	27	**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Share capital increase from share premium		21.0	(21.0)	-	-	**-**	-	**-**
Issue of share capital		0.8	69.2	-	-	**70.0**	-	**70.0**
Transaction costs on issue of share capital		-	(1.0)	-	-	**(1.0)**	-	**(1.0)**
Deferred payment in shares	27	-	13.0	-	-	**13.0**	-	**13.0**
Purchases of treasury shares		-	(9.5)	-	-	**(9.5)**	-	**(9.5)**
Share based payments	27	-	6.4	-	-	**6.4**	-	**6.4**
Total distributions and contributions		**21.8**	**57.1**	**-**	**-**	**78.9**	**-**	**78.9**
As at 31 December		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**

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Notes to the Consolidated Financial Statements

1. General information on the Group

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000 and since 2008 the Company operates a European Company (Societas Europaea, SE). As at 31 December 2019 the Company's registered office was Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. On 28 February 2020 the Company's registered office was changed to Paseo de la Castellana 163, 28046 (Madrid), Spain.

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

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

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

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

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants among the others in France, Belgium, Spain, United Arab Emirates, Saudi Arabia, Switzerland, United Kingdom, Luxembourg, Italy, Germany, Portugal, the Netherlands. Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants.

Additionally among own brands the Group operates virtual brands Pokaï, Lepieje and 'Oi Poke.

As at 31 December 2019 the Group operates 2 339 restaurants (own and franchise) in comparison to 2 138 restaurants as at 31 December 2018.

(all figures in EUR millions unless stated otherwise)

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

Activity where AmRest is a franchisee					
Brand	**KFC**	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**Burger King**	**Starbucks** [1)]
Franchisor/ Partner	KFC Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czechia, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Poland, Czechia, Hungary, France, Russia, Germany, Slovakia. Possibility of opening in: Bulgaria, Serbia, Croatia, Slovenia	Poland, Czechia, Bulgaria, Slovakia, Romania	Poland, Czechia, Hungary, Romania, Bulgaria, Germany, Slovakia, Serbia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czechia, Bulgaria, Slovakia, Romania – 20 years or 10 years [4)] Since 20 November 2018: 10 years for restaurants opened during the agreed development period.	15 years, possibility of extension for a further 5 years; in Romania till 10 October 2023 16 years, in Bulgaria till 1 October 2027 20 years
Preliminary fee	up to USD 52.2 thousand [2)]	up to USD 52.2 thousand [2)]	USD 26.1 thousand [2)]	USD 50 thousand or USD 25 thousand, in Czechia USD 60 thousand [4)] Since 20 November 2018: USD 30 thousand for restaurants opened during the agreed development period.	USD 25 thousand
Franchise fee	6% of sales revenues [3)]	6% of sales revenues [3)]	6% of sales revenues [3)]	5% of sales revenues, in Czechia (for 5 restaurants) 3% of sales revenues for first 5 years, then 5% Since 20 November 2018 for restaurants opened during the agreed development period: 3,5% of revenues in first 2 years growing to 4%, 4,5% and 5% in next years.	6% of sales revenues
Marketing costs	5% of sales revenues	5% of sales revenues	6% of sales revenues to 31 December 2021; 5% of sales revenues from 1 January 2022 to 31 December 2026 [3)]	5% of sales revenues, in Czechia 3% of sales revenues for first 3 years, then 5%. Since 20 November 2018 for restaurants opened during the agreed development period 4% or 5% of sales revenues (depending on the country) and 3% for flagships.	amount agreed each year

(all figures in EUR millions unless stated otherwise)

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

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

1) AmRest Group took up 82% and Starbucks 18% of the share capital of the newly-established companies in Poland, Czechia and Hungary. In the event of default, deadlock, or disputed take-over or change of control over AmRest Holdings SE and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. Option upon termination for event of default or deadlock are symmetric for both parties, so that AmRest will also be entitle to exercise the option to purchase all of the Shares of Starbucks. According to Group assessment as at the day of these consolidated financial statements issuance there are no indicators making the mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities, being the sole operators in these markets. In Germany the Group acquired 100% of shares in a key operator in this market.

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

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

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

(all figures in EUR millions unless stated otherwise)

2. Group Structure

As at 31 December 2019, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U. [12, 17]	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd [11]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Consultants Ltd.[10]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft	99.00%	August 2018
		AmRest TAG S.L.U.	1.00%	
GM Invest SRL	Brussels, Belgium	AmRest TAG S.L.U.	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL	9.47%	October 2018
		AmRest TAG S.L.U.	90.53%	
AmRest France SAS	Paris, France	AmRest Holdings SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	82.00%	March 2007
		Starbucks Coffee International Inc.	18.00%	
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	44.72%	July 2007
		AmRest Sp. z o.o.	55.28%	
AmRest Coffee s.r.o.	Prague, Czechia	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International,Inc.	18.00%	
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International,Inc.	18.00%	
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o.	60.00%	October 2007
		ProFood Invest GmbH	40.00%	
Restauravia Food S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Pastificio Service S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.[1]	Cologne, Germany	AmRest TAG S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o.	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Consultants Ltd.	100.00%	December 2012
AmRest Skyline GMBH	Cologne, Germany	AmRest TAG S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015

(all figures in EUR millions unless stated otherwise)

AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Food Srl. [8]	Bucharest, Romania	AmRest Sp. z o.o.	99.00%	July 2019
		AmRest Holdings SE	1.00%	July 2019
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	December 2015
		AmRest Sp. z o.o.	1.00%	
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o.	23.00%	May 2016
		AmRest TAG S.L.U.	77.00%	
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Food and Beverage Management (Shanghai) Co. Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	February 2017
LTP La Tagliatella Franchise II Portugal, Lda [5]	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	April 2019
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS [3]	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO AmRest Pizza [4]	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	99.999996%	November 2017
		OOO AmRest	0.000004%	
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	April 2018
		AmRest Sp. z o.o.	1.00%	
AmRest Pizza GmbH	Munich, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Sushi Shop Restauration SAS [18]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL [7]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
CMLC Troyes [9]	Troyes, France	Sushi Shop Management SAS	100.00%	July 2019
Sushiga SARL	Paris France	Sushi Shop Management SAS	50.00%	October 2018
		Emmanuel GARFIN	50.00%	
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital	14.00%	October 2018
		Sushi Shop Luxembourg SARL	86.00%	
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London Pvt LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA	54.80%	October 2018
		Midicapital	45.20%	
Sushi Shop UK Pvt LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L. [6]	Madrid, Spain	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Milan SARL	Milan, Italy	Sushi Shop Management SAS	70.00%	October 2018
		Vanray SRL	30.00%	
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC	64.00%	October 2018
		Sushi Shop NE USA LLC	36.00%	
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Group SAS	99.90%	October 2018
		Sushi Shop Belgique SA	0.10%	
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft [2]	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food [14]	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft „v.a" [13]	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o. [15]	Wrocław, Poland	AmRest Sp. z o.o.	100.00%	December 2018
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o. [16]	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	33.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	10.20%	

[1] On 25 November 2016 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
[2] On 5 September 2017 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
[3] On 1 January 2019 Versaillies Resto SAS was merged into AmRest Opco SAS.
[4] On 16 April 2019 OOO Pizza Company has changed the company name for OOO AmRest Pizza.
[5] On 16 April 2019 was registered new company LTP La Tagliatella II Franchise Portugal Lda.
[6] On 12 July 2019 Sushi Shop Management SAS has acquired 23% of shares of Sushi Shop Madrid S.L.
[7] On 16 July 2019 Sushi Shop Management SAS has acquired 15% of shares of Orphus SARL.
[8] On 17 July 2019 was registered AmRest Food Srl. with registered office is Bucharest, Romania. Company has two shareholders: AmRest Sp. z o.o. owns 99% of shares, AmRest Holdings SE owns 1% of shares.
[9] On 2 July 2019 Sushi Shop Management SAS finalized acquisition of 100% shares of CMLC Troyes.
[10] With effect from 14 October 2019 Horizon Group Consultants has changed its domicile from British Virgin Islands to Malta. The new company name is Horizon Consultants Ltd.
[11] With effect from 4 November 2019 New Precision Ltd. has changed its domicile from Samoa to Malta.
[12] On 1 October 2019 AmRestavia, S.L.U. and Restauravia Grupo Empresarial, S.L. were merged into AmRest Tag S.L.U. On mentioned date all assets of merged companies have been taken by AmRest Tag S.L.U.
[13] On 21 October 2019 the voluntary liquidation process of AmRest Trademark Kft (Hungary) started. On the same date the Company changed name for AmRest Trademark Kft. „v.a"
[14] On 15 November 2019 was registered the beginning of OOO RusCo Food liquidation process.
[15] On 25 November 2019 AmRest Sp. z o.o. became sole shareholder of AmRest Franchise Sp. z o.o., through the purchase agreement of the remaining 1% of shares .
[16] On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.
[17] On 26 December 2019 AmRest Capital Zrt. (Hungary) was merged into AmRest Tag S.L.U. On mentioned date all assets of merged company have been taken by AmRest Tag S.L.U.
[18] During first half year of 2019 Sushi Shop Group made reorganization with the purpose of simplifying the operational structure. Within the reorganization some stores within restaurant activity were bought out by Sushi Shop Management SAS and Sushi Shop Restauration SAS and merged into Sushi Shop Management SAS and Sushi Shop Restauration SAS. On 28 June 2019, after the publication of the prospected merger for opposition purposes with the official publication, registration of merger was proceeded. The following entities were merged into Sushi Shop Restauration SAS and ceased operation as a separate companies: Sushi Courbevoie Developpement SARL, Sushi Shop Villers SARL, Sushi Antibes Developpement SAS, Sushi Shop Corner SAS, Bottega Romana Boetie SARL, Sushi Shop ST Dominique SARL, Sushi Shop Traiteur SARL, Sushi Shop Secretan SARL, Sushi Shop Vincennes SARL, Sushi Shop Martyrs SARL, Sushi Shop Lepic SARL, Sushi Shop Courcelles SARL, Sushi Shop Levallois SARL, Sushi Toulouse Developpement SARL, Sushi Shop Toulouse 3 SARL, Sushi Nice Developpement SAS, Sushi Nice 2 SARL, Sushi Shop Vieux Lille SAS, Sushi Shop Lille Centre SAS, SSC – Sushi Shop Cauderan SAS, SSBC – Sushi Shop Bordeaux Chartrons SAS, SSB Sushi Shop Bordeaux SAS, SSM – Sushi Shop Merignac SAS, Art Sushi Marseille SAS, ART Sushi Delibes SARL, ART Sushi ST Barnabe SARL, Sushi Marseille Developpement SARL, Altana SAS, Tomemma SAS, Gelau SAS, Sushinantes SAS, AIX Sushi House SAS, Sushi Grand Ouest

SAS, Sushi Shop Tours SARL, Sushi Shop Angers SARL, Sushi Shop Caen SARL, Sushi Shop La Rochelle SARL, Sushi Shop Le Mans SARL, HP2L SAS, Sushi Corner Saint Gregoire SARL, Sushi Shop Rennes Nemours SARL, Sushi Shop Rouen SAS, Black Box SAS, Sauboget SARL, RCP SARL, Bontor SAS, Zen'itude SAS, Sushi 54 SAS, Sushi 21 SAS, CR Developpement SAS, Sushi Lyon 64 SAS.

- On 31 January 2019 Sushi Shop Management SAS sold 100% of shares of Sushi Shop Amiens SARL to RM RESTAURANTES SAS. Effective date of transaction is 1 February 2019.
- On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has become sole shareholder of Restaurant Partner Polska Sp. z o.o.
- On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.

3. Basis of preparation

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

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 28 February 2020.

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

Details of the Group's accounting policies are included in note 43.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

Since 1 January 2019 Group applied for the first time IFRS 16 Leases. Application of this standard has a material impact on Group's consolidated statement of financial position, as well consolidated income statement and consolidated cash flows statement. Disclosures on the impact of IFRS 16 on the Group's financial information as at 1 January 2019 are disclosed in note 5.

Group applied IFRS 16 Leases using the modified retrospective approach. Under this approach, on initial recognition, the Group recognise the same balance of the right-of-use assets and lease liabilities, and implementation of standard does not have impact on Group's equity. Comparative data are not restated.

As a consequence comparative data presented in these consolidated financial statements are not fully comparable to reporting period data.

Several other amendments and interpretations apply for the first time in 2019, but do not have any material impact on the consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Use of judgements and estimates

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

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

Judgements

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

Determination of the lease term, whether the Group is reasonably certain to exercise extension or termination options

For majority of contracts the Group holds options for extension/termination of the lease period, on a specified conditions. The Group's practice is to assess the reasonableness of exercising options one year before the decision deadline, because in that time all relevant facts and circumstances to make such a decision can be generally available. The Group considers, for example, latest performance of the restaurant, present brand strategy revised during budgeting process, comparison of lease fees to the market average, length of the non-cancellable period of a lease and significance of leasehold improvements recently undertaken (or expected to be undertaken).

The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Revenue from contracts with customers

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

Estimates and assumptions

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

Impairment of non-financial assets including goodwill

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

Accounting policies for impairment testing of non-financial assets are disclosed in note 43k.

The key assumptions used to determine the recoverable amount of the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 20.

Assessment of useful lives

Determination and periodic verification of depreciation rates is made on the basis of the technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset. Sensitivity on changes in average useful lives is disclosed in note 16.

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 39.

Share-based payments

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

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

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 33.

Recognition of provisions for potential tax obligations and uncertain tax provisions

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

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

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

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

Details of current tax inspections open in Group entities are presented in note 35.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Details of deferred tax assets are disclosed in note 15.

Fair value measurements

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

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

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

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

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

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

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

- Note 7 – Business combinations,
- Note 21 – Financial assets measured at fair value.

5. Adoption of IFRS 16

The Group initially applied IFRS 16 "Leases" (IFRS 16) from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Until 31 December 2018, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. Since 1 January 2019 the Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

AmRest as a lessee

In current business model the Group leases properties in order to operate brand restaurants. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In general the Group's rental agreements may include:

(all figures in EUR millions unless stated otherwise)

- fixed monthly charge for rented space (fixed lease payments),
- rent calculated as a percentage of restaurant's turnover (variable lease payments),
- higher of above two, i.e. minimal base rent and turnover rent.

For individual stores there is a wide range of sales turnover rent ratios applied.

As AmRest Group operates restaurants in various countries, different practices in rental contracts exist:

- for some contracts, apart from fixed fee, an amount representing percentage of sales is charged, if exceeds fixed fee (variable lease payments); the ratio generally varies from 3-13%,
- lease term varies depending on the country and business environment,
- lease contracts may have extension options, that are available for different periods of time,
- currency of the rental agreement may be different then functional currency of the subsidiary, as lessors charge the rent not only in local currency, but also based on EUR or USD.

Transition

Until 31 December 2018, operating leases were off-balance sheet. The Group used to recognise operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognised.

Under IFRS 16 the Group has recognised new assets and liabilities for its operating leases. The Group used the modified retrospective approach, meaning that comparatives were not restated.

At transition, for leases classified as operating leases under IAS 17 lease liabilities were measured at the present value of the remaining lease payments, considering determined lease term and discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term,
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application,
- relied on its assessment of whether leases are onerous, applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application.

The Group leases a number of cars that were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

Impact on transition

The change in accounting policy due to adoption of IFRS 16 affected the following items in the balance sheet on 1 January 2019:

	1 January 2019
Right-of-use assets	799.5
Property, plant and equipment	(2.7)
Other intangible assets	(0.4)
Other current assets (prepayments)	(9.0)
Lease liabilities – non-current	664.0
Lease liabilities – current	124.3
Other non-current liabilities	(0.6)
Provisions	(0.3)

The table below reconciles the difference between:

(all figures in EUR millions unless stated otherwise)

- operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application, and
- lease liabilities recognised in the statement of financial position at the date of initial application.

Operating lease commitments as at 31 December 2018	**926.8**
Weighted average incremental borrowing rate as at 1 January 2019	3.1%
Discounted operating lease commitments at 1 January 2019	**784.5**
Less:	
Commitments relating to short-term leases and leases of low-value assets	(9.0)
Other	(2.8)
Add:	
Commitments relating to leases previously classified as finance leases	2.4
Payments in optional extension periods not recognised as at 31 December 2018	15.7
Lease liabilities as at 1 January 2019	**790.8**

Impact on reported income statement items:

From the transition, the nature of expenses related to the leases has changed. Each lease payment (accounted as operating expenses before 1 January 2019) is allocated between the liability reduction and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Under IFRS 16 only fixed lease payments are accounted through IFRS 16 lease model. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. Turnover rent therefore is accounted as operating expenses.

Consequently, after implementation of IFRS 16 Group recognizes:

- Lower operating occupancy and rent costs (as fixed rental costs are recognized within lease accounting model, and only variable lease payments, short term leases and low value leases remain an EBITDA type operating costs)
- Higher depreciation charge (additional deprecation of right-of-use assets)
- Higher interest cost (on lease liabilities)
- Additional foreign exchange valuation effect on lease denominated in foreign currencies
- Respective impact on deferred taxes

Impacts for the reporting period is presented in the note 17.

Cash flows relating to leases is presented as follows:

- cash payments for variable lease payment as cash from operating activities,
- cash payments for the principal and interests portion of the lease liabilities as cash from financing activities.

Deferred tax impact

Deferred tax is calculated based on a difference between carrying amount of lease asset and lease liability which is equal to difference between depreciation increased by interests and tax deductions (lease invoices values). Deferred tax is calculated using each country applicable income tax rate.

6. Segment reporting

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

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

(all figures in EUR millions unless stated otherwise)

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

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

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

Segment measures and the reconciliation to profit/loss from operations for the year ended 31 December 2019 and for the comparative year ended 31 December 2018 is presented below. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

year ended 31 December 2019	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Restaurant sales	838.5	721.0	206.5	89.5	0.1	1 855.6
Franchise and other sales	0.8	75.6	0.1	0.1	29.3	105.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**839.3**	**796.6**	**206.6**	**89.6**	**29.4**	**1 961.5**
EBITDA	**184.8**	**127.0**	**39.8**	**24.1**	**18.7**	**394.4**
Depreciation and amortisation	106.8	91.4	31.5	18.6	1.0	249.3

(all figures in EUR millions unless stated otherwise)

Net impairment losses on financial assets	-	3.6	0.3	0.1	0.1	4.1
Net impairment losses on other assets	1.9	32.0	2.2	(0.7)	-	35.4
Profit/loss from operations	**76.1**	**0.0**	**5.8**	**6.1**	**17.6**	**105.6**
Finance income and costs	(12.7)	(9.6)	(1.8)	(1.1)	13.0	(12.2)
Profit before tax	**63.4**	**(9.6)**	**4.0**	**5.0**	**30.6**	**93.4**
Capital investment*	**91.3**	**80.1**	**23.0**	**7.1**	**0.3**	**201.8**

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

As mentioned above segment data include effect of application of IFRS 16 in 2019.

For comparative purposes Group presents key measures for 2019 results, as if IFRS 16 was not implemented.

year ended 31 December 2019	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
EBITDA without IFRS 16 effect	125.5	70.9	21.7	11.3	18.4	247.8
Profit/loss from operations without IFRS 16 effect	70.3	(0.2)	6.1	6.2	17.6	100.0

Segment reporting data in prior periods were not restated to reflect the implementation of IFRS 16.

year ended 31 December 2018	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Restaurant sales	716.2	502.6	168.2	73.6	-	1 460.6
Franchise and other sales	1.4	67.2	0.4	-	17.3	86.3
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**717.6**	**569.8**	**168.6**	**73.6**	**17.3**	**1 546.9**
EBITDA	**104.5**	**57.6**	**21.7**	**7.1**	**(17.7)**	**173.2**
Depreciation and amortisation	47.1	28.8	10.5	5.0	0.7	92.1
Net impairment losses on financial assets	-	1.5	-	-	-	1.5
Net impairment losses on other assets	2.3	4.5	0.8	0.4	-	8.0
Profit/loss from operations	**55.1**	**22.8**	**10.4**	**1.7**	**(18.4)**	**71.6**
Capital investment*	**87.7**	**212.2****	**22.2**	**9.0**	**0.5**	**331.6**

**Capital investment comprises additions and acquisition in property, plant and equipment and intangible assets. **The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*

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

Information on geographical areas:

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

		year ended 31 December 2019	**31 December 2018**
Revenue from external customers	Poland	464.8	409.4
	Czechia	199.8	169.6
	Spain	281.1	244.8
	France	298.7	147.7
	Germany	176.9	170.4

		31 December 2019	**31 December 2018**

Total of non-current assets other than financial instruments and deferred tax assets	Poland	379.3	165.2
	Czechia	139.7	47.1
	Spain	443.1	268.6
	France	438.5	360.2*
	Germany	186.3	89.7

** The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*

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

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

7. Business combinations

There were no material business combinations in 2019: Group acquired two KFC restaurants and three Sushi Shop restaurants in Spain for EUR 3.2 million. These acquisitions resulted in increase of goodwill by EUR 2.8 million, on a provisional basis.

In 2019 AmRest Group performed final reconciliation of purchase price accounting for Sushi Shop Group, KFC France and Bacoa.

Final purchase price allocation of Bacoa acquisition did not differ from preliminary accounting as presented in prior reporting. Consequently, final purchase price allocation did not result in a restatement of the comparative statement of financial position, income statement or cash flow. During year 2019 the Group has paid holdback amounted to EUR 0.2 million which is presented within investment activity of statement of cash flow.

Effect of final purchase price allocation for SushiShop Group as well second acquisition of KFC in France is disclosed below. Note 44 summarizes effect of the restatements in statements of financial position.

Acquisition of Sushi Shop Group

Description of the acquisition

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

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

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising over 160 shops of which about one third are run by franchisees. At acquisition Sushi Shop shops are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

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

The Group acquired 100% of the shares in GM Invest, which was one of the direct shareholders of Sushi Shop Group SAS, together with the remaining shares in Shushi Shop Group SAS from Sellers. As a result, AmRest Group holds 100% of the shares in Sushi Shop Group SAS. Sushi Shop Group SAS was the parent company of over 80 subsidiaries, with minor non-controlling interests in certain entities. GM Invest and Sushi Shop Group SAS capital group are referred to jointly as Sushi Shop Group (SSG).

(all figures in EUR millions unless stated otherwise)

Allocation of the acquisition price

In the fourth quarter of 2019, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired Sushi Shop restaurants.

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

On the closing date AmRest paid approx. EUR 133.5 million for shares and EUR 78.1 million in the form of repayment of external SSG debts. In provisional accounting in year 2018, acquisition price took into account the initially proposed adjustment as submitted by AmRest Group (EUR 10.3 million of purchase price reduction).

The final purchase price was determined in 2019 between parties upon verification of the balances of assets and liabilities on the closing date. In the Settlement Agreement executed on 7 June 2019 the sellers and AmRest agreed that the final purchase includes downward adjustment in favor of AmRest of approx. EUR 10 million. At the same time changes in final cash settlement were negotiated related to escrow payment and EUR 13 million payment to Sellers (Mr. Grégory Marciano and Mr. Adrien de Schompré).

The final price adjustment of above 10m EUR was paid by the sellers to AmRest by way of set off (compensation) against the deferred payment amount retained by AmRest. Additionally an escrow amount EUR 8 million was deposited with the escrow agent, to secure the Sellers' obligations contained in the amended SPA. The escrow amount will be released to the Sellers' in case of general warranties and representations contained in the SPA are satisfied and the general warranties and representations are verifying conditions that existed at the acquisition date.

In the amended SPA parties also agreed that an equivalent of EUR 13 million planned to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares was paid in cash in June, 2019.

The acquisition price as agreed in the SPA also included a contingent consideration element in the form of an earn-out. The parties agreed that if 2018 EBITDA exceeded a certain level, the Sellers would receive an additional payment, up to EUR 10.0 million to the acquisition price. As the agreed threshold was not met, the contingent consideration element was deemed to be zero for the acquisition price determination. No subsequent changes in the estimate of contingent consideration were recognized.

Summary of acquisition price determination:

Amount paid in cash on closing- payment in 2018	211.6
Post-acquisition settlement of initial purchase price with Sellers- payment in 2019	8.0
Deferred payments in shares accounted as equity, finally settled in cash- payment in 2019	13.0
Total acquisition price	**232.6**

A qualified and well-known external expert was appointed to carry out the fair value of selected net assets acquired, as well to support Group in identification of unrecognized intangible assets.

As a result of the acquisition, based on the valuation performed, Group has recognized the "Sushi Shop" brand at EUR 86.1 million (provisional value accounted in 2018 EUR 92 million). Sushi Shop brand's value has been determined using the income approach (relief from royalty). Key assumptions for the applied relief-from-royalty method include royalty income of 5.4%. The useful life of the brand had been assessed to be indefinite – respective terminal value has been estimated using a 1.65% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 3p.p. premium reflecting the intangible assets' liquidity risk. Adopted discount rate and specific risk premium was assessed by external expert to be within market range.

The Group recognized customer relationship intangible asset related to "Come in" loyalty program. It represents the marketing tool supporting sales, and consequently it was subject of more detailed analysis and valuation. Valuation of intangible asset related to customer relationships for the purpose of purchase price allocation in compliance with IFRS was conducted using 'multi period excess earnings' method under income approach. The value of client relationships related to customer database was calculated at EUR 6.2 million. The useful life of this intangible asset was assumed to be 10 years.

Group recognized the value of relations with franchisees related to supply chain management at EUR 2.7 million as intangible asset. The useful life of this intangible asset was assumed to be 4 years and represent average period of remaining franchise agreements duration.

As the result of analysis of rental agreements, the Group recognized intangible assets (key monies) totaling EUR 14.1 million as at the acquisition date.

The Group has acquired tangible assets amounting to EUR 16.5 million and property plant and equipment was subject to valuation of external valuation expert.

The fair value of acquired trade and other receivables is EUR 11.5 million. The gross contractual amount for receivables due is EUR 16.5 million, of which EUR 5 million is expected to be uncollectible.

A deferred tax liability amounting to EUR 22.8 million was also recognized for differences between tax and accounting values.

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

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

None of the acquired assets and liabilities will be subsequently measured at fair value, therefore the requirements of IFRS 13 to disclose fair value measurement techniques do not apply.

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

Sushi Shop Group	**Fair value EUR million**
Property, plant and equipment	16.5
Trademark	86.1
Other intangible assets	23.0
Other assets	3.5
Inventories	1.3
Trade and other receivables	11.5
Income tax receivable	0.8
Cash and cash equivalents	8.1
Total assets	150.8
Provisions	3.0
Deferred tax liabilities	22.8
Trade payables	10.4
Other liabilities	20.2
Total liabilities	56.4
Net assets acquired	**94.4**
Acquisition price	232.6
Non-controlling interest within SSG	0.8
Less net assets acquired and liabilities assumed	(94.4)
Goodwill	**139.0**

Note 44 shows impact of restatement in statement of financial position as at 31 December 2018 due to final purchase price accounting of Sushi Shop acquisition.

Cash flows related to acquisition are as follows:

	31 December 2019	**31 December 2018**
Amount paid in cash	21.0	211.6
Acquired cash and cash equivalents	-	(8.1)
Net cash outflows on acquisition	**21.0**	**203.5**

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

Allocation of goodwill to groups of cash generating units where goodwill-related synergies will be realized, have been finalized. Goodwill is allocated to Sushi Shop business operation within Western Europe territory.

Impact on the consolidated income statement

Final purchase price accounting had no material impact on comparative data in income statement, and consequently the data were not restated.

The acquisition costs of EUR 0.6 million have been recognized as general and administrative expense, and in operating cash flows in the statement of cash flows in 2018.

Further expansion to the KFC French restaurant market

Description of the acquisition

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

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

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

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

KFC restaurants in France are operated within AmRest Opco SAS and two of its subsidiaries: AmRest Leasing SAS and AmRest Estate SAS. One restaurant has been acquired by the purchase of the shares of Versailles Resto SAS, a company which has merged with AmRest Opco SAS on 1 January 2019.

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

AmRest Opco SAS group	**Fair value EUR million**
Cash and cash equivalents	0.1
Property, plant and equipment	22.2
Intangible assets	4.0
Inventories	0.2
Deferred tax asset	2.0
Asset related to right to compensation resulting from the acquisition agreement	0.8
Employee related accruals	(0.8)
Deposit, prepaid rent and other assets	0.6
Payables	(0.5)
Provisions	(0.7)
Net assets acquired	**27.9**
Acquisition price	34.4
The fair value of net assets	27.9
Goodwill	**6.5**

Cash flows related to acquisition are as follows:

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

Allocation of the acquisition price

In the fourth quarter of 2019, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired KFC France restaurants.

A qualified and well-known external expert was appointed to carry out the fair valuation of restaurants assets taken over in the context of an acquisition process.

During final purchase price allocation, construction and leasehold improvement parts of freeholds amounted to EUR 2.8 million have been identified. As a result, transfer between land and buildings has been booked, not changing property, plant and equipment line. Also, key money amounted to EUR 3.4 million has been identified as intangible asset which meets the identification criteria. As a result of the acquisition, based on the valuation performed, the Group has acquired land amounting to EUR 4.6 million, leasehold improvements amounting to EUR 6.6 million, and machinery and other tangible assets amounting to EUR 11.0 million. Total intangible assets acquired, including key money amounted to EUR 4.0 million.

Within the transaction, a transfer of employees also took place. Employee-related accruals, such as holiday pay accrual and any potential bonuses were accounted for with the corresponding recognition of receivables from the seller (YUM receivable), as transfer of those accruals is subject to reimbursement from the seller. Employee-related accrual recognised in an amount of EUR 0.8 million, equal to the asset related to the right to compensation, was repaid by Yum. In addition, provision for the estimated costs of bringing the location to the condition it was in before the lease agreement was signed was recognised, amounting to EUR 0.7 million.

A deferred tax asset amounting to EUR 2.0 million was also recognised for temporary differences between tax and accounting values of acquired assets and liabilities.

The Group also covered initial fees for all new stores, which were added to the purchase price. Initial fee payments for the granting of franchise rights and use of the KFC trademark amounted to EUR 0.6 million and have been recognised on the balance sheet as an intangible asset on the acquisition date.

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

Due to the fact that from a legal perspective the purchase of 14 restaurants was structured as an asset deal, and the purchase of one restaurant as a share deal, no material payables have been acquired.

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

As a result, goodwill of EUR 6.5 million was recognised.

None of the acquired assets and liabilities will be subsequently measured at fair value, therefore the requirements of IFRS 13 to disclose fair value measurement techniques do not apply.

Impact on the consolidated income statement

Final purchase price accounting had no material impact on comparative data in income statement, and consequently the data were not restated.

Group incurred a total of EUR 1.8 million in transaction-related costs, including registration fees, that were recognised in the income statement of 2018 on this transaction. The high level of acquisition-related costs results from the obligatory registration and notary fees paid.

8. Loss of control

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. ("Glovo") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("Pizza Portal"). Assets and liabilities of Pizza Portal was classified as a disposal group held for sale.

(all figures in EUR millions unless stated otherwise)

On 28 October 2019, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in Pizza Portal to Glovo. The agreed transaction price amounted to EUR 35 million, including earn-out as the price conditions have been met. In consideration for the transfer of 100% of shares in Pizza Portal, AmRest was entitled to a combination of cash payment of up to EUR 20 million and newly issued shares of Glovo, with the remaining part of consideration to be received in newly issued shares.

Based on the sale agreement provisions to determine the number of shares to be transferred to AmRest a non-cash part of the consideration was divided by a per share price from share capital increase with agreed discount. The Group assessed fair value of newly issued shares amounted to EUR 17.6 million. Cash consideration, in line with arrangements from the agreement, has been paid to the Group in January 2020. The share capital increase took place in Glovo in December 2019. New shares were registered as AmRest's also in January 2020.

Details of the loss of control accounting:

	31 December 2019
Consideration receivable:	
Cash element fair value	20.0
Shares element fair value (note 21)	17.6
Total disposal consideration	**37.6**
Carrying amount of net assets disposed	0.5
Gain on sale (note 11)	**37.1**

Gain on sale has been recognised in other operating income line in consolidated income statement for the year ended 31 December 2019.

As at the date of sale of subsidiary, the Group has reclassified foreign translation reserve to profit and loss. The amount is immaterial.

Cash consideration receivables as at 31 December 2019 were presented within "Trade and other receivables" position. Cash consideration was received in January 2020, as agreed in agreement with Glovo.

The carrying amounts of assets and liabilities as at the date of loss of control:

Assets	
Right-of-use assets	0.1
Goodwill	0.7
Intangible assets	1.7
Trade and other receivables	0.5
Cash and cash equivalents	1.0
Total assets	**4.0**

Liabilities	
Deferred tax liabilities	0.3
Trade and other payables	1.8
Loans and borrowings	1.4
Total liabilities	**3.5**

9. Revenues

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

- Restaurant sales,
- Franchise and other sales.

(all figures in EUR millions unless stated otherwise)

This is reflected in the format of Group's consolidated income statement. Additional disaggregation by geographical market is included in the note 6.

Restaurant sales

Restaurant revenues are the most significant source of revenues representing over 94% of total revenues.

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

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

Franchise and other sales

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

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

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

10. Operating costs and losses

AmRest Group presents consolidated income statement using a classification based on function of expense method. Historically consolidated income statement was prepared by function – since AmRest was quoted on the Warsaw Stock Exchange in 2005, which is a common practice on Polish market. Group considers that analysis of restaurant expenses, franchise and other expenses – and information regarding result in the functional area provides more relevant information. The table below presents an additional analysis of operating expenses by nature.

	year ended	
	31 December 2019	**31 December 2018** *(restated*)*
Depreciation of property, plant and equipment (note 16)	98.5	80.3
Amortisation of intangibles (note 18)	13.9	11.8
Depreciation of right-of-use assets (note 18)	136.9	-
Food, merchandise and other materials	593.7	476.8
Utilities	75.4	60.8
External services – marketing	81.1	68.2
External services – other	115.8	83.2
Payroll	470.4	358.0
Social security and employee benefits	119.5	92.0
Operating leases (occupancy cost)	26.3	143.4
Royalties	94.4	77.0
Insurance	1.9	1.1
Business travel	12.2	10.7
Other	21.8	16.7
Total cost by nature	**1 861.8**	**1 480.0**
Result on restaurants and non-current assets disposal	1.5	(2.7)
Total operating costs and losses	**1 863.3**	**1 477.3**

** The comparative data were restated as a result of an reclassification adjustment described also in note 44. Group changed the presentation of costs incurred from external providers for services of delivery of products. In prior periods*

(all figures in EUR millions unless stated otherwise)

Group presented both internal costs and external costs as payroll. Currently the delivery fee is presented as external services.

The reclassification adjustment resulted in change of EUR 17,9 million for the year ended 2018 between external services – other (increase) and payroll (decrease).

Summary of operating expenses by functions:

	year ended	
	31 December 2019	**31 December 2018**
Restaurant expenses	1 642.3	1 299.9
Franchise and other expenses	73.7	62.3
Total cost of sales	**1 716.0**	**1 362.2**
General and administrative expenses	147.3	115.1
Total operating costs and losses	**1 863.3**	**1 477.3**

11. Other operating income/expenses

	year ended	
	31 December 2019	**31 December 2018**
Gain on Pizza Portal investment disposal (note 8)	37.1	-
Supply chain services	7.0	4.6
Compensations, Insurance gains	5.2	1.7
Reversal of provisions	2.3	1.4
Proceed received on prior years tax claims	0.4	2.5
Gain on bargain purchase	-	1.0
Other income	2.9	2.1
Registration and notary costs related to the acquisition in France	-	(1.8)
Provision for resetting master-franchise agreements	(8.0)	-
	46.9	**11.5**

12. Impairment losses

Details of impairments losses recognized:

	year ended	
	31 December 2019	**31 December 2018**
Impairment on trade receivables (note 39)	4.1	1.5
Net impairment losses on financial assets	**4.1**	**1.5**
Impairment of property, plant and equipment (note 16)	10.2	7.1
Impairment of intangible assets (note 18)	5.8	0.9
Impairment of right of use assets (note17)	6.0	-
Impairment of goodwill (note 19)	13.4	-
Net impairment losses of other assets	**35.4**	**8.0**
Total net impairment losses of assets	**39.5**	**9.5**

13. Finance income

	year ended	
	31 December 2019	**31 December 2018**
Income from bank interest	0.5	0.8
Fair value measurement of FVTPL (note 21)	31.7	1.9
Net income from foreign exchange differences	**1.5**	**-**
Net income from foreign exchange differences on lease liability	0.5	-

(all figures in EUR millions unless stated otherwise)

	year ended 31 December 2019	31 December 2018
Net income from foreign exchange differences - other	1.0	
Other	0.1	1.9
Total finance income	**33.8**	**2.7**

14. Finance costs

	year ended 31 December 2019	31 December 2018
Interest expense	(17.7)	(12.6)
Interest expense on lease liability	(25.8)	-
Financial fees recognised as interest expense	(1.4)	(1.0)
Financial fees - other	(0.5)	(0.8)
Net cost from foreign exchange differences	-	(0.9)
Other	(0.6)	(1.5)
Total finance cost	**(46.0)**	**(16.8)**

15. Income taxes

	year ended 31 December 2019	31 December 2018 (restated)
Current tax	(26.7)	(17.9)
Deferred income tax recognised in the income statement	0.2	1.7
Income tax recognised in the income statement	**(26.5)**	**(16.2)**
Deferred tax asset		
Opening balance	21.3	16.7
Closing balance	22.4	21.3
Deferred tax liability		
Opening balance	49.5	27.3
Closing balance	51.4	49.5
Change in deferred tax assets/liabilities	**(0.8)**	**(17.6)**

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

	Asset		Liability	
	31 December 2019	**31 December 2018** (restated)	**31 December 2019**	**31 December 2018** (restated)
Property, plant and equipment and intangible assets	10.9	9.8	57.3	54.0
Leases	4.1	-	-	-
Financial instruments measured at fair value through profit or loss	-	-	7.9	-
Trade and other receivables	2.7	-	1.5	-
Provisions and other liabilities	9.5	5.0	-	-
Tax losses carried forward	10.2	10.3	-	-
Other differences	1.5	2.6	1.1	1.9
	38.9	**27.7**	**67.8**	**55.9**
The offset of tax	**(16.5)**	**(6.4)**	**(16.4)**	**(6.4)**
	22.4	**21.3**	**51.4**	**49.5**

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

(all figures in EUR millions unless stated otherwise)

Changes in deferred tax asset and liabilities are recognized as follow:

	year ended	
	31 December 2019	**31 December 2018** (restated)
Change in deferred tax assets/liabilities	**(0.8)**	**(17.6)**
of which:		
Deferred taxes recognised in the income statement	0.2	1.7
Deferred taxes recognised in goodwill (note 7)	-	(20.1)
Deferred taxes recognised in other comprehensive income – net investment hedges	0.3	(0.9)
Deferred taxes recognised in equity -valuation of employee options	0.3	1.4
Foreign exchange differences	(1.6)	0.3

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

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

	year ended	
	31 December 2019	**31 December 2018**
Profit before tax	**93.4**	**57.5**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	16.7	9.0
Income permanently not subject tax (Pizza Portal sale transaction)	(8.6)	-
Tax loss for the current period for which no deferred tax asset was recognised	3.8	3.6
Temporary differences on goodwill impairment for which no deferred tax was recognised	3.9	-
Change of assumptions on deferred tax asset from tax losses related to previous years	3.8	-
Other temporary differences in current period for which no deferred tax is recognised	1.8	-
Effect of local tax reported as income tax	3.2	-
Effect of other permanent non-tax-deductible differences	2.6	2.6
Effect of the remaining differences	(0.7)	1.0
Corporate income tax in the income statement	**26.5**	**16.2**

**The applicable weighted average tax rate amounted to 17.9% (for the period ended 31 December 2018: 15.7%).*

As at 31 December 2019 Group has the following tax losses:

Year of expiry of tax loss carryforwards	**Value of tax losses**	**Tax losses in respect of which deferred tax assets were recognised**	**Tax losses in respect of which no deferred tax assets were recognised**
2019- 2027	6.6	0.7	5.9
No time limit	82.3	36.9	45.4
	88.9	**37.6**	**51.3**

Deferred taxes were not recognised for the following tax losses:

year ended

(all figures in EUR millions unless stated otherwise)

	31 December 2019	31 December 2018
Poland	4.6	6.5
Hungary	3.3	5.7
France	11.9	18.7
Germany	29.8	20.5
Croatia	-	0.6
China	0.2	0.2
Bulgaria	-	1.3
Serbia	-	0.1
Slovenia	0.5	0.1
Romania	1.0	0.3
Austria	-	0.6
Russia	-	1.1
Portugal	-	1.0
	51.3	**56.7**

As at 31 December 2019 the Group recognised a deferred tax asset from tax losses in an amount of EUR 10.2 million. The Group analyses recoverability of deferred taxes on tax losses based on the guidance in IAS 12. Group subsidiaries analyzes the periods in which tax losses can be utilized, whether there are sufficient taxable temporary differences related to the same tax authority and tax jurisdiction, and if the entity will create taxable profits in the periods in which unused tax losses can be utilized. As a result of analysis performed, in 2019 Group recognised total balance of EUR 10.2 million deferred tax assets related to unused tax losses. The balance relates mainly to tax losses in Starbucks Germany market, French KFC, PH and Sushi entities and Russian market. Tax losses in above mentioned tax jurisdictions have no limit of expiration.

Group analyses business plans and cash flows forecasts of subsidiaries in terms of recoverability of deferred tax assets recognised. In particular Group performs goodwill impairment tests for whole businesses and balances of tax losses for which deferred taxes were recognized are verified against projected tax cash outflows. In case unit has projected negative results, deferred tax assets are reassessed in terms of recoverability. In 2019 Group recognised impairment on in KFC Germany business and PH France business, that resulted in both: lack of recognition of deferred taxes on tax losses and derecognition of deferred tax asset accounted in past.

In total during year 2019 total tax effect of tax loss for the current period for which no deferred tax asset was recognised amounted EUR 3.8 million and tax effect of EUR 3.8 million relates to deferred taxes on tax losses recognized in prior years and derecognized in current year.

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

The table below presents tax rate by country applicable for the year 2019 and 2018.

Country	**Income tax rates**		**Deferred income tax assets and liabilities**	
	2019	**2018**	**2019**	**2018**
Spain	25.00%	25.00%	25.00%	25.00%
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	9.00%	9.00%	9.00%	9.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	35.00%	35.00%	35.00%	35.00%
Malta	35.00%	35.00%	35.00%	35.00%
Germany	30.00% *	30.00% *	30.00% *	30.00% *
France **	31.00%, 28.00%	33, 33%	31%, 28%, 25%	33.33%
Croatia	18.00%	18.00%	18.00%	18.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	16.00%	16.00%	16.00%

(all figures in EUR millions unless stated otherwise)

Country	Income tax rates 2019	2018	Deferred income tax assets and liabilities 2019	2018
Slovakia	21.00%	21.00%	21.00%	21.00%
Slovenia	19.00%	19.00%	19.00%	19.00%
Austria	25.00%	25.00%	25.00%	25.00%
Portugal	21.00%	21.00%	21.00%	21.00%

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

*** Deferred taxes in France were calculated taking into account an approved plan of the progressive reduction of the income tax rate from 33.3% in 2018, 31.0% in 2019 to 25.0% in 2022.*

16. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2019 and 2018:

2019	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
PPE as at 1 January	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**
Application of IFRS 16	(0.2)	(1.4)	(0.6)	(0.4)	-	-	**(2.6)**
Acquisition	-	-	0.4	-	-	-	**0.4**
Additions	0.3	70.2	73.4	0.8	17.9	25.2	**187.8**
Depreciation	-	(43.6)	(41.8)	(0.6)	(12.5)	-	**(98.5)**
Impairment losses	-	(1.7)	(5.1)	(0.1)	(2.8)	(0.5)	**(10.2)**
Disposals and deconsolidation of assets	-	0.5	(0.9)	(0.1)	(0.4)	(0.8)	**(1.7)**
Transfers	(0.7)	0.7	-	-	-	-	**0.0**
Foreign exchange differences	0.3	4.7	2.0	(0.1)	0.6	0.8	**8.3**
PPE as at 31 December	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**
Gross book value	11.5	579.3	372.9	1.6	79.7	68.4	**1 113.4**
Accumulated depreciation and impairment write-downs	(0.1)	(287.5)	(189.4)	(0.8)	(48.3)	(2.4)	**(528.5)**
Net book value	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**

2018 (restated)	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
PPE as at 1 January	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**
Acquisition	4.6	9.4	28.6	0.7	0.2	0.3	**43.8**
Additions	-	85.3	54.3	0.4	17.9	3.6	**161.5**
Depreciation	-	(38.1)	(31.2)	(0.6)	(10.4)	-	**(80.3)**
Impairment losses	-	(6.5)	(0.4)	-	(0.2)	-	**(7.1)**
Disposals and deconsolidation of assets	(8.8)	(0.4)	(0.2)	(0.1)	(0.3)	(0.4)	**(10.2)**
Foreign exchange differences	(0.3)	(6.4)	(3.2)	(0.1)	(0.9)	(1.4)	**(12.3)**
PPE as at 31 December	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**
Gross book value	11.8	509.2	305.3	2.4	63.1	43.2	**935.0**
Accumulated depreciation and impairment write-downs	(0.1)	(246.8)	(149.2)	(1.1)	(34.5)	(1.9)	**(433.6)**
Net book value	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**

Due to the nature of the Group business the balance of the property, plant and equipment consists of assets in over 1.9 thousand restaurants. There are no individually significant assets. High balance of additions during the years is related with significant organic growth.

(all figures in EUR millions unless stated otherwise)

Depreciation was charged as follows:

	year ended	
	31 December 2019	**31 December 2018**
Costs of restaurant operations	94.4	76.6
Franchise expenses and other	1.5	1.5
Administrative expense	2.6	2.2
Total depreciation	**98.5**	**80.3**

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2019 by around EUR 10.1 million. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2018 by around EUR 8.2 million.

17. Leases

The Group leases over 1.9 thousand properties in order to operate brand restaurants. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, depending on local lease practice and legal framework. Additionally the Group leases in some market cars, equipment, as well as properties for administration or storage purposes and company flats.

The table below presents the reconciliation of the right-of-use assets and lease liabilities for year ended 31 December 2019:

	Right-of-use asset			Lease liabilities
2019	Restaurant properties	Other	Total right-of-use asset	Total liabilities
As at 1 January (note 5)	790.8	8.7	799.5	790.8
Additions – new contracts	105.5	10.6	116.1	116.1
Changes and reassessments	62.8	3.0	65.8	65.8
Amortisation expense (note 10)	(131.7)	(5.2)	(136.9)	-
Impairment (note 12, 20)	(5.9)	(0.1)	(6.0)	-
Interest expense (note 14)	-	-	-	25.8
Payments	-	-	-	(148.3)
Foreign exchange differences	14.0	0.2	14.2	13.9
As at 31 December	**835.5**	**17.2**	**852.7**	**864.1**

The maturity of lease liabilities is presented in the table below:

	31 December 2019	**31 December 2018**
Up to 1 year	144.7	0.6
Between 1 and 3 years	254.3	0.7
Between 3 and 5 years	170.4	0.4
Between 5 and 10 years	199.2	0.7
More than 10 years	95.5	-
Total lease liabilities	**864.1**	**2.4**

The following are the remaining contractual maturities of lease payments at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

	31 December 2019
Up to 1 year	154.1
Between 1 and 3 years	269.1
Between 3 and 5 years	192.2
Between 5 and 10 years	250.2
More than 10 years	157.0
Total contractual lease payments	**1 022.6**
Future finance costs of leases	158.5
Total lease liabilities	**864.1**

Amortisation was charged as follows:

(all figures in EUR millions unless stated otherwise)

	year ended	
	31 December 2019	31 December 2018
Costs of restaurant operations	132.5	-
Administrative expense	4.4	-
Total amortisation	**136.9**	**-**

The Group recognised rent expense from short-term leases of EUR 2.4 million, leases of low-value assets of EUR 4.5 million and variable lease payments of EUR 19.2 million for the year ended 31 December 2019. Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

Amounts recognised in statement of cash flows amounted to EUR 148.3 million presented as repayment of lease liability and EUR 26.1 million as lease payments not included in the lease liability.

Total cash outflow for leases amounted to EUR 174.4 million in the year ended 31 December 2019.

Additional information about lease payments and lease term

The Group's lease payments are often charged as a higher of fixed payment and turnover based payment. The Group recognized the excess of turnover based rent as variable lease payments. Therefore the stores' revenue impacts on the future variable lease payments. In the year ended 31 December 2019, the share of variable payments amounts to 13% of fixed lease payments.

The intention of the Group is to secure long-term property lease contract, with flexibility that enable adjustments of strategy and reaction on changing market conditions. Vast majority part of the Group's leases provides flexibility, for example, the Group can adjust its exposure by exercising termination options, extension options or using pre-emption rights to go into a renewal agreement. Such rights are subject of individual negotiations with lessors and do not deviate from standard market conditions.

The Group does annual revision of expiring lease contracts. The Group performs case-by-case analysis of the contracts, adjusted to the latest store performance, up-to-date Group's strategy and market conditions. During this process, among others, the Group decides whether exercise, or not, the extension and termination options falling for the following year. The decisions have impact on the assessment of the leases end date used in the measurement of lease liability.

18. Intangible assets

The table below presents changes in the value of intangible assets in 2019 and 2018:

2019	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees and customers	Total
IA as at 1 January	157.7	22.1	43.2	38.2	**261.2**
Application of IFRS 16	-	-	(0.5)	-	**(0.5)**
Additions	-	7.8	5.8	-	**13.6**
Amortisation	(0.2)	(3.7)	(6.9)	(3.1)	**(13.9)**
Impairment losses	-	(0.7)	(5.1)	-	**(5.8)**
Disposals and derecognition of assets	(0.9)	(0.3)	(0.7)	-	**(1.9)**
Foreign exchange differences	0.1	0.7	-	-	**0.8**
IA as at 31 December	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**
Gross book value	158.4	45.5	74.9	51.9	**330.7**
Accumulated amortisation and impairment write-downs	(1.7)	(19.6)	(39.1)	(16.8)	**(77.2)**
Net book value	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**

(all figures in EUR millions unless stated otherwise)

2018 (restated)	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees and customers	Total
IA as at 1 January	69.4	20.4	28.0	31.1	**148.9**
Acquisition	88.7	0.8	17.4	8.9	**115.8**
Additions	-	4.9	5.6	-	**10.5**
Amortisation	(0.2)	(2.9)	(6.9)	(1.8)	**(11.8)**
Impairment losses	-	-	(0.9)	-	**(0.9)**
Disposals and derecognition of assets	-	(0.2)	-	-	**(0.2)**
Foreign exchange differences	(0.2)	(0.9)	-	-	**(1.1)**
IA as at 31 December	**157.7**	**22.1**	**43.2**	**38.2**	**261.2**
Gross book value	159.1	39.2	73.3	51.9	**323.5**
Accumulated amortisation and impairment write-downs	(1.4)	(17.1)	(30.1)	(13.7)	**(62.3)**
Net book value	**157.7**	**22.1**	**43.2**	**38.2**	**261.2**

Amortisation was charged as follows:

	year ended	
	31 December 2019	**31 December 2018**
Costs of restaurant operations	6.3	3.9
Franchise expenses and other	2.3	3.0
Administrative expense	5.3	4.9
Total amortization	**13.9**	**11.8**

Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

The Group belives that brands are the intangibles that do not generate cash inflows that are largely independent of other groups of assets. For some Group brands, cash inflows from the franchisee business are partially independent of other cash inflows, however, these do not represent the value of the whole brand. Brands are used to support restaurant business development and revenues from sales of products under certain brands are not capable of being split between revenue for the brand and revenue for costs of production. Consequently, brands are not a cash-generating unit and are not tested on a standalone basis. Such assets are tested together with their relevant goodwill values. The results of the test are presented in note 20.

The table below presents details of Proprietary brands as at 31 December 2019. Table shows also at which level of goodwill impairment tests the brands are tested:

Brand	Useful life	Level of goodwill test	Gross value	Accumulated amortisation	Impairment	Net value
La Tagliatella	indefinite	Spain – La Tagiatella and KFC	65.0	-	-	65.0
Pizza Portal	indefinite	Poland – Pizza Portal	-	-	-	-
Sushi Shop	indefinite	Sushi Shop (all markets)	86.1	-	-	86.1
Blue Frog	definite	China – Blue Frog	4.8	(1.7)	-	3.1
Bacoa	definite	Spain - Bacoa	2.5	-	-	2.5
			158.4	**(1.7)**	**-**	**156.7**

The most material individual other intangibles items are Exclusivity rights and Master franchise rights, as presented in the table below. Additionally key monies recognized on the level of particular restaurants on acquisitions in France (before IFRS 16 implementation) amounted to EUR 18.6 million.

Category	Useful life	Gross value	Accumulated amortisation	Impairment	Net value
Master Franchise PH right (France)	definite	6.0	(1.5)	(4.5)	-
Exclusivity rights Starbucks (Romania)	definite	11.1	(6.0)	-	5.1
Exclusivity rights Starbucks (Germany)	definite	2.5	(1.9)	-	0.6

(all figures in EUR millions unless stated otherwise)

19. Goodwill

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

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

2019	1 January	Increases (provisional)	Decrease	Impairment	Foreign exchange differences	31 December
Sushi Shop (all markets)	139.0	1.5	-	-	-	**140.5**
Spain – La Tagiatella and KFC	89.6	1.3	-	-	-	**90.9**
Spain - Bacoa	1.2	-	-	-	-	**1.2**
Russia - KFC	35.7	-	-	-	4.7	**40.4**
Germany - Starbucks	35.0	-	-	-	-	**35.0**
China – Blue Frog	19.7	-	-	-	0.1	**19.8**
France - KFC	14.0	-	-	-		**14.0**
France - PH	8.8	-	-	(8.8)	-	**-**
Germany - KFC	4.6	-	-	(4.6)	-	**-**
Hungary – KFC	3.8	-	-	-	-	**3.8**
Romania - SBX	2.7	-	-	-	(0.1)	**2.6**
Czechia – KFC	1.5	-	-	-	(0.1)	**1.4**
Poland – Pizza Portal	0.7	-	(0.7)	-	-	**-**
Poland – Other	0.6	-	-	-	-	**0.6**
Total	**356.9**	**2.8**	**(0.7)**	**(13.4)**	**4.6**	**350.2**

2018 (restated)	1 January	Increases	Decrease	Impairment	Foreign exchange differences	31 December
Sushi Shop (all markets)	-	139.0	-	-	-	**139.0**
Spain – La Tagiatella and KFC	89.6	-	-	-	-	**89.6**
Spain - Bacoa	-	1.2	-	-	-	**1.2**
Russia - KFC	40.6	-	-	-	(4.9)	**35.7**
Germany - Starbucks	35.0	-	-	-	-	**35.0**
China – Blue Frog	19.9	-	-	-	(0.2)	**19.7**
France - KFC	7.1	6.9	-	-		**14.0**
France - PH	8.8	-	-	-	-	**8.8**
Germany - KFC	4.6	-	-	-	-	**4.6**
Hungary – KFC	4.0	-	-	-	(0.2)	**3.8**
Romania - SBX	2.7	-	-	-	-	**2.7**
Czechia – KFC	1.5	-	-	-	-	**1.5**
Poland – Pizza Portal	0.7	-	-	-	-	**0.7**
Poland – Other	0.6	-	-	-	-	**0.6**
Total	**215.1**	**147.1**	**-**	**-**	**(5.3)**	**356.9**

Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

20. Impairment of non-current assets

Restaurant level tests

The Group periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment testing. The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets /groups of assets. Restaurant assets include amongst others property, plant and equipment, intangible assets and right of use assets. Impairment indicators defined by the Group are described in note 43.

(all figures in EUR millions unless stated otherwise)

Impairment indicators are reviewed twice a year and respective impairments test for restaurants are performed twice a year.

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

Carrying amount of each CGU consists of carrying amount of above described assets decreased by balance of lease liabilities assigned to the restaurants (net assets of CGU). To determine the recoverable amount of CGU the lease liabilities balance is also deducted from total discounted cash flows (without the base rental charge). Carrying amount of CGU is compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

The adoption of IFRS 16 had significant impact on the amount of assets recorded in the statement of financial position of Group. The carrying amount of the assets in the CGU increased (by including right of use assets) and the value in use of the CGU increased (by excluding lease payments (base rent payments) from cash flow projections).These two effects may not be fully offsetting as generally discount rate for impairment test may differ from discount rate for valuation of lease assets and liabilities under IFRS 16.

As presented below it can be observed that discount rates used for the impairment test have decreased comparing to year end 2018 tests. This is the expected effect of implementation of IFRS 16 and needed for assuring consistency in impairment tests. Apart of changes in discount rates due to changes in economy and environment, the decrease of discount rate results from the fact that composition of assets tested has changed (new right of use asset is included in carrying amount of unit tested comparing to prior tests) and also cash flow variability has decreased (as base lease payments are no longer part of free cash flows used in value in use determination, the gross free cash flows increased and relative volatility decreased). As discount rate should reflect the risk of the items tested and respective cash flows, the corresponding decrease of discount rates is observed. Discounts rates applied are shown in the table below.

	Pre-tax discount rate 31 December 2019	**Pre-tax discount rate 30 June 2019**	**Pre-tax discount rate 31 December 2018**
Poland	6.14%	5.41%	8.85%
Czechia	5.67%	5.05%	7.51%
Hungary	6.37%	5.83%	8.35%
Russia	9.93%	8.19%	17.91%
Serbia	8.06%	7.30%	12.34%
Bulgaria	5.23%	4.99%	7.12%
Spain	5.72%	5.18%	8.47%
Germany	4.36%	4.25%	6.28%
France	4.96%	4.66%	7.30%
Croatia	6.32%	5.95%	9.50%
China	7.21%	5.90%	10.88%
Romania	8.19%	6.68%	11.30%
Slovakia	4.79%	4.68%	n/a
Portugal	5.85%	5.71%	n/a
Austria	4.62%	4.45%	n/a
Slovenia	5.28%	4.98%	n/a

Details of impairments losses recognised per category of assets (property, plant and equipment, right of use assets, intangible assets or goodwill) are presented in notes 16, 17, 18 and 19.

Recognized impairment losses do not relate to any individual significant items, but to numerous restaurants tested during the year. This reflects the specifics of Group's operations, were business is conducted through multiple, individually small operating units.

During year ended 31 December 2019 Group has tested 305 restaurants as separate cash generating units.

Impairment loss or partial impairment loss was recognized for 114 restaurants. Reversal of impairment or partial reversal of impairment was accounted for 41 restaurants.

As a result of tests performed, impairment in the amount of EUR 11.8 million (EUR 7.1 million for property, plant and equipment and intangible assets, EUR 4.7 million for right of use assets) was recognized. Five highest individual impairment losses amounted in total EUR 3.9 million. An average impairment loss per restaurant amounted EUR 0.1 million.

(all figures in EUR millions unless stated otherwise)

Five highest individual reversals of impairment losses amounted in total EUR 1.4 million. An average reversal of impairment per restaurants was of EUR 0.1 million.

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

Goodwill level tests

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

Present value technique model (the income approach) is used by Group for the purpose of determining fair value. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single discounted amount. The fair value reflects current market expectations about those future amounts. The income approach uses unobservable inputs, as a result, the fair value measurement is generally classified as Level 3 in the fair value hierarchy.

The cash flows are initially derived from the budget for the next year, most recent plans for the next two years and the forecasts for the following 2 years. Projections do not include restructuring activities that the Group is not yet committed to. As Group's specific budgets and forecasts are used as a starting point, they may need to be adjusted for market conditions, if Group's perspective would be assessed as different than average market participant.

The 5th year projections are used to extrapolate cash flows into the future if the 5th year represents a steady state in the development of the business. The adjustments may be necessary to reflect the expected development of the business (normalization of cash flows). Growth rates do not exceed the long-term average growth rate for the products, industries, or country or market in which the asset is used.

The recoverable amount is most sensitive to the discount rate used, growth rate used for extrapolation purposes and the weighted average budgeted EBITDA margin. The weighted average budgeted EBITDA margin is calculated as an average for the 5 years projection period i.e. without any impact of the residual value element. Budgeted revenues are used as weights.

The main input assumptions used in test are as follows:

2019	Post-tax discount rate	Implied pre-tax discount rate	Growth rate for residual value	Weighted average budgeted EBITDA margin
Czechia - KFC	5.22%	5.85%	2.50%	21.1%
Hungary - KFC	6.69%	7.12%	2.20%	19.9%
Russia – KFC	9.55%	11.36%	1.85%	14.4%
Spain – KFC and TAG	4.88%	5.95%	1.59%	20.4%
Spain – Bacoa	4.88%	5.87%	1.59%	8.2%
China – BF	6.33%	7.59%	2.50%	12.5%
Romania – SBX	8.15%	9.15%	2.50%	21.9%
Germany – KFC	3.33%	4.18%	1.17%	2.0%
Germany – Starbucks	3.33%	4.19%	1.17%	6.5%
France – KFC	3.81%	4.72%	1.43%	8.1%
France – PH	3.81%	3.81%	1.43%	(6.1%)
Sushi Shop (all markets)	3.81%	4.71%	1.43%	11.2%

Test results in 2019

Based on the impairment test prepared the impairment was recognized in following group of CGU: PH France and KFC Germany.

In all remaining tests the recoverable amount exceeds the carrying amount of the tested group of CGUs.

The Group carried out a sensitivity analysis for the impairment tests performed as at 31 December 2019 which involved estimating the value in use.

(all figures in EUR millions unless stated otherwise)

Such sensitivity analysis examined the impact of changes in:

- discount rate applied,
- weighted average budgeted EBITDA margin,
- growth rate for residual value,
- sales revenues increases,

assuming other factors remain unchanged.

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

For discount rate, growth rate, weighted average budgeted EBITDA margin, a reasonable possible change was determined as 10% of the input data, applicable for particular unit. Consequently, each impairment test has a different level of a reasonable change in inputs, which can be determined by multiplying the base input data used in the impairment test as presented in table above by 10%.

Additionally Group performed sensitivity analysis on the expected changes in sales revenues recognition. In that case Group determines reasonable change individually for each business tested. Usually this is in a range of 1-5% decrease of estimated sales revenues in each year of projection.

Results of the sensitivity analysis for businesses were no impairment of goodwill was needed:

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

Results of the impairment tests and sensitivity analysis for businesses impairment of goodwill was recognized:

Sensitivity analysis for PH France

The impairment test performed for Pizza Hut French business resulted in recognition of impairment losses. The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities and deferred tax liabilities related to initial acquisition of PH French business.

Carrying amount of CGU was compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

Group recognized impairment of total goodwill balance in the amount of EUR 8.8 million. Additional impairment losses recognized as a result of impairment tests performed amounted EUR 8.2 million and were recognized for intangible assets, property, plant and equipment and right of use assets. Total value of impairment recognized for PH France amounted EUR 17.0 million.

The Group performed the sensitivity analysis in various scenarios for PH France. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents if any change in impairment loss would be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable.

Input/ change in input	**Possible change in impairment loss**
Discount rate - in model (post-tax discount rate (3.81%))	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Growth rate for residual value - in model (1.43%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Weighted average budgeted EBITDA margin value - in model (-6.07%)	

(all figures in EUR millions unless stated otherwise)

Input/ change in input	Possible change in impairment loss
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Restaurant Sales	
-5% in each year of projection	No change in impairment loss accounted
-3% in each year of projection	
+3% in each year of projection	
+5% in each year of projection	

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit (assuming remaining input in model unchanged).

Input value	Discount rate	Growth rate
Applied in model	3.81%	1.43%
When carrying amount of CGU equals to recoverable amount	0.29%	4.87%

Sensitivity analysis for KFC Germany

The impairment test performed for KFC Germany business resulted in recognition of impairment losses. The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities. Carrying amount of CGU was compared with recoverable amount, as a result impairment loss of EUR 4.6 million was accounted for goodwill as well as EUR 1.9 million impairment loss was recognized for property and right to use assets. Additionally Group recognized impairment losses as a result of impairment test performed for restaurants in total value of EUR 1.6 million.

The Group performed the sensitivity analysis in various scenarios for KFC Germany. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents possible change in impairment loss to be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable (negative values represents potential higher impairment loss).

Input/ change in input	Potential change in impairment loss
Discount rate - tested in model (post-tax discount rate (3,33%))	
-10% of base value	4.8
-5% of base value	2.6
+5% of base value	(2.2)
+10% of base value	(4.2)
Growth rate for residual value - tested in model (1,17%)	
-10% of base value	(1.6)
-5% of base value	(0.8)
+5% of base value	0.8
+10% of base value	1.7
Weighted average budgeted EBITDA margin value - tested in model (1,97%)	
-10% of base value	(11.4)
-5% of base value	(5.7)
+5% of base value	4.8
+10% of base value	4.8
Restaurant Sales	
-5% in each year of projection	(2.4)
-3% in each year of projection	(1.4)
+3% in each year of projection	1.4
+5% in each year of projection	2.4

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit.

(all figures in EUR millions unless stated otherwise)

Discount	Discount rate	Growth rate
Applied in model	3.33%	1.17%
When carrying amount of CGU equals to recoverable amount	3.04%	1.47%

Test results in 2018

The main input assumptions used in test were as follows:

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

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

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

Such sensitivity analysis examined the impact of changes in:

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

assuming other factors remain unchanged.

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

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

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

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

21. Financial assets measured at fair value

Financial assets measured at fair value comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain, acquired on 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings.

(all figures in EUR millions unless stated otherwise)

On initial recognition, the Group elected to recognise equity investment in Glovo under the category Financial assets at fair value through profit or loss.

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("Pizza Portal"). On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in Pizza Portal to Glovo. Consideration for business sold was as a combination of cash payment of EUR 20 million and newly shares of Glovo to be issued. General Shareholder's Meeting of Glovo in December 2019 approved a new capital increase which include issue of shares for AmRest. Fair value of newly issued shares amounted to EUR 17.6 million.

As a result of the abovementioned transaction and share capital increases in Glovo, AmRest currently holds Glovo shares giving it a 7.5% stake. As there are some dilutive instruments such as employee options and phantom shares, a fully-diluted AmRest stake in Glovo is 6.19%.

Fair value

Changes in balance of Glovo investment in 2019 is presented in below table:

2019	1 January	Additions (note 8)	Fair valuation (note 13)	31 December
Investment in Glovo	26.9	17.6	31.7	76.2

The fair value of the Glovo investment as at 31 December 2019 was EUR 76.2 million. During the year Group recognized EUR 31.7 million effect of revaluation to fair value. This effect has been recognised in income statement under finance income section (note 13). Deferred tax liability amounted for EUR 7,9 million has been recognised due to temporary differences between tax base and carrying amount of Glovo investment (note 15).

Valuation techniques

In December 2019, as at the date of most recent capital increase in Glovo, the Group transferred Glovo investment with carrying amounted of EUR 26.9 million from Level 3 to Level 2 of fair value hierarchy. Share capital increase of Glovo by means of the creation of new shares through asset contributions and cash contribution was executed as at 18 December 2019.

New financing round in Glovo provided the Group with market data about the Glovo including business valuation and most recent share price. In new valuation technique significant input used is based on observable market data.

Fair value of Glovo investment was determined by multiplying amount of AmRest shares in Glovo by the share price from the most recent capital increase.

Key risk description

The Group has exposure to the following risks arising from Glovo financial instrument:

- Market risk
- Business risk
- Specific risk

Market risk is defined as a risk of unexpected price fluctuations, the liquidity of a financial instrument measured as the ability to sell or purchase it at a stated price, and investors' or buyers sentiment to a particular sector that a financial instrument is exposed to or operate in.

The business plan of the investee assumes a need for additional funding in order to finance further expansion plans. In the event of not receiving funding, the investee would need to revise its strategy and therefore the current valuation may not be justified. Also the business plan assumes reaching certain financial results. Significant negative deviations from it may result in a lower ability or interest from investors to acquire funding by the investee.

Due to business relationship with the investee, the shareholding can be treated as a strategic one and therefore potential buyers may incorporate some discounts due to a possibility of more competitive environment in terms of further cooperation in case of sale.

(all figures in EUR millions unless stated otherwise)

22. Other non-current assets

As at 31 December 2019 and 2018 the balances of other non-current assets were as follows:

	31 December 2019	31 December 2018 (restated)
Prepaid rental fees	2.9	3.0
Deposits for rentals	20.6	20.9
Prepaid other services	0.1	0.7
Other	1.5	2.5
	25.1	**27.1**

23. Inventories

As at 31 December 2019 and 2018, inventories cover mainly food and packaging used in the restaurants, finished goods and work in progress prepared by central kitchen for sale by La Tagliatella restaurants. Due to the nature of its business and applicable Group standards, all inventories are treated as materials. Inventories are presented at net value including write-downs.

24. Trade and other receivables

As at 31 December 2019 and 2018 the balances of trade and other receivables were as follows:

	31 December 2019	31 December 2018 (restated)
Trade receivables from non-related entities	37.7	32.4
Other tax receivables	39.4	20.4
Credit cards, coupons and food aggregators receivables	5.9	3.0
Investment receivables (note 21)	20.0	-
Loans and borrowings	1.4	-
Other	8.3	3.9
Allowances for receivables (note 39)	(8.1)	(4.2)
	104.6	**55.5**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 39.

25. Other current assets

As at 31 December 2019 and 2018 the balances of other current assets were as follows:

	31 December 2019	31 December 2018 (restated)
Prepaid costs of utilities	5.2	4.2
Prepaid lease costs	0.8	9.4
Prepaid property insurance	0.4	0.5
Prepaid professional services cost	3.2	1.4
Prepaid marketing costs	0.2	0.2
Prepaid tax costs	2.6	2.9
Assets related to purchase price adjustment	-	10.3
Assets related to a right to compensation resulting from the acquisition agreement	2.7	2.3
Other	4.4	4.0
Write-downs of other current assets	(0.2)	(0.2)
	19.3	**35.0**

In 2019 prepaid lease costs are currently accounted within IFRS 16 model and are effectively reflected in right of use asset.

(all figures in EUR millions unless stated otherwise)

The decrease in assets related to purchase price adjustment relates to acquisition of Sushi Shop Group. As disclosed in note 7 of these consolidated financial statements in June 2019 Group had signed the settlement agreement on purchase price adjustment of EUR 10 million in favour of AmRest.

26. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2019 and 31 December 2018 are presented in the table below:

	31 December 2019	31 December 2018
Cash at bank	93.0	103.9
Cash in hand	13.2	14.5
	106.2	**118.4**

Reconciliation of working capital changes as at 31 December 2019 and 31 December 2018 is presented in the table below:

2019	Balance sheet change	Change from acquisition	Adoption of IFRS 16	Loss of control Pizza Portal	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in trade and other receivables	(49.1)	-	-	20.9	-	(0.5)	(28.7)
Change in inventories	(4.2)	-	-	-	-	0.3	(3.9)
Change in other assets	17.7	(10.0)	(9.0)	-	-	(0.4)	(1.7)
Change in payables and other liabilities	18.7	18.0	-	1.8	(4.7)	(1.1)	32.7
Change in other provisions and employee benefits	6.2	-	0.2	-	-	0.1	6.3

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

27. Equity

Share capital

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE") and since 21 November 2018 on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

There were no changes in share capital of the Company in year 2019.

During 2018 year the Company increased the share capital by EUR 21 million, by offsetting the share premium reserve. Additionally the Company performed a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital.

In October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

As at 31 December 2018 and as at 31 December 2019 the Company has 219 554 183 shares issued.

(all figures in EUR millions unless stated otherwise)

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

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

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

Changes in the number of shares are also disclosed in note 30 Earnings per share.

On 27 March 2019 Gosha Holdings S.à.r.l. and FCapital Dutch B. V. have executed a share sale agreement pursuant to which the FCapital Dutch B.V. acquires from the Gosha Holdings S.à.r.l. their entire shareholding in AmRest Holdings SE consisting on 23 426 313 shares, representing 10.67% of AmRest's share capital. Transaction price has been agreed at EUR 13.22 per share, amounting an aggregate of EUR 309.7 million. On 9 May 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha Holdings S.à.r.l. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

To the best of AmRest's knowledge, as at 31 December 2019 AmRest Holdings had the following shareholder structure:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	147 203 760	67.05%
Nationale-Nederlanden OFE	9 912 576	4.51%
Artal International S.C.A.	10 900 000	4.96%
Aviva OFE	6 803 384	3.10%
Other Shareholders	44 734 463	20.38%

** FCapital Dutch B. V. is the sole shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finaccess SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*

(all figures in EUR millions unless stated otherwise)

Reserves

The structure of Reserves is as follows:

2019	Share premium	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**236.3**	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**(21.2)**	**206.1**
Net investment hedges	-	-	-	-	1.7	-	1.7
Income tax related to net investment hedges	-	-	-	-	(0.3)	-	(0.3)
Total comprehensive income	**-**	-	**-**	**-**	**1.4**	**-**	**1.4**
Transaction with non-controlling interests	-	-	-	-	-	(5.1)	(5.1)
Total transactions with non-controlling interests	-	-	-	-	-	**(5.1)**	**(5.1)**
Deferred payment in shares	-	(13.0)	-	-	-	-	(13.0)
Purchases of treasury shares	-	-	-	(0.9)	-	-	(0.9)
Share based payments		-					
Value of disposed treasury shares	-	-	(8.6)	8.6	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	(17.4)	-	-	-	(17.4)
Employee stock option plan – proceeds from employees for transferred shares	-	-	0.9	-	-	-	0.9
Employee stock option plan – change in unexercised options	-	-	6.6	-	-	-	6.6
Change of deferred tax related to unexercised employee benefits	-	-	(0.3)	-	-	-	(0.3)
Total share based payments	-	-	*(18.8)*	*8.6*	-	-	*(10.2)*
Total distributions and contributions	**-**	**(13.0)**	**(18.8)**	**7.7**	**-**	**-**	**(24.1)**
As at 31 December	**236.3**	-	**(25.1)**	**(7.5)**	**0.9**	**(26.3)**	**178.3**

(all figures in EUR millions unless stated otherwise)

2018	Share premium	Put option	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**189.1**	**(40.7)**	-	**(7.8)**	**(10.6)**	**2.8**	**19.5**	**152.3**
Reclassification between items – see "put option" disclosure below	-	40.7	-	-	-	-	(40.7)	-
As at 1 January 2018- after reclassification	**189.1**	-	-	**(7.8)**	**(10.6)**	**2.8**	**(21.2)**	**152.3**
Net investment hedges	-	-	-	-	-	(4.2)	-	(4.2)
Income tax related to net investment hedges	-	-	-	-	-	0.9	-	0.9
Total comprehensive income	**-**	**-**	-	**-**	**-**	**(3.3)**	**-**	**(3.3)**
Transaction with non-controlling interests	-	-	-	-	-	-	-	-
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-
Share capital increase from share premium	(21.0)	-	-	-	-	-	-	(21.0)
Issue of share capital	69.2	-	-	-	-	-	-	69.2
Transaction costs on issue of share capital	(1.0)	-	-	-	-	-	-	(1.0)
Deferred payment in shares	-	-	13.0	-	-	-	-	13.0
Purchases of treasury shares	-	-	-	-	(9.5)	-	-	(9.5)
Share based payments			-					
Value of disposed treasury shares	-	-	-	(4.9)	4.9	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	-	2.6	-	-	-	2.6
Employee stock option plan – proceeds from employees for transferred shares	-	-	-	0.8	-	-	-	0.8
Employee stock option plan – change in unexercised options	-	-	-	4.4	-	-	-	4.4
Change of deferred tax related to unexercised employee benefits	-	-	-	(1.4)	-	-	-	(1.4)
Total share based payments	-	-	-	*1.5*	*4.9*	-	-	*6.4*
Total distributions and contributions	**47.2**	**-**	**13.0**	**1.5**	**(4.6)**	**-**	**-**	**57.1**
As at 31 December	**236.3**	-	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**(21.2)**	**206.1**

(all figures in EUR millions unless stated otherwise)

Share premium

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

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

There were no transactions within share premium in 2019.

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

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

Put option

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

In 2019 Group decided to reclassify the effect of 2013 transaction and made a respective reclassification in a table of movement of Reserves for the year 2018. This reclassification does not impact the statement of financial position. The reclassification was made between the balances of "Put option" and "Transaction with non-controlling interest" reserves in amount of EUR 40.7, to reflect past transaction on a net basis, and finalize the past accounting for put option transaction.

The Group currently does not have any open put option over non-controlling interest contracts.

Payments in shares

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

As described in note 7 to these consolidated financial statements, in June 2019 Group signed a settlement with Sellers of Sushi Shop Group. Parties agreed that EUR 13 million payment expected to be initially settled in a fixed number of AmRest's shares will be paid in cash. Consequently Group has reclassified the balance from equity to financial liabilities and repaid the balance in June 2019, as agreed in settlement.

Treasury shares

As at 31 December 2019 the Group had 718 548 treasury shares for a total purchase value of EUR 7.5 million, presented as treasury shares within "Reserves" under equity.

Transactions with NCI

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

The following key transactions were recognised in 2019:

	Transactions with NCI	Non-controlling interest	Total Equity
Transactions with non-controlling interests			
Acquisition of non-controlling interests of Pizza Portal	(4.8)	(0.5)	(5.3)
Acquisition of non-controlling interests in Sushi Shop Group	(0.3)	(0.1)	(0.4)
Dividends for non-controlling shareholders	-	(1.4)	(1.4)
Total transactions with non-controlling interests	**(5.1)**	**(2.0)**	**(7.1)**

(all figures in EUR millions unless stated otherwise)

The following key transactions were recognised in 2018:

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

Hedges valuation

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

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

AmRest Sp. z o.o., a Polish subsidiary, with PLN as functional currency, is a borrower of external EUR financing. A bank loan of EUR 220 million has been hedging the net investment in its EUR subsidiaries both in 2018 and 2019. Following a change in presentation currency of the Group from PLN to EUR, AmRest Sp. z o.o. remains exposed to the foreign currency risk between the functional currency of its net investment in its EUR investments and its own functional currency (PLN). These different functional currencies create a genuine economic exposure to changes in fair values in the consolidated financial statements of the Group.

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

During the year ended 31 December 2019 hedges were fully effective.

As at 31 December 2019 the accumulated value of currency revaluation recognised in reserve capital (resulting from net investment hedges) amounted to EUR 1.7 million, and deferred tax concerning this revaluation EUR 0.3 million.

Translation reserves

The balance of translation reserves depends on the changes in the foreign exchange rates. This parameter is out of control of Group.

Total change in translation reserves in year 2019 amounted to EUR 9.2 million. The most significant impact on that balance has a change in Russian ruble to EUR 10.9 million and Polish zloty to EUR (1.3) million.

Non-controlling interest

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

	31 December 2019	31 December 2018
AmRest Coffee Sp. z o.o.	1.2	1.7
SCM Sp. z o.o.*	1.7	1.5
AmRest Coffee s.r.o.	3.8	2.9
AmRest Kávézó Kft	0.9	0.8
AmRest d.o.o.	1.0	1.0
SCM s.r.o.	0.6	0.3
SCM Due Sp. z o.o.*	-	0.1
Restaurant Partner Polska Sp. z o.o.**	-	0.7
Sushi Shop Group	0.3	0.9
Non-controlling interests	**9.5**	**9.9**

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*
*** On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.*

28. Dividends paid and received

In the period covered by these consolidated financial sftatements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 11 thousand (CZK 300 thousand) and SCM sp. z o.o. amounting to EUR 1.4 million (PLN 6.1 million).

(all figures in EUR millions unless stated otherwise)

29. Non-controlling interests

At 31 December 2019 and 31 December 2018 the summarised financial information for each subsidiary that has non-controlling interests is as follows:

Summarised balance sheet

31 December 2019	**AmRest Coffee s.r.o.**	**AmRest Kávézó Kft**	**AmRest Coffee Sp. z o. o.**	**SCM Sp. z o.o.**	**SCM due Sp. z o.o.***	**Restaurant Partner Polska Sp. z o.o.****	**SCM s.r.o.**	**AmRest d.o.o.**	**Sushi Shop Group**
Current assets	13.2	2.4	1.5	5.4	-	-	2.3	1.1	1.1
Liabilities	(8.6)	(7.0)	(10.0)	(2.8)	-	-	(1.5)	(3.0)	(0.6)
Total current net assets	4.6	(4.6)	(8.5)	2.6	-	-	0.8	(1.9)	0.5
Non-current assets	36.5	22.2	34.0	0.7	-	-	0.1	6.3	1.0
Non-current liabilities	(20.3)	(12.6)	(18.3)	(0.4)	-	-	-	(2.0)	-
Total non-current net assets	16.2	9.6	15.7	0.3	-	-	0.1	4.3	1.0
Net assets	20.8	5.0	7.2	2.9	-	-	0.9	2.4	1.5

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

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*

*** On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.*

(all figures in EUR millions unless stated otherwise)

Summarised income statement

year ended 31 December 2019	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.*	Restaurant Partner Polska Sp. z o.o.**	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	32.7	16.4	31.5	17.2	-	0.8	9.4	6.6	8.9
Profit before tax	4.2	0.6	(3.5)	2.2	-	(0.8)	0.2	(0.2)	(0.1)
Income tax expense/income	(1.1)	(0.3)	0.3	(0.6)	-	-	-	-	1.0
Profit/loss for the period	3.1	0.3	(3.2)	1.6	-	(0.8)	0.2	(0.2)	(0.2)
Profit/loss for the period allocated to NCI	0.8	0.1	(0.5)	1.5	-	(0.2)	0.3	-	(0.2)

year ended 31 December 2018	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	26.4	13.0	27.2	11.9	1.8	3.3	0.7	4.9	2.0
Profit before tax	3.9	0.6	(3.2)	2.0	0.2	(5.4)	0.3	(0.2)	(0.1)
Income tax expense/income	(0.8)	(0.2)	-	(0.4)	-	-	(0.1)	-	-
Profit/loss for the period	3.1	0.4	(3.2)	1.6	0.2	(5.4)	0.2	(0.2)	(0.1)
Profit/loss for the period allocated to NCI	0.6	0.1	(0.6)	0.8	0.1	(2.7)	0.1	(0.1)	-

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*

*** On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has became sole shareholder of Restaurant Partner Polska Sp. z o.o. Summarised income statement of Restaurant Partner Polska Sp. z o.o. is presented till acquisition of non-controlling interests shares i.e. till 13 March 2019.*

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

30. Earnings per share

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

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) passed a resolution on registration in KDPW of the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio 1:10. The effective date of split was scheduled for 3 October 2018, when the share split was executed. As result the total number of Company shares traded on the Warsaw Stock Exchange (the "WSE") increased to 212 138 930, each with a nominal value of 0.1 EUR.

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

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

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

On 15 October 2018 under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the outstanding shares in the Company.

As at 31 December 2019 and 2018 the Company has 219 554 183 shares issued.

Table below presents calculation of basic and diluted earnings per ordinary share for the year 2019 and 2018.

Basic EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year (including treasury shares, vested options under share based programs, number of shares to be transferred as a consideration for acquisition).

Diluted EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares (unvested options for open share based payments programs).

EPS calculation with the effect of share split	**31 December 2019**	**31 December 2018**
Net profit attributable to shareholders of the parent (EUR millions)	65.1	43.0
Weighted average number of ordinary shares for basic EPS (in thousands of shares)	220 567	214 981*
Weighted average number of ordinary shares for diluted EPS (in thousands of shares)	221 480	216 853*
Basic earnings per ordinary share (EUR)	0.30	0.20
Diluted earnings per ordinary share (EUR)	0.29	0.20

** weighted average number of ordinary shares for basic EPS and diluted EPS was recalculated, taking into account options under share based programs within the Group. The adjustment to the weighted average number of ordinary shares does not change the basic and diluted EPS, that was at the level of 0.20 EUR per share.*

Reconciliation of weighted-average number of ordinary shares for basic EPS:

Weighted-average number of ordinary shares in thousands of shares	**31 December 2019**	**31 December 2018**
Shares issued at the beginning of the period	219 554	212 139
Effect of shares issued	-	1 569
Effect of treasury shares held	(1 042)	(1 212)
Effect of shares subject to Sushi Shop payment	572	292
Effect of share options vested	1 483	2 193
Weighted average number of ordinary shares for basic EPS	**220 567**	**214 981**

Reconciliation of weighted-average number of ordinary shares for diluted EPS:

Weighted-average number of ordinary shares for diluted EPS in thousands of shares	**31 December 2019**	**31 December 2018**
Weighted-average number of ordinary shares for basic EPS	220 567	214 981
Effect of share options unvested	913	1 872
Weighted average number of ordinary shares for diluted EPS	**221 480**	**216 853**

At 31 December 2019, 7 475 thousand of options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. At 31 December 2018, there were 8 974 thousand of options with anti-dilutive effect.

31. Borrowings

Long-term	**31 December 2019**	**31 December 2018**
Bank loans	555.0	554.8
SSD	101.0	101.0
	656.0	**655.8**

Short-term	**31 December 2019**	**31 December 2018**
Bank loans	62.8	4.7
SSD	1.3	1.3
	64.1	**6.0**

Bank loans and bonds

Currency	**Loans/Bonds**	**Effective interest rate**	**31 December 2019**	**31 December 2018**
PLN	Syndicated bank loan	3M WIBOR+margin	135.8	134.2
EUR	Syndicated bank loan	3M EURIBOR/fixed +margin	476.3	408.3
CZK	Syndicated bank loan	3M PRIBOR+margin	-	11.7
EUR	Schuldscheinedarlehen Bonds	6M EURIBOR/fixed +margin	102.3	102.3
EUR	Bank loans Germany	EURIBOR+margin	5.1	2.8
CNY	Bank loan – China	Fixed	0.6	2.5
			720.1	**661.8**

As at 31 December 2019, syndicated bank financing security for liabilities in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

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

The available tranches:

Tranche(*)	**Maximum amount (million)**	**Date added**	**Purpose**
A	EUR 250	October 2017	Refinancing of bank debt, general corporate purposes
B	PLN 300	October 2017	
C (fully repaid in Q1 2019)	CZK 0	October 2017	
D	PLN 450	October 2017	
E	PLN 280	June 2018	Refinancing of Polish bonds
F	EUR 190	October 2018	M&A, general corporate purposes

** Approximate total amount: EUR 682m*

- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor/Pribor increased by a margin) and parts of tranches A and F are provided at a fixed rate,
- Securities: submissions to execution from the Borrowers, guarantees from Group companies, pledge on shares of Sushi Shop Group,

Other information: AmRest is required to maintain certain ratios at agreed levels. In particular, net debt/adjusted consolidated EBITDA is to be held below 3.5 and consolidated EBITDA/interest charge is to stay above 3.5. Both ratios are calculated without the effect of IFRS 16. EDITDA as defined in finance agreements for the purpose of calculating covenents was EUR 211.1 million for the period of 12 months ended 31 December 2019.

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

In April 2017 AmRest entered the Schuldscheinedarlehen ("SSD" – debt instrument under German law) market for the first time to diversify financing sources and interest rate structure of debt and has executed several issues since then. The table below presents all SSD issues and their maturities:

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

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

As at 31 December 2019, payables concerning SSD issued amount to EUR 102.7m.

The maturity of long- and short-term loans as at 31 December 2019 and 2018 is presented in the table below:

	31 December 2019	31 December 2018
Up to 1 year	64.1	6.0
Between 1 and 2 years	57.9	55.4
Between 2 and 3 years	559.6	54.0
Between 3 and 4 years	-	507.4
Between 4 and 5 years	38.5	-
More than 5 years	-	39.0
	720.1	**661.8**

The Group has the following unused, awarded credit limits as at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
With floating interest rate		
- expiring within one year (tranche A)	-	30.0
- expiring beyond one year (tranche D)	68.4	104.6
	68.4	**134.6**

The table below presents the reconciliation of the debt:

2019	Bank loans	SSD	Total
As at 1 January	**559.5**	**102.3**	**661.8**
Payment	(15.8)	-	(15.8)
Loan taken/ new contracts	71.6	-	71.6
Accrued interests	16.5	2.3	18.8
Payment of interests	(15.6)	(2.3)	(17.9)
FX valuation	1.6	-	1.6
As at 31 December	**617.8**	**102.3**	**720.1**

(all figures in EUR millions unless stated otherwise)

2018	Bank loans	Bonds and SSD	Total
As at 1 January	**301.1**	**170.5**	**471.6**
Payment	(22.4)	(67.6)	(90.0)
Loan taken/ new contracts	282.7	-	282.7
Accrued interests	7.4	5.0	12.4
Payment of interests	(7.6)	(6.2)	(13.8)
FX valuation	(1.7)	-	(1.7)
Other	-	0.6	0.6
As at 31 December	**559.5**	**102.3**	**661.8**

32. Collateral on borrowings

The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – AmRest Kaffee Sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Restauravia Food S.L.U., Pastificio Service S.L.U – granted sureties to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. 30 September 2022 however not later than 5 October 2025.

33. Employee benefits and share based payments

The Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Group's market value. During year 2019, the Group had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

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

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

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

Plan 3 – Management Incentive Plan 2011

Granting of the options finished in 2014. The Supervisory Board of Group (then existing) was entitled to determine the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price was in principle equal to the market price of the Company's shares as at the date preceding the day of awarding the option and then increased by 11% each year. The vesting period was 3-5 years. All remaining options granted within the Plan 3 has been exercised during year 2019.

Plan 4 – Stock Option Plan 2017

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

(all figures in EUR millions unless stated otherwise)

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

Plan 5 – Management Incentive Plan 2017

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

The terms and conditions for the share options outstanding as at 31 December 2019 are presented in the table below:

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR	Method of settlement
Plan 2 - SOP				
April 30, 2010			1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012			1.68	Equity or equity/cash*
April 30, 2013	1-5 years, 20% per annum	10 years	1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 4 - SOP				
May 30, 2017			8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018	3-5 years, 60% after 3rd year, 20% after 4th and 5th year		10.91	Equity
August 6, 2018		10 years	10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
April 30, 2019			9.62	Equity
Plan 5 - MIP				
March 15, 2017			10.51	Equity
September 13, 2017			10.97	Equity
March 3, 2018	3-5 years, 33% p.a.	10 years	10.43 - 10.88	Equity
October 1, 2018			14.54	Equity
March 26, 2019			10.23 - 14.49	Equity
May 13, 2019			12.10	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*

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

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2019 and 2018:

Number of option 2019	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
Granted during the period	9.23	1 450 000	3 440 800	-	-
Exercised during the period	1.98	-	(10 000)	(2 750 003)	(1 027 742)
Forfeited during the period	8.30	(2 700 000)	(560 700)	-	(96 768)
Outstanding at the end of the period	8.52	5 400 000	6 988 850	-	1 150 266
- including exercisable as at the end of the period	3.59	-	499 168	-	-

(all figures in EUR millions unless stated otherwise)

Number of option 2018	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Granted during the period	6.83	3 550 000	2 395 000	-	-
Exercised during the period	1.22	-	-	(83 333)	(750 884)
Forfeited during the period	9.11	(1 500 000)	(237 950)	-	(101 120)
Outstanding at the end of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
- including exercisable as at the end of the period	1.38	-	-	2 366 660	960 622

The weighted average share price at the dates of exercise of the options was EUR 9.83 in 2019 and EUR 10.28 in 2018.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 8.21 years (2018: 7.33 years).

Measurement

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

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

Plan	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2019							
Plan 4 (SOP)	EUR 2.90	EUR 9.62	EUR 9.62	30%	5 years	-	2%
Plan 5 (MIP)	EUR 2.83	EUR 10.36	EUR 11.37	30%	5 years	-	2%
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%

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

Share-based payments costs and liabilities

The Group recognises accrual for equity-settled options in reserve capital. The amounts as at 31 December 2019 and 31 December 2018 are presented in a table below:

	31 December 2019	31 December 2018
Reserve capital - Plan 2	1.8	3.4
Reserve capital - Plan 3	-	1.1
Reserve capital - Plan 4	5.0	2.0
Reserve capital - Plan 5	6.6	4.2
	13.4	**10.7**

The Group recognises liability for cash settled options. The amounts as at 31 December 2019 and 31 December 2018 are presented in a table below:

	31 December 2019	31 December 2018
Liability for Plan 2	0.5	1.3
Other employee benefits liabilities	0.1	0.4
	0.6	**1.7**

(all figures in EUR millions unless stated otherwise)

The costs recognised in connection with the plans relating to incentive programs for the years ended 31 December 2019 and 2018 respectively are presented below:

	2019	2018
Employee stock option plan 2	1.4	1.9
Employee stock option plan 3	0.8	0.1
Employee stock option plan 4	3.0	1.6
Employee stock option plan 5	2.6	3.1
	7.8	**6.7**

Pension, health care and other contributions

The costs recognised in connection with the employee benefits contributions for the years ending on 31 December 2019 and 31 December 2018 respectively are presented below:

	2019	2018
Pension, health care contributions and other	111.7	85.3

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

34. Provisions

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

2019	As at 1 January	Adoption of IFRS16	Increased during the year	Released during the year	Used during the year	F/X differences	As at 31 December
Onerous contracts	1.8	(1.8)	-	-	-	-	-
Asset retirement obligation	9.8	-	0.8	(0.3)	(0.1)	(0.1)	10.1
Provision for court fees	2.2	-	2.2	(1.4)	-	0.7	3.7
Provision for tax risks	0.8	-	0.1	(0.5)	-	-	0.4
Provision for resetting master-franchise agreements	-	-	8.0	-	-	-	8.0
Provision for other	0.9	-		(0.1)		(0.2)	0.6
Total	**15.5**	**(1.8)**	**11.1**	**(2.3)**	**(0.1)**	**0.4**	**22.8**

2018 (restated)	As at 1 January	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	As at 31 December
Onerous contracts	0.9	1.2	0.3	(0.5)	(0.1)	-	1.8
Asset retirement obligation	8.0		1.8	-	-	-	9.8
Provision for court fees	0.4	1.5	0.5	-	(0.2)	-	2.2
Provision for tax risks	1.0	-	0.1	(0.3)	-	-	0.8
Provision for other	-	0.3	0.6	-	-	-	0.9
Total	**10.3**	**3.0**	**3.3**	**(0.8)**	**(0.3)**	**-**	**15.5**

All provisions are treated as long-term liabilities.

Provision for resetting master-franchise agreements

As at the balance sheet date, the Group recognised a provision for resetting master-franchise agreements regarding Pizza Hut signed for the markets: France, CEE, Germany, and Russia (including Armenia and Azerbaijan).

Provision for court fees

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

Provision for tax liabilities

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

Asset retirement obligation

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

35. Tax risks and uncertain tax positions

Tax inspections in AmRest Sp. z o.o.

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

   On 18 February 2019 AmRest Sp. z o.o. received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision regarding VAT returns for 2014 issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision. On 25 June 2019 AmRest Sp. z o.o. received the notification that the proceedings related to the annulment of the final decision covering VAT for 2014 have been suspended.
   At the moment of publication of these consolidated financial statements, the decision related to the annulment of the final decision has not been issued.

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

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

   On 16 October 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above described decision. As a result of the decision issued on 17 January 2018 by the Tax Administration Chamber which revoked the decision of first instance and submitted it for further examination, another decision was issued by the Head, which the Company appealed on 15 June 2018.

   On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber, which confirmed the decision of the first instance. Due to the fact that the decision was enforceable the Company has effectively paid the value of approx. PLN 4.2 million (approx. EUR 1.0 million) as a principal amount of tax liability (plus interest). The Company did not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

c. On 28 September 2016 a tax inspection began in AmRest Sp. z o.o. on VAT returns for 2012. On 11

September 2017 the Company received a decision issued by the Head of the Lesser Poland Customs and the Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in its decision underestimated output VAT amounting to PLN 18.5 million (EUR 4.2 million).

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

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

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

On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber regarding VAT returns for 2012 which confirmed the decision of the first instance. Due to the fact that the decision is enforceable the Company has effectively paid the value of approx. PLN 14.3 million (approx. EUR 3.3 million) as a principal amount of tax liability (plus interest). The Company does not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

Total payments, resulted from the proceedings mentioned above in point (b) and (c) included tax liability PLN 18.5 million (EUR 4.3 million) together with interests PLN 10.0 million (EUR 2.3 million). The amount PLN 28.5 million (EUR 6.6 million) was recognised as assets (receivables from tax authorities).

d. On 30 July 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period December 2017 – March 2018. On 29 August 2018 the Company received the tax protocol and on 12 September 2018 the Company submitted its reservations. On 20 November 2018 tax office initiated tax proceeding. On 23 July 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in August 2018 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

e. On 12 December 2018 a tax inspection started at AmRest Sp. z o.o. regarding VAT returns for the period April – September 2018. On 28 February 2019 AmRest Sp. z o.o. received the tax protocol issued by the Head of the Lower Silesia Tax Office which questioning that VAT settlements for the period. On 14 March 2019 the company filed the reservations to this protocol. On 25 March 2019 the company received the response to the submitted reservations. The Head of the Lower Silesia Tax Office upheld the allegations described in the protocol. On 1 August 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in January 2020 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

f. On 17 May 2019 AmRest Sp. z o.o. received the notification that tax inspections have been initiated regarding the VAT settlements for the period from October 2018 to March 2019 (six separate tax inspections for every month). As at the date of publication of these consolidated financial statements, tax inspections have not been finished.

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

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

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

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

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

The Group analyzed the risk with regards to ongoing tax inspections related to VAT and assessed that it is more probable than not that the tax authority will finally accept the Companies VAT tax filings. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2019 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

g. On 23 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2016. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 19.8 million (EUR 4.7 million) and claiming additional income amounted to PLN 15.2 million (EUR 3.6 million) resulting from VAT refund received in 2016. The said decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 10 December 2019.

h. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2013. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 0.2 million (EUR 0.05 million) and claiming additional income amounted to PLN 7.5 million (EUR 1.8 million) resulting from VAT refund received in 2013. The said Decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

i. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2014. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. amounted to PLN 78.0 million (EUR 18.5 million) and claiming additional income amounted to PLN 2.1 million (EUR 0.5 million) resulting from VAT refund received in 2014. The said decision is not final and enforceable, i.e. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

According to Polish regulations Tax Authority is also the appeal authority. In case The Tax authority upholds the decisions, it will be obliged to issue the final decisions. Taking into account the relevant regulations, the appeal authority is obliged to issue the final decisions. The tax authority has not issued the final decisions yet.

The Group analyzed the risk with regards to ongoing tax proceedings related to CIT and assessed that it is more probable than not that the tax authority will finally accept the Companies CIT tax filling. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2019 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

Tax inspections in other Group companies

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

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

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

   On 18 October 2018 the Company received a letter from the tax office extending the tax audit by including the financial year 2016, during the course of which the acquisition of the Company by AmRest was completed. According to said letter, the tax audit shall cover the following tax settlements: (1) separate and uniform determination of the income tax base including trade tax base and tax losses, (2) VAT, (3) trade taxes, (4) separate determination of the trade tax loss carryforwards, (5) separate and uniform determination of the withholding taxes and corporate income taxes. As at the date of publication of these consolidated financial statements, the inspection has not concluded.

c. On 26 June 2017 AmRest Topco France SAS ("Company"), received a letter from the tax office notifying a tax inspection regarding tax settlements for 2014 and 2015 and in respect of VAT returns submitted until 30 December 2016. On 21 September 2017 the Company was informed about the extension of the inspection by including the verification of the books for the period ended 30 November 2016. On 11 July 2018 the Company received a tax notification letter for which the relevant response was submitted within the deadline in September 2018. The tax auditor sent the answer on 24 September 2018. On 19 October 2018 the Company replied to the tax auditor requesting a hierarchical administrative appeal. On 8 April 2019, the Company received the agreement and confirm the final adjustment of the tax. The different penalties were settled in accordance with the agreements in 2019. The Tax audit for AmRest Topco France SAS is closed.

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

SAS a notification regarding the penalties and interests due. According to the final adjustment of the tax, the value of the tax losses to be carried forward decreased by immaterial amount.

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

f. On 10 January 2019 a tax inspection at AmRest SAS began regarding settlements for the period 1 January 2016 to 31 December 2016. The inspection is concluded as of the day of publication of these consolidated financial statements with not significant impact on the financial results of AmRest SAS.

There are no other contingent liabilities concerning pending audits and tax proceedings, other than those stated above.

36. Trade and other accounts payables

Trade and other accounts payables as at 31 December 2019 and 31 December 2018 cover the following items:

	31 December 2019	31 December 2018 (restated)
Payables to non-related entities, including:	**199.3**	**180.3**
Trade payables	100.9	91.0
Payables in respect of uninvoiced deliveries of food	10.5	9.3
Employee payables	16.9	17.3
Social insurance payables	17.1	15.0
Pre-acquisition tax settlements liability	2.7	2.3
Other tax payables	14.8	10.8
Investment payables	14.7	14.3
Other payables	21.7	20.3
Contract liabilities - loyalty programs	**0.6**	**0.7**
Contract liabilities - gift cards	**5.0**	**5.3**
Contract liabilities – initial fees	**3.1**	**3.7**
Accruals, including:	**67.8**	**51.0**
Employee bonuses	19.7	13.0
Marketing services	3.8	4.2
Holiday pay accrual	14.6	11.1
Professional services	5.4	4.9
Franchise fees	5.5	5.4
Lease cost provisions	6.1	5.5
Investment payables accrual	10.6	6.3
Other	2.1	0.6
Deferred income	**3.1**	**1.5**
Social fund	**0.6**	**0.5**
Total trade and other accounts payables	**279.5**	**243.0**

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

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

	2019	2018
Number of days:		
Average payment period to suppliers	23.43	22.78
Ratio of payments	23.93	22.96
Ratio of outstanding invoices	17.85	20.28
Millions of EUR:		
Total payments	186.5	176.8
Outstanding invoices	16.8	12.3

(all figures in EUR millions unless stated otherwise)

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

37. Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with Burger King, Starbucks and the current and future franchise agreements were described in notes 1 and 43e.

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

With regard to credit agreement described in note 31 the following Group entities provided surety: AmRest Kaffee Sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Restauravia Food S.L.U., Pastificio Service S.L.U for the following banks Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A. in amount of EUR 660 million and PLN 1.545 million, till the date of debt payment however not later than 5 October 2025.

38. Transactions with related entities

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

Group shareholders

As at 31 December 2019, FCapital Dutch B.V. was the largest shareholder of AmRest and held 67.05% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with key management personnel

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

	year ended	
	31 December 2019	**31 December 2018**
Remuneration of the members of the Board of Directors and Senior Management Personnel paid directly by the Group	4.0	3.0
Gain on share-based renumeration systems	23.2	1.1
Total compensation paid to key management personnel	**27.2**	**4.1**

Directors Remuneration Policy was approved at the general shareholders' meeting held on 6 June 2018 and will remain in force until 2021 unless the general shareholders' meeting so resolves to amend or replace it. According to the policy, Executive directors may receive additional remuneration for performing executive functions. In 2019, Mr. McGovern being the only executive director was entitled to a variable cash remuneration.

In addition, he also received a cash amount after the exercise of his share options granted under the MIP and SOP programs which were granted to him in his capacity as first executive of the Company, previous to and independent from his status as Board member.

The Group's key management personnel participates in the employee share option plans (note 33). The costs relating to the options amounted to EUR 3.1 million and EUR 3.2 million respectively in the years ended 31 December 2019 and 31 December 2018.

	year ended	
	31 December 2019	**31 December 2018**
Number of options outstanding (pcs, after split)	5 310 000	9 576 660
Number of available options (pcs, after split)	27 000	2 718 660
Fair value of outstanding options as at grant date (EUR millions)	13.1	17.0

As at 31 December 2019 and 2018, the Company had no outstanding balances with the key management personnel, apart from accruals for annual bonuses payable in first quarter of the following year. As at 31 December 2019 and 2018 the Company has not extended any advances to the Board of Directors or senior management personnel and had no pension fund, life insurance or other such commitments with these parties, except for the share option plans detailed above and in note 33. As at 31 December 2019 and 31 December 2018 there were no liabilities to former employees.

Conflicts of interest concerning the Board Directors

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

Other related entities

Metropolitan Properties Investment Sp. z o.o (previously Metropolitan Properties International Sp. z o.o) is a closely related company to Mr Henry McGovern, who was a member of the Board of Directors of AmRest Holdings SE till May 2019.

The Group leases three restaurants from Metropolitan Properties Investment Sp. z o.o. on conditions similar to those lease agreements concluded with third parties.

Metropolitan Properties Investment met the definition of closely related company to Mr Henry McGovern and related party to AmRest Group till May 2019.

Rental fees and other charges paid to Metropolitan Properties Investment Sp. z o.o. amounted to EUR 0.2 million in a period from 1 January 2019 to 10 May 2019 and EUR 0.4 million in year 2018.

There were no material receivables and payables from Metropolitan Properties Investment Sp. z o.o. as at 31 December 2019 and 31 December 2018.

39. Financial instruments

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

The details about the equity instrument measured at fair value including level in the fair value hierarchy and valuation techniques are described in the note 21.

In December 2019 the Group transferred equity instrument measured at fair value between levels of fair value hierarchy: from Level 3 to Level 2 (details in note 21).

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

(all figures in EUR millions unless stated otherwise)

31 December 2019	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets measured at fair value				
Equity instruments	21	76.2	-	-
Financial assets not measured at fair value				
Rental deposits	22	-	20.6	-
Trade and other receivables	24	-	65.2	-
Cash and cash equivalents	26	-	106.2	-
Financial liabilities not measured at fair value				
Loans and borrowings	31	-	-	617.8
SSD	31	-	-	102.3
Lease liabilities	17	-	-	864.1
Trade and other liabilities	36	-	-	181.3

31 December 2018 *(restated)*	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets measured at fair value				
Equity instruments	21	26.9	-	-
Financial assets not measured at fair value				
Rental deposits	22	-	20.9	-
Trade and other receivables	24	-	35.1	-
Cash and cash equivalents	26	-	118.4	-
Financial liabilities not measured at fair value				
Deferred payment of Sushi Shop acquisition		-	-	17.1
Loans and borrowings	31	-	-	559.5
SSD	31	-	-	102.3
Finance lease liabilities	17	-	-	2.4
Trade and other liabilities	36	-	-	161.8

Risk management

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

Credit risk

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

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

The maximum credit risk exposure on trade and other receivables and cash and cash equivalents amounts to EUR 210.8 million.

Cash and cash equivalents

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

Trade receivables

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

(all figures in EUR millions unless stated otherwise)

- Restaurant sales,
- Franchise and other sales.

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

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

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

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

During year 2019 the Group recognised an impairment of the Group's receivables exposed to credit risk in an net amount of EUR 4.1 million.

The ageing break-down of receivables and receivable loss allowance as at 31 December 2019 and 31 December 2018 is presented in the table below.

	Current	**Overdue in days**				**Total**
2019	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	97.6	5.0	3.0	3.6	3.5	**112.7**
Loss allowance (note 24)	(0.1)	(0.3)	(1.6)	(3.3)	(2.8)	**(8.1)**
Total	**97.5**	**4.7**	**1.4**	**0.3**	**0.7**	**104.6**

	Current	**Overdue in days**				**Total**
2018 (restated)	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	42.1	10.5	3.0	1.6	2.5	**59.7**
Loss allowance (note 24)	(0.7)	(0.9)	-	(0.1)	(2.5)	**(4.2)**
Total	**41.4**	**9.6**	**3.0**	**1.5**	-	**55.5**

Value of loss allowance for receivables as at 31 December 2019 and 31 December 2018 is presented in table below:

	31 December 2019	**31 December 2018**
Value at the beginning of the period	4.2	3.2
Allowance created	4.6	2.8
Allowance released	(0.5)	(1.3)
Other	(0.2)	(0.5)
Value at the end of the period	**8.1**	**4.2**

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 31). As at 31 December 2019 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analyzed in quarterly periods.

(all figures in EUR millions unless stated otherwise)

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been EUR 406 thousand lower/higher (2018: EUR 407 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been EUR 8 thousand lower/higher (2018: EUR 31 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been the same (2018: EUR 98 thousand lower/higher).

Foreign exchange risk

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

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

Net investment foreign currency valuation risk

The Group is exposed to risk of net investment valuation in subsidiaries valued in foreign currencies. This risk is hedged for key positions with use of net investment hedge. Details concerning hedging on currency risk are described in note 27.

Liquidity risk

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

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

The maturity break-down of long- and short-term borrowings as well as trade and other liabilities as at 31 December 2019 and 31 December 2018 is presented in the table below:

	31 December 2019				**31 December 2018** *(restated)*			
	Trade and other liabilities	**Loan instalments**	**Interest and other charges**	**Total**	**Trade and other liabilities**	**Loan instalments**	**Interest and other charges**	**Total**
Up to 1 year	181.3	64.1	15.9	261.3	161.8	6.4	21.3	189.5
Between 1 and 2 years	-	58.1	13.0	71.1	-	56.2	19.7	75.9
Between 2 and 3 years	-	561.5	10.0	571.5	-	55.0	16.3	71.3
Between 3 and 4 years	-	-	0.9	0.9	-	507.4	12.6	520.0
Between 4 and 5 years	-	38.5	0.4	38.9	-	-	0.9	0.9
More than 5 years	-	-	0.4	0.4	-	38.9	0.4	39.3
Payable gross value	**181.3**	**722.2**	**40.6**	**944.1**	**161.8**	**663.9**	**71.2**	**896.9**
Not amortised loan cost	-	(2.1)	-	(2.1)	-	(2.1)	-	(2.1)
Payable net value	**181.3**	**720.1**	**40.6**	**942.0**	**161.8**	**661.8**	**71.2**	**894.8**

Capital risk

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

At 2019 and 2018 year end the leverage ratios were met.

(all figures in EUR millions unless stated otherwise)

40. Seasonality of sales

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

41. Audit fees

KPMG Auditores, S.L., and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, rendered professional services to the Group during the years ended 31 December 2019 and 2018, the fees and expenses for which are as follows:

2019	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.7	0.3	1.3
Tax advisory services	-	-	-	-
Other services	-	-	-	-
	0.3	0.7	0.3	1.3

2018	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.4	0.4	1.1
Tax advisory services	-	-	-	-
Other services	-	-	0.2	0.2
	0.3	0.4	0.6	1.3

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2019 and other agreed upon-procedures performed by the auditors.

The amounts detailed in the above table include the total fees for 2019 and 2018, irrespective of the date of invoice.

42. Events after the reporting period

On 28 February 2020 AmRest Holding's SE registered office was changed from Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain to Paseo de la Castellana 163, 28046 (Madrid), Spain.

43. Significant accounting policies

a. Basis of consolidation

Business combinations

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

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

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

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

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

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

Non-controlling interests and transactions with non-controlling interests

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

Interests in equity-accounted investees

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

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

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

Transactions eliminated on consolidation

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

b. Foreign currency

Functional currencies and presentation currency

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

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

The Group uses European Central Bank's exchange rates for currency translations.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at 31 December 2019.

Foreign currency transactions

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

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

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

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

Foreign operations

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

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

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

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

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

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

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

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

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

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

d. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rates as the discount rates.
The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources (differentiated by currency of the debt) and makes certain adjustments to reflect the terms of the lease, based on long-term IRS quotation.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made (amortised cost using the effective interest method). It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate,
- a change in the estimate of the amount expected to be payable under a residual value guarantee, or
- changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group incurs expenses on maintenance, security and promotion in the shopping malls (so called “common area charges”). These items are separate services (non-lease components) and are recognised as an operating expenses.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and included in other income in the income statement.

Policy applicable before 1 January 2019

Group as a lessee

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

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

Finance lease

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

Operating lease/rent cost

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

Group as a lessor

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

e. Revenues

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

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

Restaurant sales

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

Franchise and other sales: owned brands

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

Franchise and other sales: master-franchise agreements

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

Performance obligations identified:

- AmRest's performance obligation to YUM: to develop the market by opening new restaurants (either AmRest own or sub-franchises) and promote the YUM's brand by performing marketing activities. Managing marketing fund is not distinct from the development of the market, and no separate remuneration was agreed between parties for those services. Various streams of cash flows are agreed in MFA: AmRest collects initial fees and transfers them to YUM, AmRest manages the marketing fund (collects revenue based contributions from owned and sub-franchised restaurants and spends them on marketing activities, any unspent amount is to be paid to YUM and YUM spends it on national campaigns at its discretion). If a certain point of market development level is reached, AmRest is enabled to receive a bonus that represents the transaction price for the service performed for the Master Franchisor. To reflect the substance of the transaction, cash flows received from sub franchisees from initial and marketing fees are netted with the initial fees paid/actual marketing expenses and bonus earned.
- AmRest's performance obligation to sub-franchisees: to grant sub-franchisees the right to use the system, system property etc. and other services solely in connection with the conduct of the business at the outlet (sub-licensing from YUM). The transaction price is agreed in the form of sales based royalties paid by franchisees. Initial fees and renewal fees paid by franchisees are part of other performance obligations (described above). Corresponding costs of acquiring license right from Yum are presented within costs of sales of franchise activities in the line "Franchise and other expenses".

Loyalty points programs

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

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points.

Gift cards

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

f. Income tax

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

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

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

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

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

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

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

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

g. Property, plant and equipment

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

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

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

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

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

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

Amortisation and depreciation

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

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

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

** over the lease term*

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

h. Franchise, license agreements and other fees

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

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

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

i. Intangible assets

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

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

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

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

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

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

Amortisation

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

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

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

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

The estimated useful lives of assets are as follows:

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

j. Goodwill

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

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

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

Goodwill of foreign operations is translated into euro at the exchange rates at the reporting date. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

k. Impairment of non-financial assets

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

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

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

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

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

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

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

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

Group performs in general two types of impairment tests: on restaurant levels, when impairment indicators exists and for businesses were goodwill is assigned or impairment indicators identified.

Restaurants tests- procedure performed twice a year

Usually individual restaurants are considered separate CGUs in Group.

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

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

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

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

Upon application of the IFRS 16 carrying amount of the tested restaurants includes also carrying amount of right of use of assets in respective restaurants. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Discounted cash flows do not include outflows relates to rental agreements as those are considered an element of financing under IFRS 16 and reflected in discount rate applicable for test. Carrying amount of lease liabilities is included in carrying amount of CGU. Lease labilities are also deducted from discounted cashflows.

Goodwill tests- unless impairment indicators exist, procedure performed once a year

For businesses where goodwill is allocated impairment tests are performed at least once a year. Goodwill is testes together with intangibles (including those with indefinite useful lives), property plant and equipment, right of uses assets as well other non-current assets allocated to groups of CGUs where goodwill is monitored. If impairment indicators exist additional tests are performed. Following indicators are analyzed:

Arising from external sources of information such as:

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

Arising from internal sources of information, including:

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

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

The recoverable amounts is assessed using fair values less costs of disposal model based on the discounted cash flows. Post tax rate is applied, and implied pre-tax rate subsequently determined. Lease liabilities are included in carrying amount of tested business reducing the maximum possible impairment. Lease outflows are included l in cash flow projections in the impairment model.

Sensitivity analysis is performed as an element of impairment tests procedures.

l. Investment properties

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

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

m. Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

n. Cash and cash equivalents

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

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

o. Financial assets

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

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

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss,
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss,
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

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

Impairment

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

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

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

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

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

The Group applied the simplified approach for:

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

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

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

p. Financial liabilities

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

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

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

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

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

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

q. Derivative financial instruments and hedge accounting

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

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

The Group designates certain derivatives as either:

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

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

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

Hedge is effective if:

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

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

r. Share based payments and employee benefits

Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

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

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

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

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

Long-term employee benefits based on years in service

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

Retirement benefit contributions

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

s. Provisions

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

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

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

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

The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed periodically and adjusted if needed.

Onerous contracts (for lease contracts applicable until 1 January 2019)

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

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

t. Equity

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

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

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

The effect of the following transactions is presented under reserves:

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

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

Treasury shares

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

44. Changes in accounting policies, reclassification and restatement of comparatives summary

a. Restatement of comparatives: final acquisitions accounting

Statement of financial position for the year ended 31 December 2018 was restated as a consequence of changes due to final purchase price accounting.

31 December 2018	Published EUR million	Adjustment 1 EUR million	Adjustment 2 EUR million	Restated EUR million
Assets				
Property, plant and equipment	500.9	-	0.5	501.4
Goodwill	368.7	(1.9)	(9.9)	356.9
Intangible assets	240.8	3.4	17.0	261.2
Investment properties	5.2	-	-	5.2
Financial assets measured at fair value	26.9	-	-	26.9
Other non-current assets	26.4	-	0.7	27.1
Deferred tax assets	22.1	(0.8)	-	21.3
Total non-current assets	**1 191.0**	**0.7**	**8.3**	**1 200.0**
Inventories	25.7	-	-	25.7
Trade and other receivables	61.9	-	(6.4)	55.5
Corporate income tax receivables	8.0	-	(0.8)	7.2
Other current assets	36.3	-	(1.3)	35.0
Cash and cash equivalents	118.4	-	-	118.4
Total current assets	**250.3**	-	**(8.5)**	**241.8**
Total assets	**1 441.3**	**0.7**	**(0.2)**	**1 441.8**
Equity				
Share capital	22.0	-	-	22.0
Reserves	206.1	-	-	206.1
Retained earnings	231.5	-	-	231.5
Translation reserve	(38.9)	-	-	(38.9)
Equity attributable to shareholders of the parent	**420.7**	-	-	**420.7**
Non-controlling interests	9.9	-	-	9.9
Total equity	**430.6**	-	-	**430.6**
Liabilities				
Interest-bearing loans and borrowings	655.8	-	-	655.8
Lease liabilities	1.8	-	-	1.8
Employee benefits liability	1.7	-	-	1.7
Provisions	14.8	0.7	-	15.5
Deferred tax liability	46.2	-	3.3	49.5
Other non-current liabilities	25.1	-	1.9	27.0
Total non-current liabilities	**745.4**	**0.7**	**5.2**	**751.3**
Interest-bearing loans and borrowings	6.0	-	-	6.0
Lease liabilities	0.6	-	-	0.6
Trade and other accounts payable	246.9	-	(3.9)	243.0
Corporate income tax liabilities	11.8	-	(1.5)	10.3
Total current liabilities	**265.3**	-	**(5.4)**	**259.9**
Total liabilities	**1 010.7**	**0.7**	**(0.2)**	**1 011.2**
Total equity and liabilities	**1 441.3**	**0.7**	**(0.2)**	**1 441.8**

Adjustment 1 – effect of final PPA of KFC France acquisition described in note 7
Adjustment 2 – effect of final PPA of Sushi Shop described in note 7

b. Restatement of comparatives: reclassification

During 2019 the Group undertook a detailed review of delivery fee expenses and noticed that all delivery fees and expanse were presented as payroll costs, irrespective if incurred internally or externally.

In current financial statements Group presents external delivery fees in a "Occupancy and other operating expenses" section, with further analytical presentation by nature as "External services - other". In prior period those costs were presented as payroll.

Due to change in presentations Group adjusted data for comparative period, by restating each of the affected financial statements line items for the prior period as follows:

year ended **31 December 2018**	**Published** EUR million	**Adjustment** EUR million	**Restated** EUR million
Payroll, social security and employee benefits	(375.1)	17.9	(357.2)
Occupancy and other operating expenses	(433.4)	(17.9)	(451.3)
Total operating costs and losses	**(1 477.3)**	**-**	**(1 477.3)**
Profit from operations	**71.6**	**-**	**71.6**
Profit for the period	**41.3**	**-**	**41.3**

The respective notes were marked as "restated".

There is no impact on the Group's net profit, basic or diluted earnings per share and no impact on the cash flows for the year ended 31 December 2018.

c. Changes in significant accounting policies due to adoption of new standards, interpretations and amendments

▪ IFRS 16 Leases

Application of IFRS 16 had substantial effect on financial reporting of AmRest Group. Details were disclosed in note 5.

Comparative data were not restated.

▪ Other newly applied standards, amendments and interpretations

The amendments and interpretations below were applied in 2019 and had no significant impact on the accounting policies applied.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately,
- The assumptions an entity makes about the examination of tax treatments by taxation authorities,
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to IFRSs 2015-2017 cycle

These improvements include:

IFRS 3 Business Combinations: The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

IFRS 11 Joint Arrangements: A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

IAS 23 Borrowing Costs: The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Group's practice was in line with these amendments.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event,
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

45. Standards issued but not yet effective

A number of amendments to standards is effective for annual periods beginning after 1 January 2020 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material

The new definition of "material" states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). Amendments are effective for annual periods beginning on or after 1 January 2020 and do not apply to Group.

Below standards and are issued but not yet approved by European Union. The Group will apply the standard once approved by the European Union.

Amendments to IFRS 3 Business Combinations: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are to be applied prospectively and will be reflected in accounting for future transactions of Group.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after 1 January 2022. The amendments are to be applied prospectively and will be reflected in accounting for future transactions of Group.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 28 February 2020